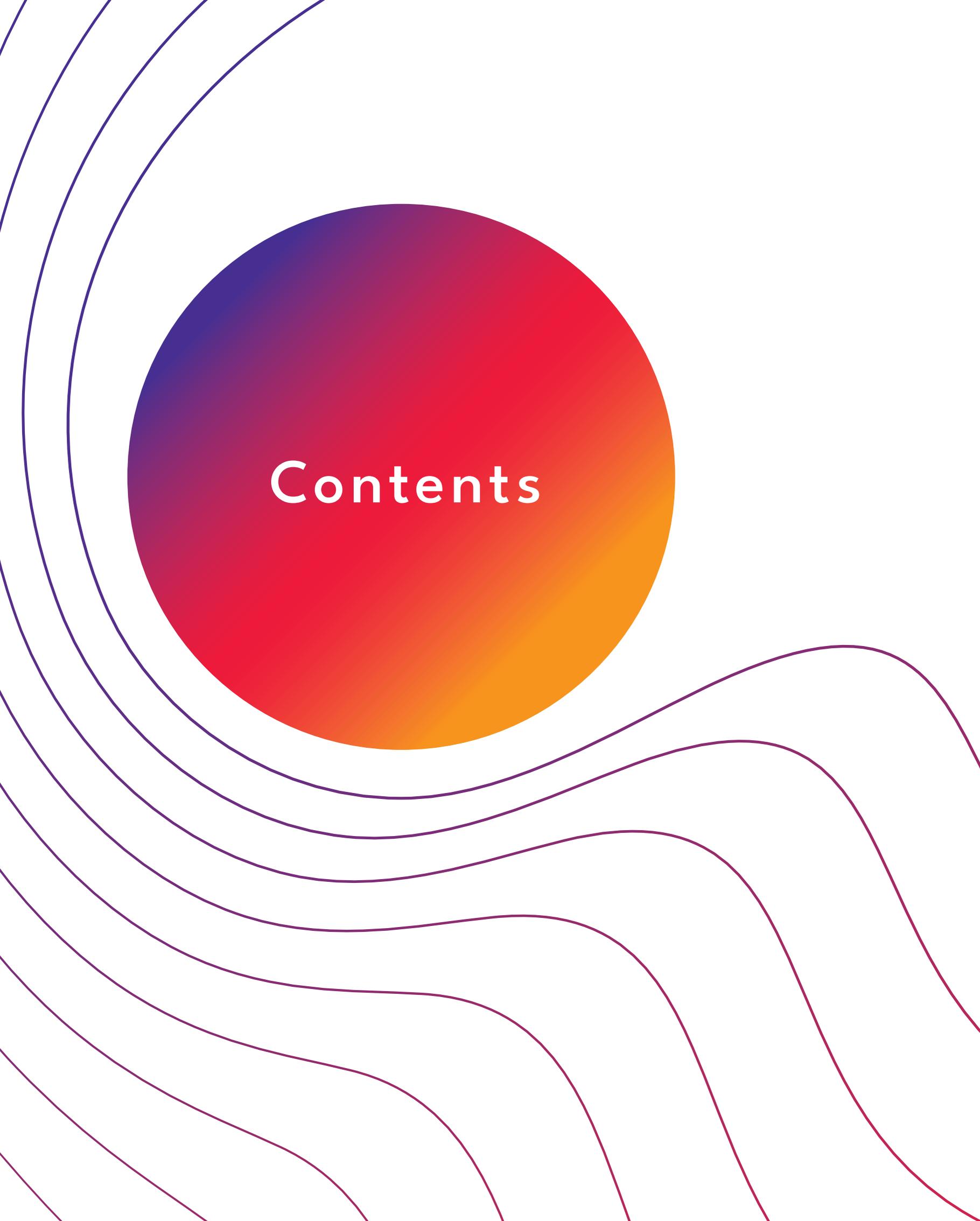


2019

ANNUAL
REPORT





Contents



Scan to view Zorlu Holding's previous annual reports

2	Zorlu Group Overview	90	Textiles
6	Zorlu Group Milestones	110	Energy
8	Zorlu Holding	148	Real Estate
9	Zorlu Holding and Sustainability	164	Mining - Metallurgy
10	Summary Financial Statements and Operational Indicators	176	Other Activities
14	Zorlu Group's Fields of Operation	180	Human Resources
28	Growth Strategies of Group Companies	194	Mehmet Zorlu Foundation
30	Message from the Board of Directors	200	Audit
38	Board of Directors	204	Internal Control
40	CEO's Assessment	208	Additional Disclosures as per the Legislation
46	Message from the Chairman of the Sustainability Committee	220	Statements of Responsibility
50	Senior Management	224	Consolidated Financial Statements and Independent Auditor's Report
56	Consumer Electronics & Household Appliances		Contact

Combining its deep-rooted experience and expertise across a variety of industries, a sustainability strategy and business approach driven by technology and innovation, competent, enterprising and creative human resources equipped with the necessary skills of the era, and a 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, Zorlu Group is a major conglomerate today, with over 60 companies and more than 30,000 employees.

As one of Turkey's leading conglomerates, Zorlu Group is engaged in the industries of;

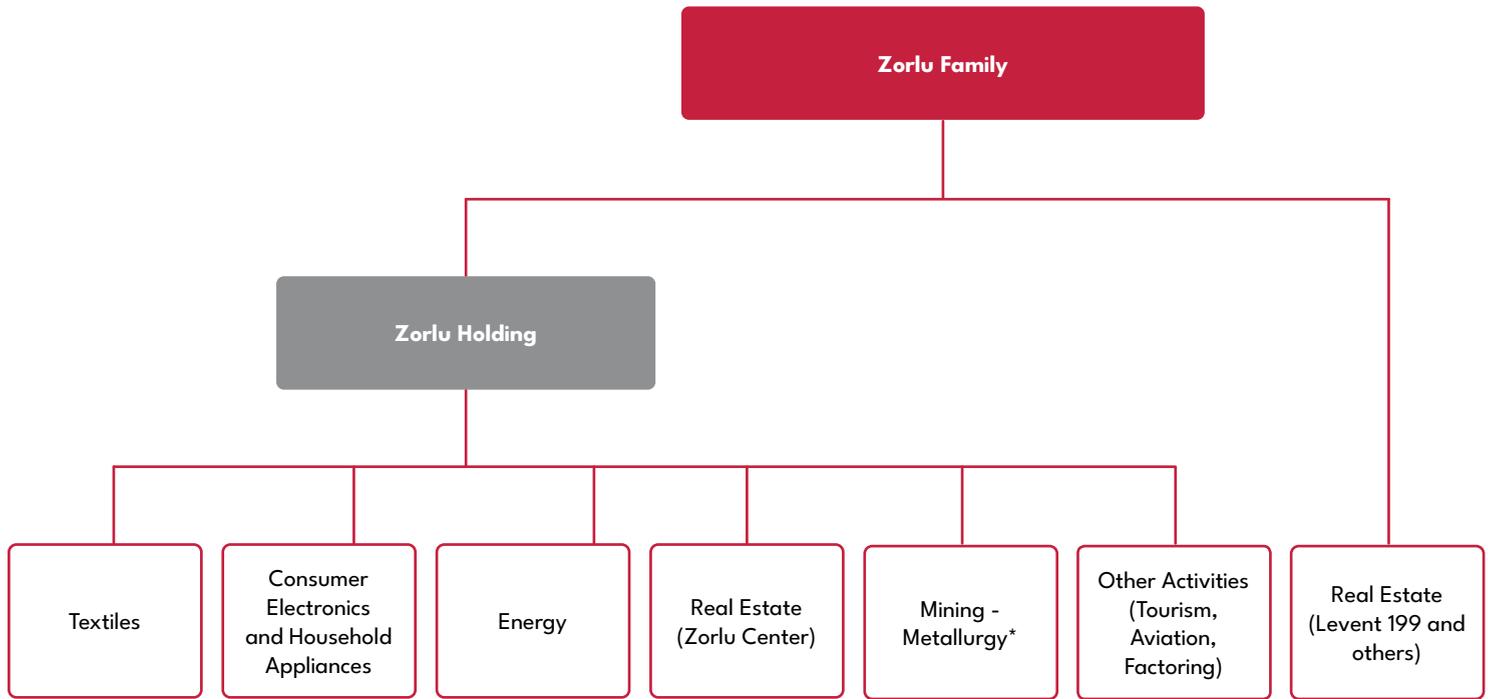
- Textiles,
- Consumer Electronics & Household Appliances,
- Energy,
- Real Estate,
- Mining-Metallurgy, and
- Other (Tourism, Factoring, Aviation)

where it continues to generate value added for Turkey's economy, with the Group 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.

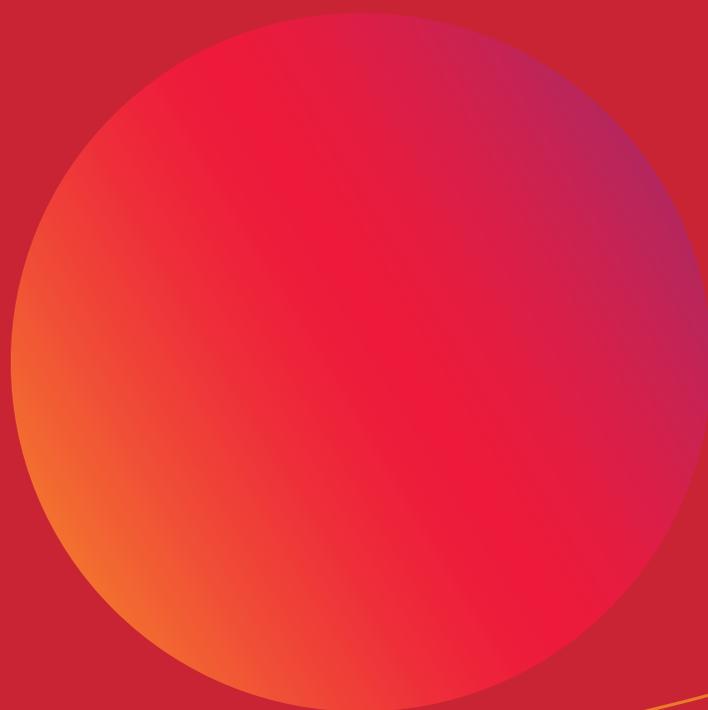
Combining its deep-rooted experience and know-how, competent and specialized human resources and a robust, visionary management structure, Zorlu Group is a highly reputed conglomerate in Turkey and across the globe. The Group focuses its activities on creating lasting value for all of its stakeholders and increasing the value of its brand, which has become a symbol of quality, confidence and credibility.

Zorlu Group's Fields of Operation & Shareholding Structure



* Zorlu Holding AŞ and Vestel Elektronik Sanayi ve Ticaret AŞ are the shareholders of Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ, each holding 50% share.

A Success Story



Zorlu Group Milestones

1953

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

1960

The company enters the textile trade by opening a store in Trabzon.

1984

The company makes its first export sale 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 needs of Zorlu Group's industrial enterprises.

1999

Mehmet Zorlu Education, Health, Culture and Solidary 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 home textile producer.

2003

Zorlu Group celebrates its 50th 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 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 the 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 a 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 functions of Zorlu Center begin operations. 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 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 operation. 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 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. 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. Construction of the Meta Nikel Kobalt Facility's R&D Center begins. Zorluteks becomes the first home textile company in Turkey to receive the "Authorized Economic Operator Certificate." Zorluteks Design Center is established. A first in 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. Vestel Elektronik wins TPM Advanced Special Award. Meta Nikel Kobalt Madencilik is awarded the "R&D Center Certificate." Vestel Elektronik buys 50% stake in Meta Nikel Kobalt Madencilik. The 65.5 MW second unit of Kızıldere III GPP becomes operational. 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 are awarded the highest score from BSCI.

2019

Vestel Beyaz Eşya's brand licensing agreement with Sharp Corporation is expanded to include smart products. Zorlu Enerji signed a contract to sell its 100% stake in Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ, which includes Sarıtepe and Demirciler WPPs in its portfolio. Meta Nikel-

Kobalt Madencilik's project for "Recovery of Concentrated Scandium Compounds from Gördes Nickel Cobalt Plant Waste by Ion Exchange and Solvent Extraction Methods" is approved by TÜBİTAK. Zorlu Tekstil opens seven new stores in six countries. The "No Barriers in Zorlu" project earns Zorlu Center

the Albert Sussman International Community Support Award, the most prestigious accolade awarded by ICSC. Zorlu PSM produces and stages a musical for the first time, titled Alice.

Zorlu Holding

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

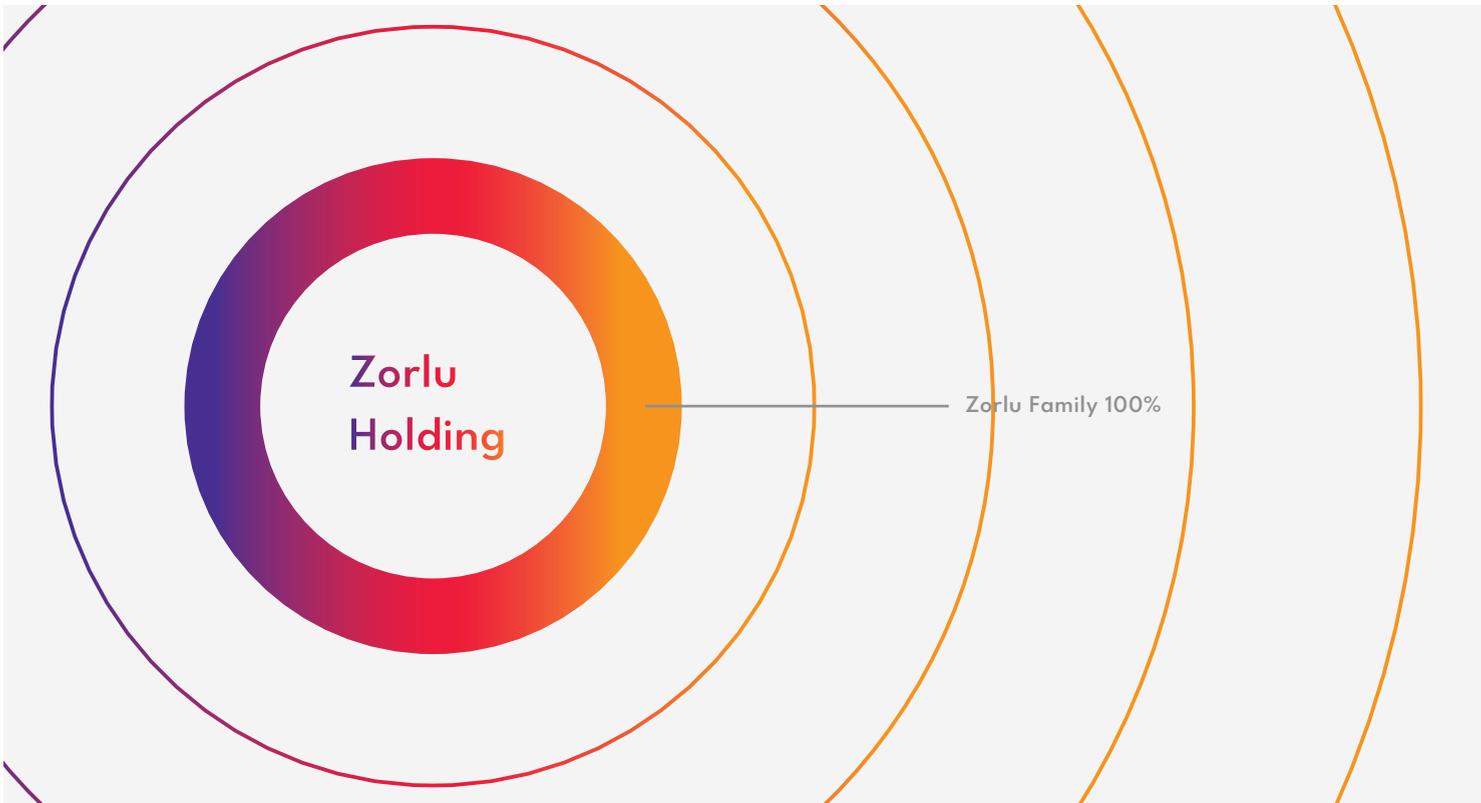
Zorlu Group companies engaged in consumer electronics, household appliances, textiles, energy and mining-metallurgy sectors, as well as Zorlu Yapı Yatırım AŞ, which owns Zorlu Center, operate under the roof of Zorlu Holding, which in turn is controlled by the Zorlu Family.

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 trade on Borsa İstanbul (BIST).

As of December 31, 2019, Zorlu Holding’s paid-in capital amounts to TL 3,325,000,000.

Zorlu Holding Shareholding Structure



Zorlu Holding and Sustainability

Smart Life 2030 Sustainability Vision

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. This long-term journey extends over three main axes, namely “Employees”, “Environment” and “Society”.

Acknowledging that its employees are its greatest asset, Zorlu Holding strives to create an innovation-based and inclusive corporate culture by adding value for its employees and other stakeholders within its domain of influence in a variety of areas including gender equality, employee volunteering and intrapreneurship.

Fully aware that the earth’s natural resources are finite, Zorlu Holding acts with responsibility to protect the environment and all living beings. Accordingly, guided by a sense of responsible investment, it reduces its environmental impact while maintaining its economic growth. Zorlu Holding continues to improve its supply chain, makes its facilities smarter and develops sustainable products and services. To help mitigate the effects of climate change, the Holding endeavors to reduce the environmental footprint and carbon emissions associated with the operations of Group companies, develop efficient products that reduce natural resource consumption, increase the share of renewable energy in production, and promote advanced, eco-friendly manufacturing technologies.

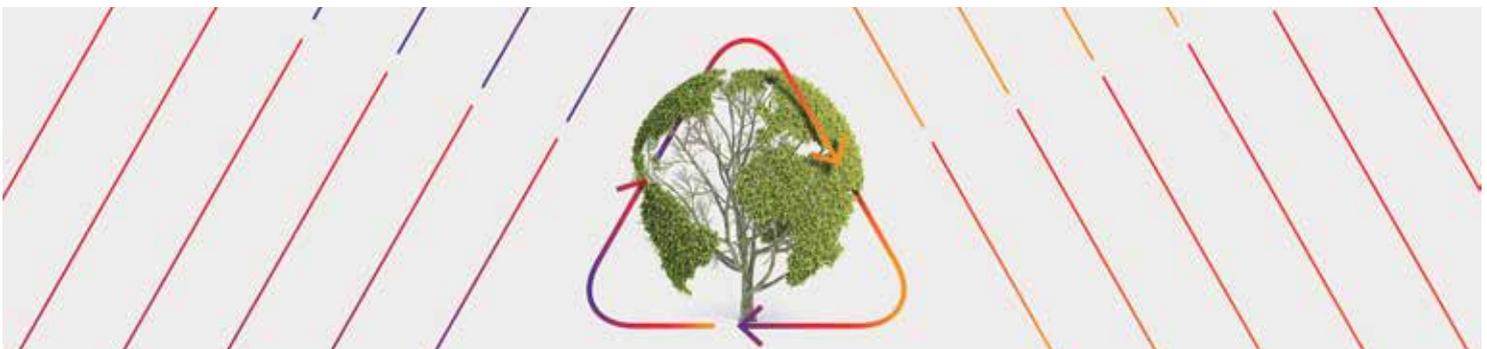
In all these efforts, Zorlu Holding is guided by the United Nations 2030 Sustainable Development Goals. This process is managed under the Smart Life vision, and has led to the creation of Sustainability Umbrella Goals. Designed to serve as a leverage for Zorlu Group, these goals are managed and monitored through working groups for seven focus areas: R&D, Innovation, Environment, Employees, Corporate Governance, Supplier Relations, Customer Relations and Community Relations.

Based on the understanding that success is closely linked to society’s prosperity, the Smart Life 2030 vision paves the way for partnerships and collaborations with stakeholders to realize global sustainable development goals and society’s aspirations based on shared values.

Guided by the Smart Life 2030 vision, Zorlu Holding;

- Provides training for Zorlu Holding and Group companies to help integrate sustainability into their way of doing business.
- Prepares young people for the future with the Mehmet Zorlu Foundation, where it develops numerous public benefit projects in various areas from education to culture & arts and healthcare to social welfare.
- In collaboration with the 21st Century Competencies Awareness Program, Zorlu Holding helps young people develop the skills and competencies of the 21st century.
- The Holding also contributes to the development of sustainable solutions for social issues through the support it gives to İmece, the social innovation platform, whose open social innovation laboratory imeceLAB provides a platform for high school and university students to collectively develop solutions for social, cultural and environmental challenges.
- Driven by its vision of equality through diversity and inclusion, it supports women’s empowerment in all aspects of life within the framework of gender equality.
- Through its technology and creativity platform Digilogue, the Holding collaborates with creative industries and universities to foster discussion and debate on the impacts of new technologies from the perspective of culture and arts.

Zorlu Holding will further strengthen its corporate and organizational structure through the Smart Life 2030 vision, and continue to build a better future with the synergic collaboration of the Group companies and their human resources.



Summary Financial Statements and Operational Indicators*

Zorlu Holding maintained its growth in 2019, increasing its consolidated turnover by 13% year-over-year to TL 30.7 billion despite the ongoing economic balancing process, thanks to its robust and agile management enabling action to preserve domestic revenues, as well as the two-digit growth in energy and real estate businesses.

Export revenues, which account for 51% of total sales, was at USD 2.8 billion, driven by the export-oriented production strategy in consumer electronics and household appliances and textile sectors. EBITDA increased 6% in 2019 to TL 15.7 billion, while EBITDA margin was at 17.1%. Total assets of Zorlu Holding rose to TL 63.2 billion with a 9% growth.

Zorlu Holding - Summary Balance Sheet (TL Thousand)

	2016	2017	2018	2019
Current Assets	15,369,560	14,172,743	16,891,925	17,730,900
Fixed Assets	14,620,701	28,709,321	41,257,421	45,498,700
Total Assets	29,990,261	42,882,064	58,149,346	63,229,600
Short-Term Liabilities	15,878,317	24,453,805	34,620,527	39,678,231
Long-Term Liabilities	9,529,287	14,629,884	17,372,969	20,886,177
Equity	4,582,657	3,798,375	6,155,850	2,665,192
Total Liabilities & Equity	29,990,261	42,882,064	58,149,346	63,229,600

Summary Income Statement (TL Thousand)

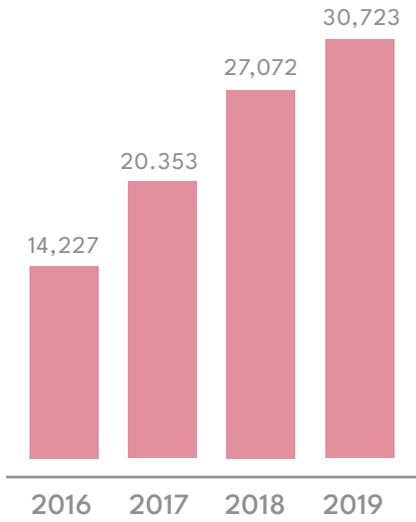
	2016	2017	2018	2019
Sales Revenues	14,227,063	20,353,392	27,071,872	30,723,245
Gross Profit	3,422,689	4,565,119	7,000,797	6,855,712
Operating Profit**	1,392,918	1,927,004	3,794,933	3,449,672
EBITDA**	2,005,603	2,704,496	4,947,209	5,265,207
Net Financial Expenses	-1,495,656	-2,521,181	-8,752,083	-7,281,501
Net Loss for the Period***	-207,408	-429,469	-6,897,669	-4,018,090
Gross Profit Margin	24.1%	22.4%	25.9%	22.3%
EBITDA Margin	14.1%	13.3%	18.3%	17.1%
Export Ratio	51.9%	46.3%	52.3%	51.2%

* 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 are excluded from the above consolidated financial statements as they are not part of Zorlu Holding.

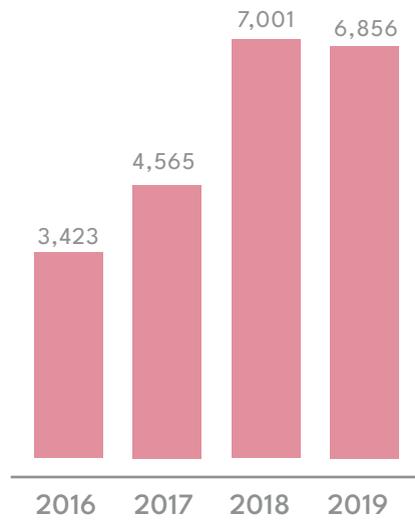
** Excludes other revenues and expenses from operations.

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

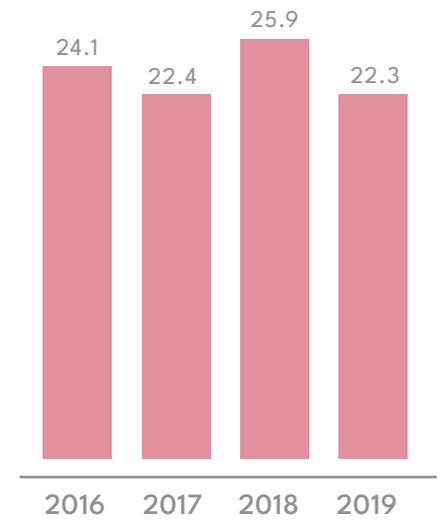
Net Sales
(TL Million)



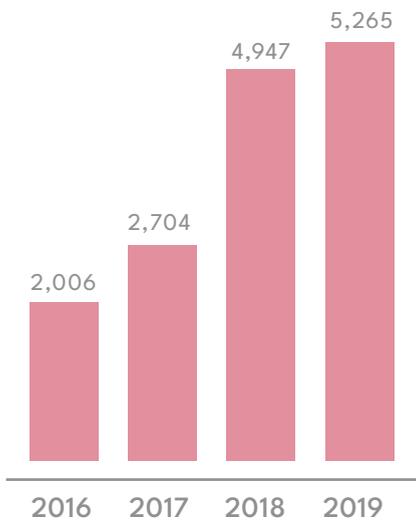
Gross Profit
(TL Million)



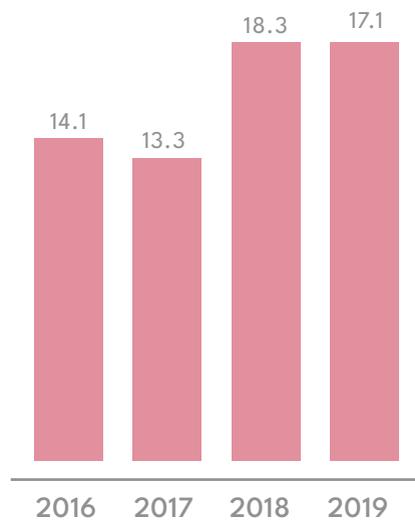
Gross Profit Margin
(%)



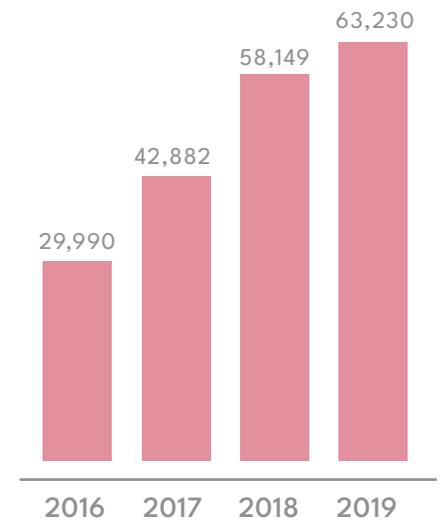
EBITDA*
(TL Million)



EBITDA Margin*
(%)

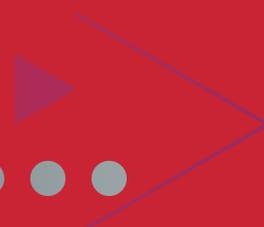


Total Assets
(TL Million)



* Excluding other operating income and expense

**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 home textile 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 home textiles, 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 2019, the Group maintains its growth trajectory in renewable energy by capitalizing on investment opportunities both in Turkey and international markets.

Zorlu Energy Group aims to increase its investments in renewable energy, mainly in geothermal and solar power, as part of its commitment to contributing to a sustainable future.

In natural gas distribution, Zorlu Energy Group continues to expand its network to new districts in its licensed regions to bring natural gas to more locations, while continuing its investments in electricity distribution and retail sales, which the Group entered in 2017, to renovate and technologically advance the existing infrastructure and enhance the quality of service offered to customers.

As part of its vision to reduce carbon emissions for a better future, Zorlu Enerji has taken significant steps towards becoming a technology and innovation-oriented next generation energy company, pioneering the efforts to promote electric vehicle use with new investments in charging stations.





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.

Zorlu Real Estate Group has embraced contemporary project development and operation methods. The Group manages technology, R&D, human resources, systems, sustainability,



strategies and processes in a strong synergy. To this end, Zorlu Real Estate Group focuses its operations on two main pillars:

- Sustainable building concepts
- Digitized building management systems

Zorlu Shopping Mall, part of Turkey's first five-function mixed-use project Zorlu Center, has hosted 75 million visitors in the span of 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 sixth year, Zorlu PSM has well-proven itself, having hosted 2.5 million 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 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, processing exposed deposits using advanced technologies to produce nickel and cobalt elements in hydroxide form (MHP - Mixed Hydroxide Precipitate) for export markets.

Zorlu Mining Group's strategy involves processing nickel and cobalt elements into value-added 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 gradually 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

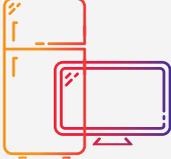
Zorlu Holding continues distinguishing itself with its quality and unique approach to service in a wide range of other fields, from tourism to factoring and aviation.

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>CONSUMER ELECTRONICS & HOUSEHOLD APPLIANCES</p>	<p>Manufacturing and sale of;</p> <ul style="list-style-type: none"> • Television sets, • Household appliances, • Digital and mobile products 	<p>Vestel Elektronik Vestel Beyaz Eşya 2019 Turnover: TL 17.2 billion Asset Size: TL 16.4 billion</p>
 <p>ENERGY</p>	<ul style="list-style-type: none"> • Generation and sale of electricity and steam • Electricity distribution and retail sales • Electricity trade • Natural gas distribution • Natural gas trade and sales • Power plant construction, maintenance, repair and operation • Solar panel trade and installation • Electric vehicle charging station installation • Electric vehicle rental 	<p>Zorlu Enerji OEDAŞ OEPSAŞ Zorlu Elektrik Trakya Doğal Gaz and Gaziantep Doğal Gaz Zorlu Endüstriyel Zorlu O&M Zorlu Doğal Gaz Zorlu Doğal Gaz Tedarik Zorlu Energy Solutions Electrip 2019 Turnover: TL 8.7 billion Asset Size: TL 20.2 billion</p>
 <p>TEXTILES</p>	<ul style="list-style-type: none"> • Production and sale of polyester yarn and home textiles 	<p>Korteks Zorluteks 2019 Turnover: TL 3.5 billion Asset Size: TL 3.7 billion</p>
 <p>REAL ESTATE</p>	<ul style="list-style-type: none"> • Development, sale, lease and/or operation of high-quality real estate projects 	<p>Zorlu Gayrimenkul Geliştirme Zorlu Yapı 2019 Turnover: TL 965 million Asset Size: TL 9.6 billion</p>
 <p>MINING - METALLURGY</p>	<ul style="list-style-type: none"> • Development and operation of nickel and cobalt resources in Turkey and their domestic & international sales; recovery of precious metals from process waste and development of production technology for rare earth elements 	<p>Meta Nikel Kobalt Madencilik Asset Size: TL 3.5 billion</p>
 <p>OTHER SECTORS</p>	<ul style="list-style-type: none"> • Factoring • Tourism • Aviation 	<p>ABH Turizm Temsilcilik ve Ticaret AŞ (Jules Verne Travel & Event & Jabiroo) Zorlu Faktoring Zorlu Grand Hotel Zorlu Air</p>

SECTOR POSITION

- Ranks among top three producers in 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 last 22 years

COMPETITIVE ADVANTAGES

- One of Europe's largest industrial manufacturing complexes operating in a single location (Vestel City)
- 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
- Capability to develop and diversify product range according to the needs of customers from different socio-cultural characteristics and regions
- Seamless ODM (Original Design Manufacturer) services for export markets from original design and production to point delivery
- Leading ODM in the region
- Logistics costs and delivery advantages compared to Asian competitors due to the proximity of production facilities to the European market
- The presence of an advanced household appliances support industry in Manisa
- Production facilities situated nearby the port of Izmir, offering distribution and logistics cost advantages
- Growing branded product sales in the European market through long-term licensing agreements with global brands
- Exports to 156 countries
- One of Turkey most extensive sales and after-sales service network
- Broad technological know-how ranging from household appliances to TV sets, and investments in new technologies
- One of Turkey's top 10 most recognized brands

- Turkey's leading player in geothermal energy with 20% share
- Electricity sales to a total of 1.85 million customers
- Approximately 1.84 million subscribers in electricity distribution
- Approximately 4% share in Turkey's electricity distribution
- 4.4% share in Turkey's total natural gas consumption

- Presence in each link of the electricity value chain
- Integrated service capability
- Balanced and diversified generation portfolio by resource and geography
- Investments in countries offering high growth potential
- Focus on renewables (87% of installed capacity in Turkey, 53% of total installed capacity)
- 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
- Electricity distribution and retail sales in the Osmangazi Region, which offers high growth potential with its university, industry and urbanization
- 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 home textiles

- Europe's largest integrated and innovative polyester yarn production center
- Home textile manufacturing facility with cutting edge production technologies
- Exports to 68 countries
- Widespread domestic and international sales and distribution network
- Leading companies in the Turkish home textiles 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

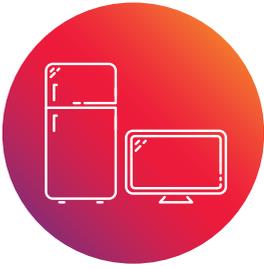
- Turkey's first and only nickel-cobalt mining plant and one of the world's top 10 most technologically advanced facilities in its field

- As of the end of 2019, proven and potential reserves equivalent to a total of 680,000 tonnes 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
- Gaining a larger share in the rising trend of “outsourcing” among A class household appliance manufacturers, and entering emerging new markets
- Seeking new brand licensing partnerships for international markets in the consumer electronics segment
- Consolidating the market presence in nearby markets by expanding operations
- Improving domestic brand image, distribution network and after-sales services to increase market share, particularly in household appliances
- Expanding into new areas of business related with the electronics business such as automotive electronics, medical devices, battery and energy storage systems
- As an addition to physical products, developing new, value-added services that will provide a continuous revenue stream

ENERGY



- Investing in new technologies such as smart systems and smart networks as well as emerging areas such as electric vehicle charging stations and 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 natural gas consumer base by expanding the distribution network

TEXTILES



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

REAL ESTATE

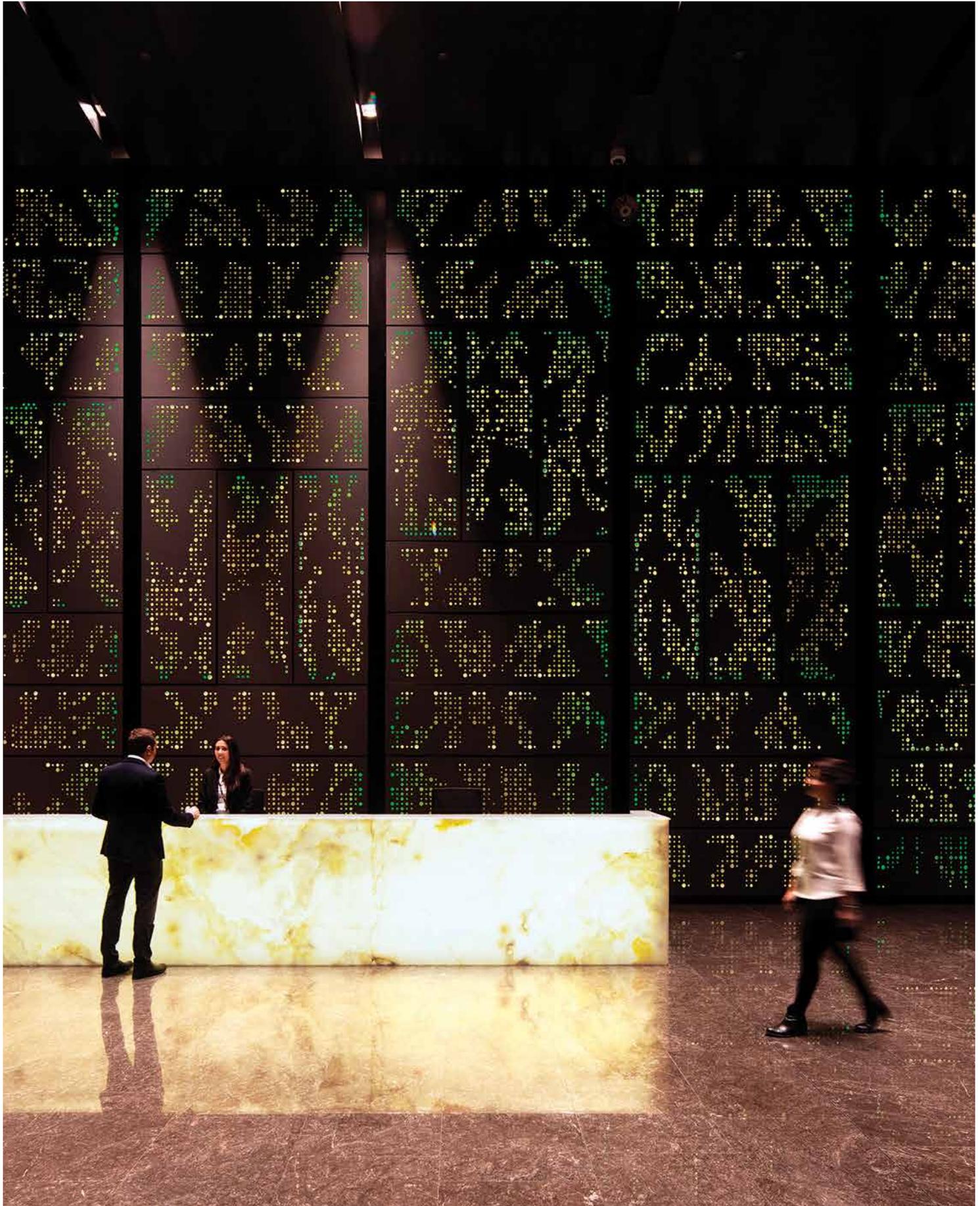


- Prioritizing initiatives that will maximize the value of current assets, particularly Zorlu Center and Levent 199
- Improving the land stock
- Initiating zoning changes that will drive up the value of the stock, developing boutique or branded real estate projects on existing plots

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, and increasing current capacity to contribute to reducing the current account deficit
- Ensuring resources stay within the country through domestic production at integrated facilities that develop their own technology and equipment
- Becoming an R&D base within the mining-metallurgy industry by improving product quality and standards and increasing skilled labor base
- Leveraging existing competencies and know-how to become the biggest nickel producer in the east of Europe in the near future



Message from the Board of Directors



With over 60 companies and 30,000 employees under its fold, Zorlu Group touches the lives of people across 156 countries, and endeavors for a better life both today and in the future.



2019 was marked by intensified concerns about global growth.

2019 was a year of increasing growth concerns across the globe as a result of trade wars, Brexit, and other global and regional political challenges. Global economic growth dipped to its lowest level since the financial crisis of ten years ago.

Urged by the increasing concerns about growth, in 2019 many central banks across the world, including the US Federal Reserve (FED) and the European Central Bank turned once again to expansionary monetary policies to support their economies. This led to the longest period of growth in the US, while the same effect did not occur in Europe, and the weak growth outlook in the eurozone persisted in 2019. Asian economies fell behind growth projections, with China recording the lowest growth in the last three decades, exacerbating concerns about the global economy.

As a result of these external factors combined with the economic balancing process that was launched in the second half of 2018 and continued into the first half of 2019, Turkish economy managed to surpass the New Economic Program's (NEP) growth target of 0.5% with an actual growth of 0.9%. Exports stood out as a positive contributor to the economy during this period, with enterprises engaged in high value-added production and industry playing a particularly important role. Exports reached all-time highs, while another important development was about the current account balance, which managed to post a surplus after recording the lowest deficit level in the last nine years.

The economic balancing is expected to carry on throughout 2020, with continued support to the economy through expansionary monetary policies. One of the key factors for the economy in the coming year will be the steps taken to mitigate the economic impact of the pandemic that surfaced in Wuhan, China in late December and subsequently spread across the globe. During this period, enterprises with strong equity, high credibility and the capacity for high value-added exports alongside domestic operations will be better positioned to withstand any potential challenges, as was the case in 2019.

With that being said, the course of the economy in 2020 will also be determined by other factors such as the potential pressure created by geopolitical and external political challenges, relations with the US, potential volatilities in exchange rates, whether inflation will return to single digits and expansionary monetary policies will be continued, foreign financing opportunities, and export and tourism sectors' contributions to the economy.

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

With over 60 companies and 30,000 employees under its fold, Zorlu Group touches the lives of people across 156 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 to help secure a more sustainable growth for our country.

Today, our group is among the top employers, exporters and revenue generators in Turkey. The high share of exports in revenues provides our group with protection against exchange rate fluctuations. With companies operating in five main sectors of the future, we are focused on areas that will carry Turkey into tomorrow. This robust organizational structure enables us to sustain our growth, despite the changing conditions in the world and in Turkey.

We are engaged in innovation that will shape Turkey's future.

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, conceived in line with the UN's 2030 Agenda for Sustainable Development Goals, at 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. Guided by this strategy, we invest with a 360-degree vision that encompass smart products,

smart homes, and smart cities. We develop a range of smart systems including electric vehicle rentals and charging stations, smart electric poles, and smart energy management systems. Our investment plans include new initiatives involving nickel and cobalt, which are regarded as two key raw materials that will shape the world of tomorrow, which will be processed into forms for use in electric vehicles and energy storage through R&D and technology.

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

With 14 companies under our fold, including Korteks, Europe's largest integrated polyester yarn manufacturer, and Zorluteks, a world leader in home textiles production, we are one of the largest textile manufacturers and exporters of Turkey. As the innovative partner of global giants, we continue to serve as the gateway of Turkish textiles into the world. We pioneer the next generation of textiles in Turkey with a broad range of smart textile products and solutions including conductive linens, wearable technologies, and energy, security and healthcare applications. Fueled by two R&D centers, we will push forward for a smart, sustainable and value-generating transformation to continue introducing firsts in the Turkish textile industry.

Meanwhile, we are still synonymous with high-value-added production in Turkey with our brand Vestel, which has maintained its title of export champion in the electronics sector for 22 consecutive years. We consolidate our strength in exports with each passing year with global collaborations. 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 for homes and cities and for various aspects of daily life. We are increasing our focus on automotive electronics and batteries, which represent two important areas of development. As a partner of the TOGG, or Turkey's Automobile Joint Venture Group, we are sharing our expertise in service of our country. We are continuing our work to position our manufacturing base Vestel City as the first facility in Turkey to complete its Industry 4.0 transformation.

We continue to pioneer domestic and renewable energy in Turkey with Zorlu Energy Group, which boasts a portfolio of power plants in Turkey 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,

Message from the Board of Directors



In 2020, a year that is expected to be heavily influenced by the global pandemic and the resulting social, economic and political uncertainties, Zorlu Group is looking to sustain the efficiency of its operations by leveraging its 67 years of experience, competent senior management, and qualified human resources.



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. We are also making investments to promote the use of electric vehicles for a greener future. Our electric vehicle charging stations represent our leadership in Turkey in this sector, and also reflect our smart transformation aspirations in the energy industry. In addition to these steps we have taken towards our goal of becoming the energy company of the future, we entered 2020 with a more robust capital structure thanks to adjustments to our asset portfolio.

With Zorlu Center and Levent 199, Our Real Estate group continues to develop next generation living spaces that offer enjoyment and quality. Zorlu Center, as Turkey's first five-function multi-use project and with a growing portfolio of premium local and international brands, remained a highly popular destination in 2019 thanks to the peerless experience it offers with all of its functions. As the Real Estate Group's premier venue in culture & arts, Zorlu PSM hosted over 1,000 unique and vibrant events throughout 2019, maintaining its position as an essential center for art lovers.

Despite the volatilities in global goods markets, we are moving forward with our efforts to transform Meta Nikel-Kobalt into Turkey's next-generation mining R&D and technology base. Poised to produce value-added forms of nickel and cobalt, which are used in electric vehicle batteries, this facility is set to contribute greatly to Zorlu Group in the future.

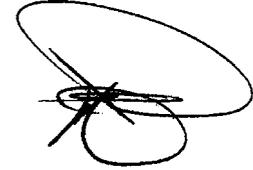
In 2020, a year that is expected to be heavily influenced by the global pandemic and the resulting social, economic and political uncertainties, Zorlu Group is looking to sustain the efficiency of its operations by leveraging its 67 years of experience, competent senior management, and qualified human resources. Zorlu Group will further its contribution to the Turkish economy through the value it will generate in line with its Smart Life 2030 strategy, and explore new horizons with confidence. In addition to our economic operations, we will also enhance the support we offer to our community in the fields of culture, arts, education, environment and sports 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, mindset 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



Today, our group is among the top employers, exporters and revenue generators in Turkey. The high share of exports in revenues provides our group with protection against exchange rate fluctuations. With companies operating in five main sectors of the future, we are focused on areas that will carry Turkey into tomorrow.



Ahmet Nazif Zorlu
Chairman



Message from the Board of Directors



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.



Zeki Zorlu
Co-Chairman



Board of Directors



Ahmet Nazif Zorlu
Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his career in the textile business at a young age, following in on his father's footsteps. After engaging in the textile trade with the store he opened in Trabzon in the early years of his career, he moved his company's headquarters to Istanbul in 1970, laying the foundations of Zorlu Holding. Ahmet Zorlu set up his first production company, Korteks, in 1976 and united all of his companies under the roof of Zorlu Holding in 1990. In 1994, Ahmet Zorlu acquired Vestel, thus opening the door to new lines of business for Zorlu Holding. Ahmet Zorlu's entrepreneurial spirit, which manifested itself in the textile industry, continued in various businesses 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 Zorlu Holding, Ahmet Zorlu serves as chairman or deputy chairman in several Zorlu Group companies operating in different industries.

With a keen interest in non-governmental organizations, Ahmet Zorlu sits on the Board of Directors 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. Zeki Zorlu also assumes active roles in several 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) Olgun Zorlu began his professional career in 1986 after completing his higher education in textiles and business administration in the UK. He started to serve in managerial positions at various Zorlu Group companies in 1988 and led their foreign market research and business development operations.

Olgun Zorlu has served on the Board of Directors of Zorlu Holding since 1998, and 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. In 2008, he completed his master's degree in Innovation and Technology Management at the University of Essex in the United Kingdom before joining Vestel Elektronik as Board Member in 2009. Mehmet Emre Zorlu serves on the boards of several other Zorlu Group companies, and since 2015, he has been a Board Member at Vestel Ventures ARGE AŞ, a company established to support and fund new ventures in technology, innovation and IP investments.

Mehmet Emre Zorlu is a member of the Board of Trustees of GİRVAK (Entrepreneurship Foundation of Turkey), a Board Member at Endeavor Turkey, and a member of the Global Council 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 enrolled in Denizbank's Management Trainee Program in 1999. After working in a number of positions at the Denizbank head office, Selen Zorlu Melik attended a marketing certificate program at the University of California, Berkeley in 2001. She joined Korteks Yarn Factory in 2002 and is currently a Board Member of Zorlu Enerji Elektrik Üretim AŞ as well as several other Zorlu Holding companies.

CEO's Assessment



Zorlu Holding maintained its growth in 2019, increasing its consolidated turnover by 13% year-over-year to TL 30.7 billion despite the ongoing economic balancing process, thanks to its robust and agile management enabling action to preserve domestic revenues, as well as the two-digit growth in energy and real estate businesses.



2019 was a year of continued economic balancing after the exchange and interest rate volatilities of the previous year. Despite the growing challenges to economic activity and the accompanying global growth concerns and regional issues, Zorlu Group managed to complete 2019 with success thanks to its accomplishments as an industrialist and exporter enterprise.

In 2019, we continued to reshape our operations in line with our Smart Life 2030 vision. We began to implement the sustainability-oriented Smart Life 2030 philosophy 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 ability of driving progress, and took part in innovative efforts that will realize the dream of sustainable and smart living.

Zorlu Holding maintained its growth in 2019, increasing its consolidated turnover by 13% year-over-year to TL 30.7 billion despite the ongoing economic balancing process, thanks to its robust and agile management enabling action to preserve domestic revenues, as well as the two-digit growth in energy and real estate businesses.

Export revenues, which account for 51% of total sales, was at USD 2.8 billion, driven by the export-oriented production strategy in consumer electronics and household appliances and textile sectors. EBITDA increased 6% to TL 15.7 billion, while EBITDA margin was at 17.1%. Total assets of Zorlu Holding rose to TL 63.2 billion with a 9% growth.

Sustainability becoming the way of doing business across all group companies.

Driven by our Smart Life 2030 vision, we maintain our focus on sustainability, which is becoming more and more instrumental for all group companies.

To this end, we are directing our investments into areas which will shape the smart world of tomorrow, making significant strides on our way to becoming 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. Technological megatrends such as "the Internet of Things", "Artificial Intelligence", "Augmented Reality" and "Blockchain" are poised to effect a drastic change in our lives. Smart systems will assume the role of interpreters that establish and maintain continuous communication between consumers and companies. Accordingly, we endeavor to develop high-value-added services that will offer products and solutions designed for this new world.

With companies operating across a wide variety of fields ranging from energy to textiles, household appliances to consumer electronics and real estate to next-gen mining, we have all the necessary competence and tools at our disposal to help create this world that will offer a better future for 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 future prosperity of humanity and our planet. This philosophy has become our way of doing business, and one of its outcomes is the Smart Life 2030 journey, which continued in 2019 with new steps towards developing the smart systems of future.

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

These strategic steps towards the future informed our actions in 2019, and enabled us to add to our long list of achievements across a variety of fields.

In textiles, we sustained our trend of export-oriented growth as the leading producer of home textiles and the largest integrated polyester yarn manufacturer in Europe. As with the rest of the Zorlu Group, we are gradually implementing a smart transformation in textiles, shaped by value-added products, services and solutions.

An outcome of this initiative is a range of smart and innovative products we have added to the portfolio of the Textiles Group, such as self-cleaning roller blinds and curtains, cool piques, scented curtains, antibacterial and anti-mite duvet covers, LED curtains, and QR code duvet covers. In addition to fabrics for the clothing industry, our companies develop innovative black-out, outdoor and canvas materials, as well as circular economy products such as polyester filament yarns from PET bottle waste, and PLA yarns from agricultural products. In Europe, we have become one of the key suppliers of automotive yarns, an area in which we have made significant investments in recent years. Thanks to this innovation and value-added focused production approach, our Textiles Group maintained its position as one of the top textile exporters of Turkey in 2019.

In addition to a variety of product, raw material and process-related innovations, in 2019 the Textiles Group continued to expand the scope of its smart transformations aimed at the commercial side of its business in line with its retail growth strategy. Accordingly, new investments were made to expand the scope of retail growth both in Turkey and in neighboring countries that represent a population of 700 million in total. In addition to new stores and sales locations in Turkey, the group opened new locations in the US and several other countries as part of its goal of expansion in overseas retail markets. With new deals, new channels and new ways of doing business,

Textiles Group has begun creating growth opportunities in a variety of areas including retail, B2B, B2C, e-trade, store chains, contract work and hotels. We are committed to remain the global hub for the yarn, fabric and home textiles segments of the textiles industry in the coming period, driven by our vision of smart textiles, R&D efforts, innovation, technology, design competence, and production capabilities.

In 2019, Vestel maintained its course of growth with a successful performance against a backdrop of volatile market conditions. The company managed to mitigate the impact of its shrinking domestic market, thanks to innovations in its product range, and its agile management approach. With higher exports more than making up for its reduced domestic sales, Vestel, with exports to 156 countries, is perfectly positioned to add another year to its 22-year run as the undisputed export champion in the electronics industry. In 2019, Vestel outperformed the industry to achieve two-digit growth in the household appliances segment, supported by new ODM projects, growing business volume with A class brands, and its sales under the Sharp brand. With Toshiba, which Vestel entered into a brand licensing agreement in 2016, recording a successful performance in the European TV market and the brand licensing agreement with Sharp being expanded to include the smart product family, Vestel is poised to further strengthen its sales in the European market.

As one of the first Turkish companies to invest in digital transformation, Vestel continues to pioneer the efforts in this area. In this context, Vestel City's Industry 4.0 transformation is mostly complete, enabling end-to-end digital monitoring of all processes from raw material input to order delivery with a smart identification system. When the transformation is complete, Vestel City will become a fully smart and automated manufacturing complex.

With its proven excellence and smart products, services and concepts, Vestel is poised to leave its mark in the smart world of the future. The company took several innovative steps in 2019 in this direction. Vestel's global partnerships enabled placing TV sets as the control center of smart homes, which feature various solutions that make life easier for users, such as voice-controlled televisions and household appliances, washing machines that can automatically order laundry detergent, and ovens that can be controlled by voice using a mobile application.

As developments in electric and autonomous vehicles, two promising segments of the future of automotive, transform vehicles into veritable centers of technology, Vestel continues to expand its operations in this area by adding automotive electronics, battery systems and charging stations into its portfolio. Furthermore, Vestel

CEO's Assessment



Driven by our Smart Life 2030 vision, we maintain our focus on sustainability, which is becoming more and more instrumental for all group companies. To this end, we are directing our investments into areas which will shape the smart world of tomorrow, making significant strides on our way to becoming a global manufacturer of value-added products and services.



completed an important mission under the Smart Life 2030 vision by pioneering the industry in Turkey as one of the partners of the TOGG, or Turkey's Automobile Joint Venture Group, which previewed the new autonomous electric automobile in December 2019.

In 2019, Vestel continued its efforts in LED lighting as well while also adding new use cases for its unmanned aerial vehicle systems. As a technology company developing high-value-added services, Vestel will continue to spearhead the smart transformation of Turkey in the year ahead.

The Energy Group continued its renewable energy projects in 2019. As the largest player in Turkish geothermal energy industry representing 20% of total installed capacity, the group continued to work on new GPP projects. Meanwhile, Zorlu Enerji signed a deal for the sale of Zorlu Rüzgar Enerjisi Üretimi AŞ to create additional funding and achieve a stronger capital structure to fuel growth in the coming period.

In addition to geothermal power, Zorlu Enerji accelerated investments in solar power in 2019. Accordingly, Zorlu Enerji added to its list of overseas investments with a 1,8 MW solar power plant, which will be developed in Jericho, Palestine by a joint venture, in which Zorlu Enerji owns 75% stake. Zorlu Enerji also increased its investments in Israel by acquiring 42.15% stake in Adnit Real Estate Ltd., which recently won the tender for a 13 MW solar power plant. Zorlu Solar continued to sell and distribute solar panels manufactured by the US-based First Solar as part of the authorized distributorship agreement in Turkey and overseas. With First Solar products, Zorlu Solar has now reached a portfolio of over 500 MW, consolidating its leading position in the market. The company also continued domestic sale, distribution and roof installation of membrane photovoltaic solar panels for industrial roofs, which are produced on contract by domestic solar panel manufacturers.

Zorlu Enerji invested over TL 1 billion in electricity and natural gas distribution areas in 2019, continuously enhancing the quality of the service it provides to 687,000 natural gas subscribers in Trakya and Gaziantep, and around 1.84 million electricity subscribers in Osmangazi.

Expanding its smart transformation into innovative business areas in line with the Smart Life 2030 vision, in 2019 Zorlu Enerji accelerated the development of several new smart systems, ranging from electric vehicle rentals to charging stations, and smart home systems to smart energy management systems. Zorlu Enerji's next-gen technology brand Zorlu Energy Solutions (ZES) increased its

electric vehicle charging points across Turkey to 149, and sockets to 272 as of the end of 2019. As the leader and pioneer of this field in Turkey, ZES is committed to expand its charging station network across the country, starting with major cities. Zorlu Enerji is also leading the industry in Turkey with its electric car-sharing platform “electrip”, which offers hourly car rental service with a fleet of exclusively electric vehicles. Zorlu Enerji’s mission of becoming a technology and innovation-guided energy company is reflected by the approximately EUR 3.5 million in funding it received under Horizon 2020, the largest research and innovation framework program in the EU, for the six projects developed by its engineers in 2019. Committed to its goal of becoming the energy company of the future, Zorlu Enerji will continue to develop new technologies and design and implement next-gen solutions for the world of tomorrow. In 2019, the Real Estate Group continued to reap the benefits of its investments, including Zorlu Center, Turkey’s first five-function multi-use project. A highly accomplished venue that has welcomed 75 million visitors to date, Zorlu Center continued to offer a unique experience to guests with its Zorlu Shopping Mall, complete with over 200 stores, gourmet restaurants, and smart living spaces based on a public square concept. In line with Zorlu Group’s vision of the smart living spaces of tomorrow, Zorlu Center continued to introduce the best examples of enhancements that improve people’s lives, such as 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, which is the first of its kind in Turkey. An essential venue for the arts scene of Turkey since its inception, Zorlu PSM maintained its position as the country’s gateway to culture and arts by welcoming over 650,000 visitors in 2019, reaching a total audience of 2.5 million in a short span of six years.

As for mining, despite the volatilities in global goods markets, Meta Nikel-Kobalt continued its survey, operating, export, R&D and investment activities in 2019 with a view to utilizing the nickel resources of Turkey for the benefit of the economy. After having been granted the title of an R&D center in the previous year, the facility is well on its way towards becoming Turkey’s hub of mining R&D and technology. These continued 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.

We remain committed to do what is best, not for ourselves but for the world.

The pandemic that surfaced in Wuhan, China in late 2019 and subsequently spread across the globe has reminded once again the importance of doing what is best for the world, and not for ourselves. While it was not possible to accurately foresee the current situation, our Smart Life 2030 vision, which took into account the complicated, multifaceted issues that shaped the world in the last decade, will serve as our robust guide in 2020 as we navigate these challenging times. During this period, we will keep a close eye on the developments and the individual characteristics and needs of our operating regions and industries to take action with an agile management approach. As has been the case in all periods of hardship, we will remain a source of hope and inspiration for our country in these times, 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.

With these in mind, I would like to express my gratitude to our employees for their dedicated efforts, our partners, our customers and other stakeholders.

Sincerely,



Ömer Yüngül
CEO

CEO's Assessment



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Ömer Yüngül
CEO



Message from the Chairman of the Sustainability Committee



Sustainability is at the core of our business strategy with Smart Life 2030, which is guided by the United Nations' Sustainable Development Goals for 2030.



Esteemed Stakeholders,

Pioneering companies across the globe are shifting from a shareholder- and profit-oriented approach into a stakeholder- and value-oriented one, as necessitated by a variety of social challenges such as the climate crisis, urbanization, pandemic, immigration, and natural resources becoming scarcer.

Leaving the past notion that they exist independent from society; enterprises have begun to act with the understanding that they can only exist alongside society and by creating value for society, and are shaping their business models accordingly.

We at Zorlu Holding are taking our part in this transformation with our Smart Life 2030 vision. Sustainability is at the core of our business strategy with Smart Life 2030, which is guided by the United Nations' Sustainable Development Goals for 2030. Behind this approach lies our aspiration to transform into an enterprise that inspires its employees for a better future, provides them with opportunities to develop their competence, utilizes technology to its fullest potential and offers smart products and services to empower stakeholders in its sphere of influence and create benefit for the society, all the while preserving and protecting the environment, nature, and all living beings.

In 2019, as part of this goal, we continued to integrate Smart Life 2030 into our business processes via innovative projects. We accelerated efforts to establish and diversify an innovation-based, inclusive corporate culture that will enable our employees to realize their full potential. We implemented practices in a variety of areas that change our way of doing business, from gender equality to employee volunteering and intrapreneurship. In this context, we completed the first cycle of our intrapreneurship program "Parlak Bi'Fikir" ("A Bright Idea"), which is designed to enhance the creativity and innovativeness of our colleagues. The first cycle, which saw over 300 ideas from more than 70 teams compete, ended with two teams being picked for investment discussions and subsequently receiving investment support from Zorlu Holding. We expect the second cycle, which will take place in 2020, to receive even more submissions from employees.

Gender equality is another key focus area for our Smart Life 2030 vision. In this context, the Gender Equality Committee, as well as the Working Group, which has volunteers from across the Zorlu Group, intensified their activities in 2019. Guided by a roadmap that is built around the pillars of diversity and inclusion and with the motto of "Herkes için Eşit Bi'Hayat" ("An Equal Life for All"),

the committee leads and promotes gender equality-related efforts across the group companies. Through these efforts, our companies are steered towards an egalitarian approach in both their discourse and the working environment and career opportunities they offer, and there are already plans for new initiatives for the year ahead.

Launched in 2019 as part of our employee volunteerism efforts, the Kivılcımlar (Sparks) Movement places philanthropy, which is ingrained in our DNA, at the core of our collaborations and partnerships with stakeholders.

We continued to support Smart Life Architects, who pioneer Smart Life 2030 within Zorlu Group, with trainings and events that they attended as representatives. In this context, we also became the first conglomerate in Turkey to develop its own sustainability training program for its employees, the Smart Life Academy, developed jointly with Boğaziçi University, one of the most prestigious educational institutions in the country.

Our companies are realizing several projects on energy and water efficiency and environmental protection and biodiversity, as well as making important improvements that support various stages of the circular economy from raw material input to process management. While taking group-wide action in this regard, we also spearhead initiatives with strong commitments. Accordingly, we became one of the first 26 companies to answer the call of the Business Community Plastic Initiative, a joint undertaking between UN Global Compact Turkey, Business World and Sustainable Development Association and Turkish Industry and Business Association (TÜSİAD) that aims to combat plastic pollution. We took an important step to become part of the solution by joining the initiative and disclosing our plastic consumption commitments for 2021.

As the climate crisis pressures countries and companies to adapt their policies and ways of doing business, the global pandemic that emerged near the end of 2019 made us realize how unprepared we were in managing risks, both on local and global scale. In this period, we saw, and continue to see the need for the holistic perspective of sustainability, which encompasses supply chain to financing, and healthcare to carbon emissions. Accordingly, we will focus on the bigger picture, looking beyond quantitative performance and setting our sights on enhancing our corporate culture in line with a vision of sustainability. We will integrate our long-term strategic objectives into our sustainability goals.

Once again, I would like to thank our stakeholders for their continued focus on innovation and technological advancement, and for their support in our efforts to create a better future.

Sincerely,



Bekir Cem Köksal
CFO

Message from
the Chairman of
the Sustainability
Committee



Our companies are realizing several projects on energy and water efficiency and environmental protection and biodiversity, as well as making important improvements that support various stages of the circular economy from raw material input to process management.



Bekir Cem Köksal
CFO



Senior Management



Ömer Yüngül
CEO

(1955 - Izmir) 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 15 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. After serving in the banking industry between 1990 and 2001, Cem Köksal was named Deputy General Manager of Denizbank in 1997. Köksal joined Vestel as the Chief Financial Officer in 2002. He currently serves as an Executive Committee Member at Vestel Group of Companies, and is the Chief Financial Officer and Chairman of the Sustainability Committee at Zorlu Holding and a Board Member at Zorlu Enerji.



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 worked in managerial positions in various companies in the private sector before joining Vestel in 1988. Having assumed various managerial positions at Vestel since 1988, Turan Erdoğan served as the Chairman of Vestel Foreign Trade and as an Executive Committee Member at Vestel Elektronik until 2013. Since January 1, 2013, Turan Erdoğan has been the CEO of Vestel Group of Companies. Turan Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two terms between 2002 and 2006, and from 2010 to 2014, he sat at the board of Europe's largest ICT Confederation, DIGITALEUROPE, as the first Turkish national to hold this position.



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, Necat 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. Having held the position of Deputy CEO of Zorlu Holding Textiles Group since 2016, Necat 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 Istanbul 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. He 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. İbrahim Sinan Ak has been the CEO of Zorlu Energy Group 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 Albaraka Türk. Mesut Pektaş was named Assistant Secretary General at Istanbul Metropolitan Municipality in 1996 and served as AKOM (Disaster Coordination Center) Chairman, Board member of Istanbul 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 Istanbul 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, Orhan 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 in the Ministry of Energy and Natural Resources. Orhan Yılmaz has been the CEO of Zorlu Holding Mining Group since January 2017.



Necmi Kavuşturan
CHRO, Zorlu Holding

(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 the "Management Trainee" program, open performance systems and overall quality management, Necmi Kavuşturan was appointed as the Deputy General Manager in charge of Management Services at Denizbank, a title he held between 1997 and 2003. During this period, he managed the Advertisement, Public Relations, Construction and Purchasing Departments of Denizbank. Since 2003, Necmi Kavuşturan has been the CHRO of 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 a Partner. He joined Zorlu Group in 2006 and played an active role in the structuring of the Legal Department which serves all Zorlu Group companies.



Murat Zeren

CIO, Zorlu Holding

(1970 - Izmir) Murat Zeren obtained his bachelor's and master's degrees in electrical-electronic engineering at Bilkent University and his PhD degree in the same field at Ohio State University, USA. Upon his return to Turkey, Murat Zeren managed the R&D and software teams at Alcatel Teletaş, Telsim and Oksijen Teknoloji. He held tenure at Boğaziçi University as an Associate Professor of Computer Engineering between 2002 to 2004, during which he arbitrated and advised projects by TÜBİTAK (Scientific and Technological Research Council of Turkey). Murat 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 2013.



Billur Demet Atan

Audit General Manager, Zorlu Holding

(1964 - Istanbul) 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 Ernst & Young and was named Audit Partner in 1998. From 2000 to 2012, she also served as the Independent Audit Leader of Turkey at Ernst & Young, and she held the position of Audit Human Resources Leader between 2007 and 2012. 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.



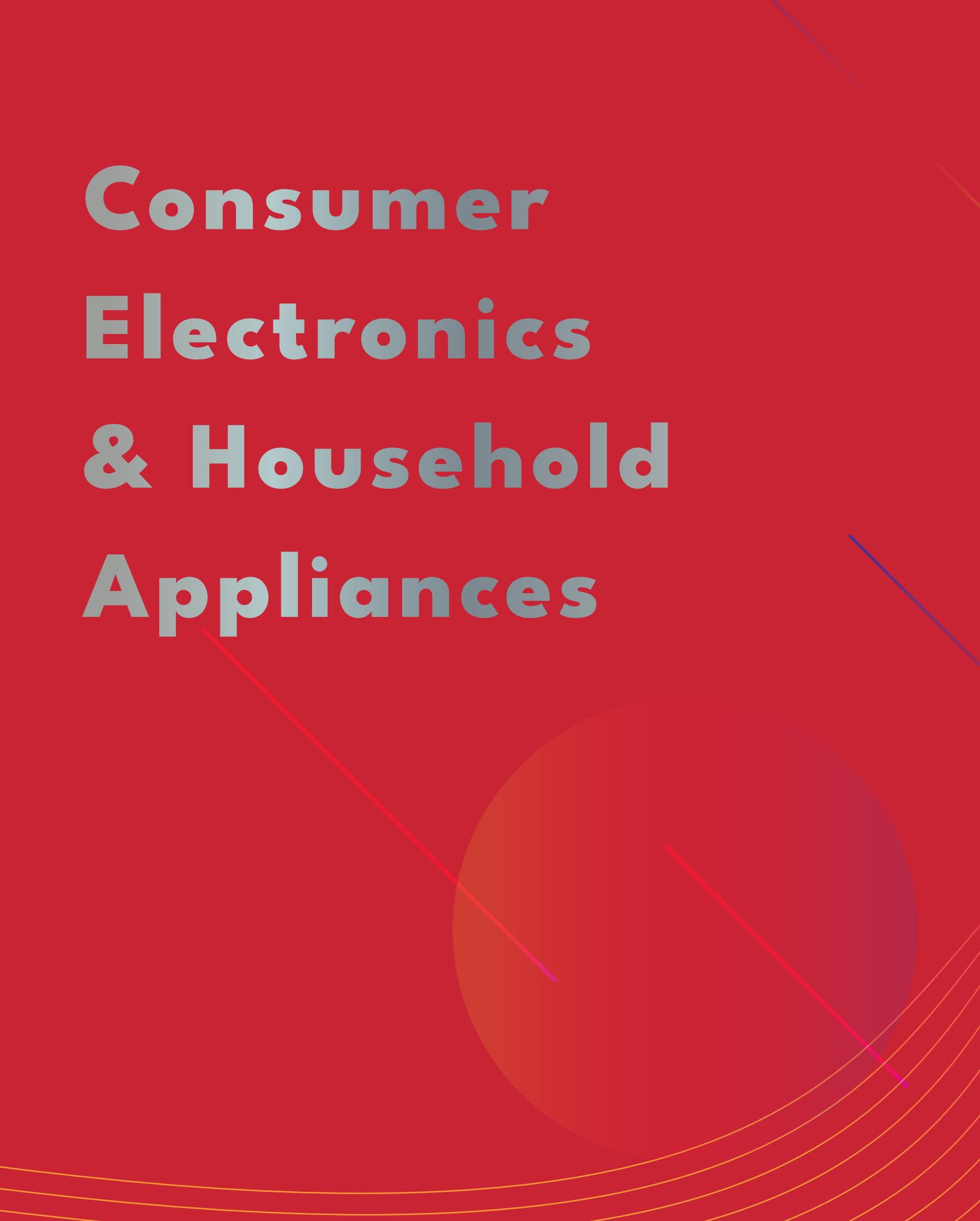
Arzu Pişkinoğlu

Internal Control General Manager, Zorlu Holding

(1970 - Istanbul) After graduating from Üsküdar American Academy, Arzu Pişkinoğlu 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 Pişkinoğlu then worked as Quality Assurance Department Manager at Citibank Retail Banking and was appointed as Manager at Ernst & Young's Consultancy Department. In this position, Arzu Pişkinoğlu 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 Pişkinoğlu 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), Certification in Risk Management Assurance (CRMA), Certified Internal Control Auditor (CICA).

Consumer Electronics & Household Appliances



Consumer Electronics & Household Appliances

With approximately 17,000 employees, production capacity built on advanced technology and its contribution to country's exports, Vestel represents an important source of power for the Turkish economy.





Consumer Electronics & Household Appliances



Vestel is more than a consumer electronics and household appliances manufacturer; it is a global technology company. Accordingly, it develops digital solutions and offers value-added services, consolidating its future readiness as a tech company.



Enis Turan Erdoğan
CEO, Vestel Group

Vestel managed to close 2019, a year marked with challenges both in local and global economy, with successful results, thanks to its robust and agile management actions.

Vestel's revenues grew 8% to TL 17.2 billion in 2019, and the company's international sales revenues rose by 13%. The share of international sales in total revenues climbed to 77%, while the share of household appliances increased from 45% to 50% due to the strong growth in exports. EBITDA remained relatively unchanged at TL 2.3 billion, while EBITDA margin fell slightly by 1 basis point to 13.6%. The company reported consolidated net profits of TL 324 million, marginally below the record year of 2018.

In 2019, global collaborations continued to have an increasingly positive impact on our business results. With the household appliance brand licensing agreement with Sharp being expanded to include the smart product family, and the growing market share of Toshiba on the TV side, Vestel is poised to further strengthen its sales in the European market in the coming period.

It is safe to say that the Industry 4.0 transformation of Vestel factories, which was launched in 2015, is well ahead of other industrial facilities in Turkey.

Our facilities now support end-to-end digital monitoring of all processes from raw material input to storage, from raw material feed to production lines to manufacturing, and from packaging order delivery, all with a smart identification system. This smart factory organization, which is built on the premise of excellence and flexible production, enables us to deliver our next-gen products to consumers with higher quality and speed.

In the fields of Smart Homes, Smart Cities and the Internet of Things, we are introducing technologies that will enhance the customer experience by developing a range of interconnected and mobile-controlled smart products. Thanks to our partnerships with tech companies such as Amazon, Google and Innit, we are launching voice-controlled smart products that can be programmed and offer recommendations based on usage habits. In household appliances, we are continuing to make a difference in sustainability with our next-gen eco-friendly technologies and revolutionary products. Meanwhile, we continue to build new partnerships in automotive electronics, one of our focus business areas for the future. One such example of this is Vestel's involvement in TOGG as part of the Turkey's Automobile Project.

In the coming period, we will focus on the highly competitive areas of smart devices, smart homes and smart cities, developing revenue-sharing business models and/or new partnerships based on these areas in order to increase the efficiency of our company.

Vestel is more than a consumer electronics and household appliances manufacturer; it is a global technology company. Accordingly, it develops digital solutions and offers value-added services, consolidating its future readiness as a tech company.

In 2020, the economic impact of the COVID-19 pandemic began to spread across the global economy. Our industry has also felt the impact of the pandemic in all chains of operation, from supply to production and sales.

Vestel made a running start to 2020 in terms of exports, recording a robust growth in the first quarter, particularly in the export of household appliances. However, this trend was reversed in the second quarter due to the pandemic. In the medium-term, the economic consequences of this situation are expected to become more severe in Europe and other regions. It will be a significant challenge to recuperate these losses in the second half of the year. On the other hand, we believe that the postponement of the European Cup and the Olympics until 2021 will offer new opportunities in the year ahead.

At this stage, the determining factors will be the impact of the growing unemployment on demand, the potential of a second wave of pandemic, and the breakthroughs in vaccine/drug research.

The same situation and conditions are also true for the domestic market. The pandemic has drastically altered our lifestyles, ways of doing business and habits, which is reflected in retail sales. Yet, Vestel's quick decisions enabled retail and service projects aimed at various customer segments (e.g. priority services for customers over 65, services for healthcare professionals), online-exclusive initiatives that took advantage of a customer shift towards digital (e.g. 24-hour, hygienic deliveries across Turkey) and an entirely customer-centric approach, which enabled us to normalize the impact of the market contraction by late April. In this context, we are expecting a rapid return in our domestic sales in the second half of the year. It is evident that 2021 will be a challenging and highly competitive year, due to changing customer habits and the fact that many postponed sporting events will take place during the year. We expect the market to grow in the coming year as consumers, who reduced their spendings this year, will relax control of their budget and spend more quality-productive time at home in lieu of public social events. We bolstered our customer relations during the pandemic. In the medium term, our online channels will continue to serve as a solution partner that offers a better, enriched customer experience.

In Europe, we are seeing companies promote their own brands in online sales, strengthening OEM and increasing sales of entry-level products at the expense of high-end products.

Healthier lifestyle habits are expected to persist after COVID-19, with hygienic products in particular becoming more prominent. To cater to this need of consumers, we have developed a sunlight technology for our household appliance range, which helps clean the air inside refrigerators to keep foods fresh for longer while ensuring hygienic cleaning in washing machines and dishwashers. Vestel will continue to offer to customers UV-C equipped washing machines, UVON, ION and UV-C-equipped dishwashers, UV air conditioners, and water heaters and air cleaners with antibacterial and antiviral capabilities. Meanwhile, our new technologies will make life easier in the kitchen for consumers who spend more time at home.

Consumer Electronics & Household Appliances



In 2020, the economic impact of the COVID-19 pandemic began to spread across the global economy. Our industry has also felt the impact of the pandemic in all chains of operation, from supply to production and sales.



On the electronics side, we will offer a wide range of solutions for the evolving needs of consumers, such as OTT televisions and interconnected, mobile-controlled smart home appliances.

Another important outcome of the pandemic is the way it made us question and strive to ensure continuity along the supply chain. The crisis has shown that managing a crisis is not impossible even if the sources are located in a crisis zone, as long as there are alternatives available. The awareness that was brought about will help create opportunities for previously unutilized sources. The key action to be taken in this regard is to diversify supply and consider alternatives regardless of costs.

Accordingly, Vestel is also expected to diversify its supply sources. In the coming period, domestic sources, as well as those located in the ASEAN region, will be utilized more actively.

Another change will be in the Chinese manufacturers' tendency to position themselves near/within their markets. This will lead to an increase in the number of enterprises that make acquisitions, enter into joint ventures or establish local distribution centers.

With the emergence of the crisis in China in January, we saw a surge in project demands from many of our European customers, as well as requests to accelerate existing projects. This is, without a doubt, a significant advantage for Turkey and Vestel, as we expect our extensive product portfolio, R&D and production capabilities, flexibility and logistical advantages to offer considerable growth opportunities in the medium term, in a time when the world is debating the dependence on China.

The Industry 4.0 transformation has paved the way for autonomous robots and human-robot collaborative applications in manufacturing. During the pandemic, we adhered to social distancing in our production processes, expanding the use of robots and even switching to a fully automated "dark factory" model. The post-pandemic area will see a surge in advances in production, such as remote control and monitoring, control of machinery or production lines using digital twins, AR & VR applications, and remote maintenance.

Consumer Electronics & Household Appliances

Vestel's manufacturing facilities are located inside Vestel City, one of Europe's largest industrial manufacturing complexes in a single location spanning 1.1 million square meters in Manisa.

Consumer Electronics and Household Appliances Sector in 2019

In 2019, television and household appliance demand declined due to the fall in consumer confidence and purchasing power, with both segments recording a drop in domestic sales once again, following the trend of the previous year. However, the substantial reduction in interest rates and the exchange rate balancing in the second half of the year triggered the dormant demand, leading to a resurgence in television and household appliance sales from September onwards, due in part to the low sales in the final quarter of 2018. Following the two-digit contraction in the first nine months, the last quarter of 2019 saw a shift towards growth, and as a result, domestic household appliance and TV markets closed the year with 6% and 13% decline, respectively.

Overseas, in Europe, the largest export market of Vestel, the household appliance demand growth 3% in 2019 based on the data from the five largest EU countries. In the same period, Turkey's household appliance exports remained relatively unchanged with a decrease of 1%*. On the TV side, based on the data from the five largest EU countries, TV sales fell by 1% in the first half of the year before growing 1% in the second half as the high base effect of the FIFA World Cup in June 2018 came to an end, closing the year with no significant change. Turkey's TV exports grew 2% in 2019.

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.

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

Consumer Electronics & Household Appliances

Offsetting the decline in domestic household appliance sales with a stronger focus on exports, Vestel outperformed the industry to record two-digit growth in household appliance exports in 2019, driven by new ODM projects in overseas markets, its growing business volume with A brands, and the strong sales growth under the Sharp brand.

Vestel's manufacturing facilities are located inside 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 Electronics, carries out domestic and international sales and marketing of products manufactured by Vestel Group companies.

Vestel in Turkey

Vestel's domestic sales network

- 976 Vestel stores
- 9 Vs Outlet stores
- 886 outlets (245 of which are Exclusive Regal Dealers)
- emagaza.vestel.com.tr
- vsoutlet.com.tr
- regal-tr.com

After sales services:

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

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

As a company with exports to 156 countries, Vestel's international sales and marketing organization comprises the local sales offices of its 11 foreign trade companies, 10 of which are located in Europe, as well as direct sales points in neighboring regions. Vestel has 2,196 stores and sales points abroad.

Operational and Financial Results of Vestel in 2019

Offsetting the decline in domestic household appliance sales with a stronger focus on exports, Vestel outperformed the industry to record two-digit growth in household appliance exports in 2019, driven by new ODM projects in overseas markets, its growing business volume with A brands, and the strong sales growth under

Consumer Electronics & Household Appliances

Vestel's revenues increased by 8% to TL 17.2 billion in the year of 2019, during which the company's domestic sales revenues fell 3% due to the contraction in domestic TV and household appliance markets, whereas its export revenues climbed 13%.

EBITDA remained stable year-over-year at TL 2.3 billion, with an EBITDA margin of 13.6%. The company reported consolidated net profits of TL 324 million.

the Sharp brand. In the first nine months of 2019, a period that saw a contraction in the domestic market, Vestel continued to shift a portion of its domestic household appliance capacity to overseas, a strategy that was launched in the final quarter of 2018. Television exports remained comparable to the previous year, as there were no global sporting events in 2019.

Vestel's emergency management, which took effect in the third quarter of 2018, was carried forward into 2019 as well, with the company keeping its operating capital needs at a minimum thanks to effective stock and collection management.

Vestel's revenues increased by 8% to TL 17.2 billion in the year of 2019, during which the company's domestic sales revenues fell 3% due to the contraction in domestic TV and household appliance markets, whereas its export revenues climbed 13%. The share of international sales in total revenues climbed to 77%, while the share of household appliances increased from 45% to 50% due to the strong growth in exports. In 2019, the relatively stable course of the Turkish lira reduced the positive exchange rate effect on export revenues and profitability compared to 2018. Raw material costs had a positive effect on the household appliances segment in 2019, which was partly offset by the increase in TL-costs and increasing price competition in overseas markets. In the TV segment, panel costs falling to all-time lows and the growing share of high-end products in total sales enhanced profitability. As a result, EBITDA remained stable year-over-year at TL 2.3 billion, with an EBITDA margin of 13.6%. The company reported consolidated net profits of TL 324 million.

In 2019, Vestel's global collaborations continued to have an increasingly positive impact on the company's business results. The scope of the household appliance licensing agreement with the Sharp Corporation was expanded to include smart products as well.

On the TV side, with the increase in Smart TV and UHD TV sales under the Toshiba brand, Toshiba's share in the European TV market has increased rapidly within 3 years, with double-digit market share in the UK, one of the most important export markets of Vestel.

Vestel's Position in Turkey and International Markets

With approximately 17,000 employees, production capacity built on advanced technology and its contribution to country'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.

Consumer Electronics & Household Appliances

One of the world's leading ODM (Original Design Manufacturer) providers in consumer electronics and household appliances, Vestel is one of the top three largest LCD TV producers and among the top five household appliances manufacturers in Europe.

Vestel appeals to a wide variety of consumer preferences in 156 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 22 years.

VESTEL ELEKTRONİK - 2019 FINANCIAL RESULTS

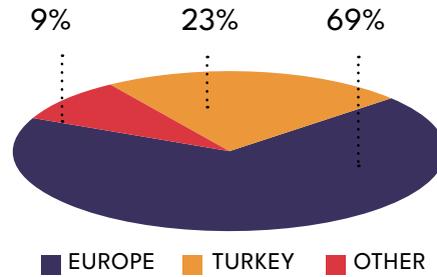


NET SALES
TL 17.2
BILLION



EBITDA*
TL 2,336
MILLION

SALES BREAKDOWN BY REGION



EBITDA MARGIN*
13.6%



NET PROFIT**
TL 324
MILLION

VESTEL BEYAZ EŞYA - 2019 FINANCIAL RESULTS

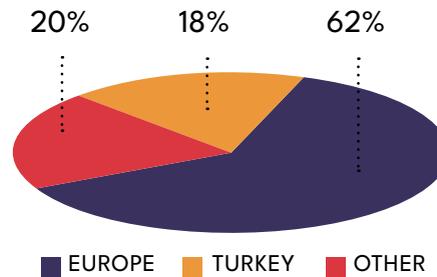


NET SALES
TL 7.0
BILLION



EBITDA*
TL 922
MILLION

SALES BREAKDOWN BY REGION



EBITDA MARGIN*
13.2%



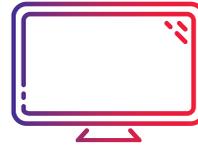
NET PROFIT
TL 568
MILLION

* Excluding other operating income and expense

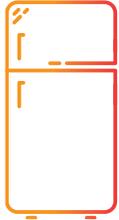
** After minority shares



156
EXPORT MARKETS



90%
SHARE IN TURKEY'S
TV EXPORTS



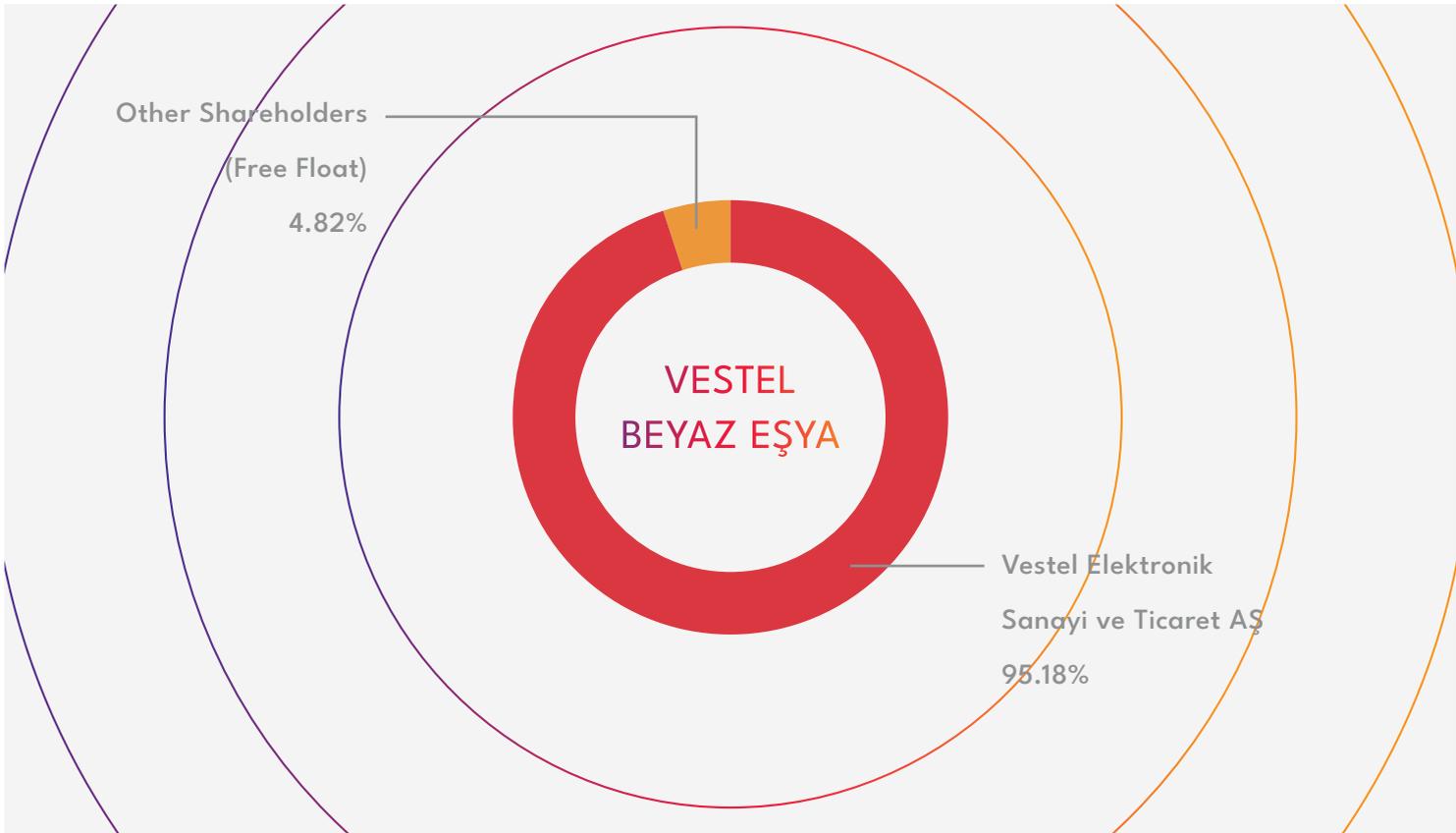
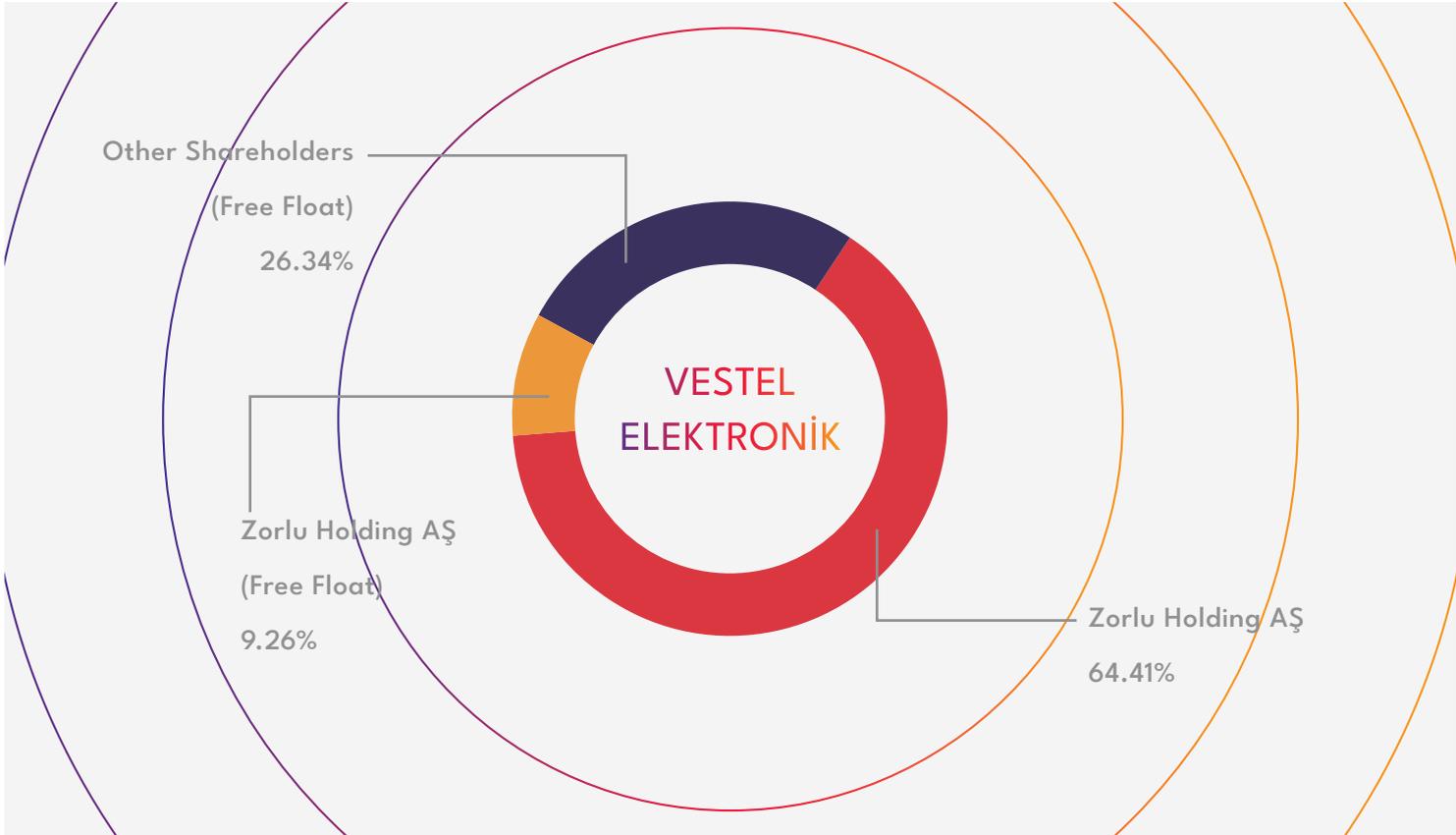
30%
SHARE IN TURKEY'S
HOUSEHOLD
APPLIANCES EXPORTS



**EXPORT
CHAMPION**
IN TURKISH ELECTRONICS SECTOR
**FOR 22 YEARS
RUNNING**



Shareholding Structure



Consumer Electronics & Household Appliances

Vestel's strong R&D team of over 1,600 people and its robust R&D organization overseas are among the key drivers and competitive advantages of the company as it moves forward.

Vestel and R&D

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Vestel has four R&D Centers certified under the Law No 5746, situated within its manufacturing base Vestel City in Manisa, and in the Celal Bayar University Technopark.

- R&D Center 1: Electronics High-End
- R&D Center 2: Electronics Central
- R&D Center 3: Household Appliances
- R&D Center 4: Manisa Celal Bayar University IDECA (Idea Creation, Definition, Evaluation, Conceptualization, Application) - Technopark

Vestel's new R&D center, which entered into service within the Celal Bayar University Technopark in 2019, focuses on Research Projects and Automotive Electronics.

Vestel has four other electronics R&D centers, one located inside ITU Technopark in Istanbul, and three overseas R&D centers in the UK and China.



Consumer Electronics & Household Appliances

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

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.

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.

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

Vestel's R&D mission is based on developing technologies that will provide a competitive edge in a fiercely competitive environment while also positioning the company as a technology pioneer in areas that will ensure continuity of this competitive edge, which is poised to propel the company into the future.

Vestel actively continues its R&D efforts in new screen technologies, smart solutions, photovoltaic cells, energy transformation and storage systems, battery 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 household appliances R&D budget to the development of environmentally friendly products. Thanks to its R&D efforts, Vestel's household appliances product range consists entirely of products with energy ratings of A, A+, A++ and above, which are considered the highest categories in energy efficiency.

Vestel's R&D teams develop applications that position the television unit as the control center within the smart home ecosystem, as well as designing television sets compatible with the infrastructure developed by global giants such as Amazon and Google.

Integrated in Amazon's smart ecosystem in Europe, Vestel-produced TV sets include Amazon's voice assistant Alexa, enabling the user to control all compatible electronic devices and household appliances in a smart home.

Consumer Electronics & Household Appliances

In the fields of Smart Homes, Smart Cities and the Internet of Things, Vestel introduces technologies that will enhance the customer experience by developing a range of interconnected and mobile-controlled smart products.

Vestel already signed deals for the production of Android TV units, which will be powered by the Google Android Pie operating system and recommend content and applications based on usage habits and preferences.

In the fields of Smart Homes, Smart Cities and the Internet of Things, Vestel introduces technologies that will enhance the customer experience by developing a range of interconnected and mobile-controlled smart products.

Vestel Elektronik successfully integrated its products into the Smart Home concept. The company's R&D teams made significant strides in creating a Big Data platform in 2019 and accelerated efforts for data security and analytics, developing an ecosystem compatible with all connected products, current technologies and voice assistants.

Vestel Elektronik entered the Automotive Electronics segment with the Automotive R&D Group established early 2018, developing In-Vehicle Infotainment and Digital Instrument Cluster projects led by experienced R&D staff. In 2019, the company also started working on Computer Vision and Autonomous Driving. Vestel also represents Zorlu Group in Turkey's Automobile Joint Venture Group (TOGG), with concrete plans to supply the aforementioned technologies in the project's development.



Consumer Electronics & Household Appliances

Vestel Elektronik is capable of leveraging its mechanical/thermal design, electronic board design, accredited testing laboratories, production and assembly automation and supply chain management capabilities in the newly established battery design department.

The preview version of the vehicle, which was showcased in a public launch in December, featured In-Vehicle Infotainment and Digital Instrument Cluster systems developed by Vestel. The company has also made significant progress in the design and production of circuit boards such as motherboards and power boards for the automotive industry.

The company's experience and know-how in power electronics form the basis of its R&D activities into the design and development of electric vehicle charging stations and charging station management systems. Vestel completed the R&D phase of a DC charging unit with a faster charging speed than comparable electric vehicle charging stations on the market, and began developing management software for vehicle charging points.

In March 2019, Vestel established the Battery Systems Design Department and commenced R&D activities. Vestel Elektronik is capable of leveraging its mechanical/thermal design, electronic board design, accredited testing laboratories, production and assembly automation and supply chain management capabilities in the newly established battery design department. Vestel Elektronik's early battery packs are used in electric bicycles, with the first working prototypes showcased in the Eurobike Expo.

While the electrical and mechanical lab and field tests of the battery pack are underway, Vestel Battery Systems Group moved to a new R&D and production facility within Ege Serbest Bölge Kurucu ve İşleticisi AŞ (ESBAŞ) in November 2019. The production is expected to commence in May 2020.

Vestel's intellectual property and patents are a testament to the company's R&D capability and innovative approach.

Vestel Elektronik had a total of 123 registered and patented inventions as of the end of 2018, and in 2019, the company made 44 patent applications to the European Patent Office (EPO), 16 to the Patent Cooperation Treaty (PCT), and 44 to the Turkish Patent and Trademark Office. Vestel Beyaz Eşya had 229 registered and patented inventions by the end of 2019.

Industry 4.0 Transformation

As one of the pioneers of the Industry 4.0 transformation in Turkey, Vestel has made great strides over the course of the last 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

Consumer Electronics & Household Appliances

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.

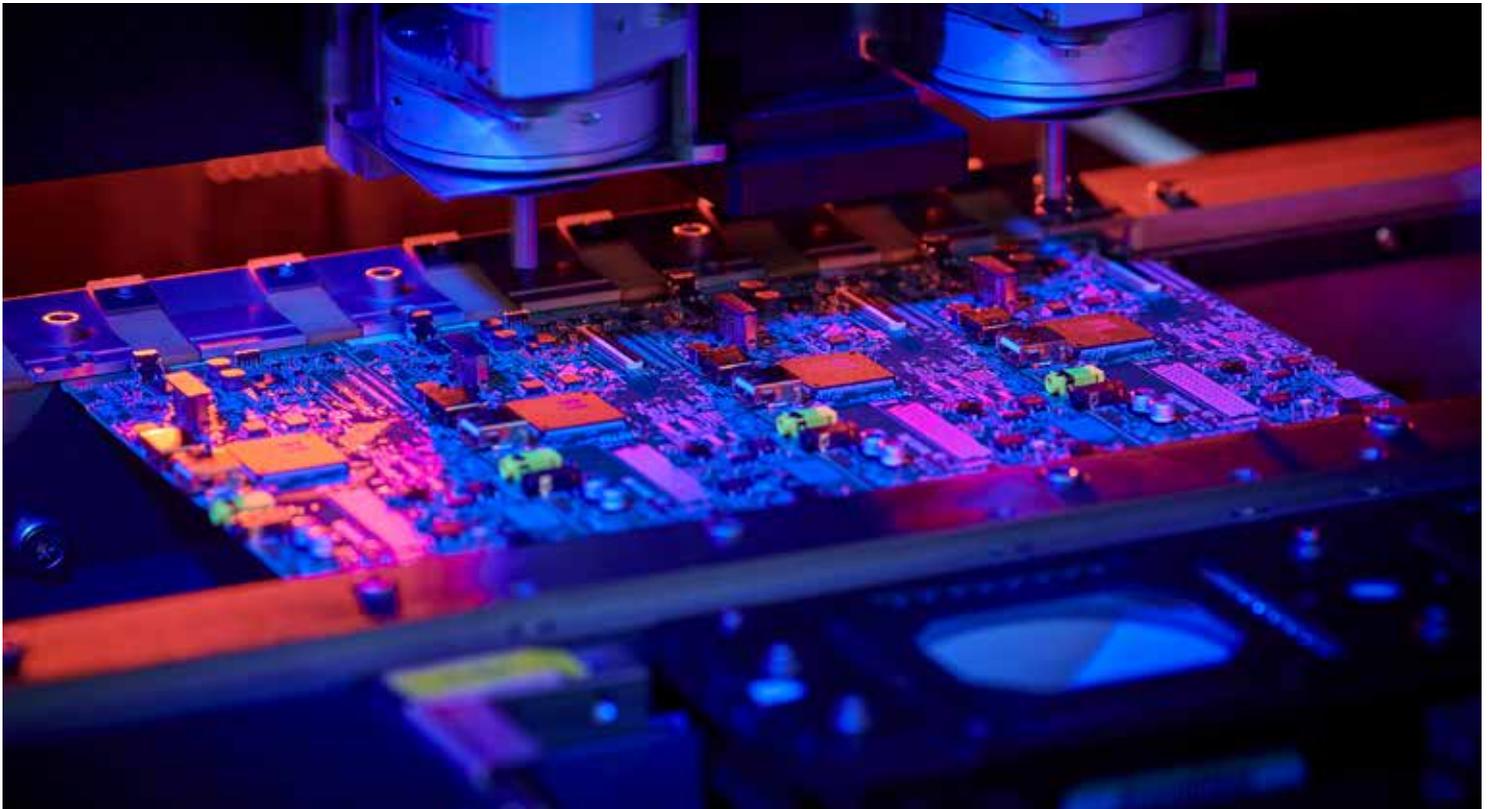
(robots, Cobots (collaborative robots)), 3D printing (additive manufacturing), AGV (Automated Guided Vehicle) and SDV (Self Driving Vehicle) applications.

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 multidimensional 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.



Consumer Electronics & Household Appliances

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.

Vestel's Sustainability Approach

Vestel's sustainability approach, built around its focus on economy, society, environment and social benefit, aims for a better tomorrow.

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 efficiency, Vestel mitigates the environmental impacts of its operations, its production costs, and risks through modern and environment-friendly and human-focused manufacturing processes.

Vestel's sustainable products portfolio includes LED lighting, A+ and A++ television sets, Smart Home kits, electric vehicle charging units, smart cane WeWalk and highly energy- and water-efficient household appliances. Vestel adheres to the principles of sustainability during the R&D processes of these products, maintaining this focus in all stages from product design to recycling of waste.

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. Guided by this philosophy, Vestel is an avid supporter of social responsibility projects in addition to its contributions towards achieving economic and environmental sustainability for a better future, and continues to lead and dedicate resources to such projects.

In parallel with the "Smart Life 2030" sustainability approach of Zorlu Holding and Group companies, which is based on the United Nations' 2030 Agenda for Sustainable Development Goals, Vestel has adopted an objective-based approach to manage its sustainability strategy.

Smart Life 2030 aims to deliver long-term and quantifiable solutions towards global economic, environmental and social issues.

Consumer Electronics & Household Appliances

Taking into account the stakeholders and the sphere of influence of Zorlu Group, Vestel has placed sustainability at the core of its drive towards growing and creating shared value, in parallel with its technology-focused business strategy for developing innovative solutions.

Taking into account the stakeholders and the sphere of influence of Zorlu Group, Vestel has placed sustainability at the core of its drive towards growing and creating shared value, in parallel with its technology-focused business strategy for developing innovative solutions.

Applying the principles of sustainability in all business models from the use of its technology to its management strategies, Vestel was listed in the BIST Sustainability Index, which includes the shares of BIST-traded public companies with a high corporate sustainability performance, on November 2, 2015. After being listed in the BIST Sustainability Index for four consecutive terms, Vestel Elektronik was included in the Sustainability Index on November 1, 2019 for the fifth time, having maintained its compliance with the index criteria.

Vestel Beyaz Eşya, a subsidiary of Vestel Elektronik, was voluntarily included in the BIST Sustainability Index at the end of 2015. Having been listed in the index for two terms and maintaining its compliance with the index criteria in 2019, Vestel Beyaz Eşya will also be voluntarily listed in the BIST Sustainability Index in the November 2018 - October 2019 period.



As part of its sustainability efforts, Vestel Elektronik:

Continues to have its greenhouse gas emissions verified and reported with the ISO 14064 Greenhouse Gas Accounting and Verification certificate since 2017.



ISO 14064

Increased environmental awareness among employees by providing 1,389 work hours of training in 2019.



1.389 work hours

Reduced electricity usage per unit by 8.5% in 2019.



-8.5%

COMPARED TO 2018, IN 2019 VESTEL ELEKTRONİK REDUCED ITS



CARBON EMISSIONS BY
0.4%



NATURAL GAS CONSUMPTION BY
2.0%



DIESEL FUEL CONSUMPTION BY
6.2%



PLASTIC RAW MATERIAL CONSUMPTION BY
10.1%



METAL RAW MATERIAL CONSUMPTION BY
0.2%



HAZARDOUS WASTE BY
15.0%



NON-HAZARDOUS WASTE BY
12.3%



HEAT CONSUMPTION BY
37.9%

As part of its sustainability efforts, Vestel Beyaz Eşya:

Provided 1,767 work hours of environmental awareness training in 2019.



1.767 work hours

Saved 4,010 tonnes of soil from contamination by collecting all of its battery waste.



4,010 tonnes

Reduced waste oil by 12% compared to 2018 and sent waste oil for recycling, saving 78 billion liters of clean water.

Prevented 42,367 trees from being cut down in the past year by recycling waste paper, and reduced paper waste by 7% compared to 2018.

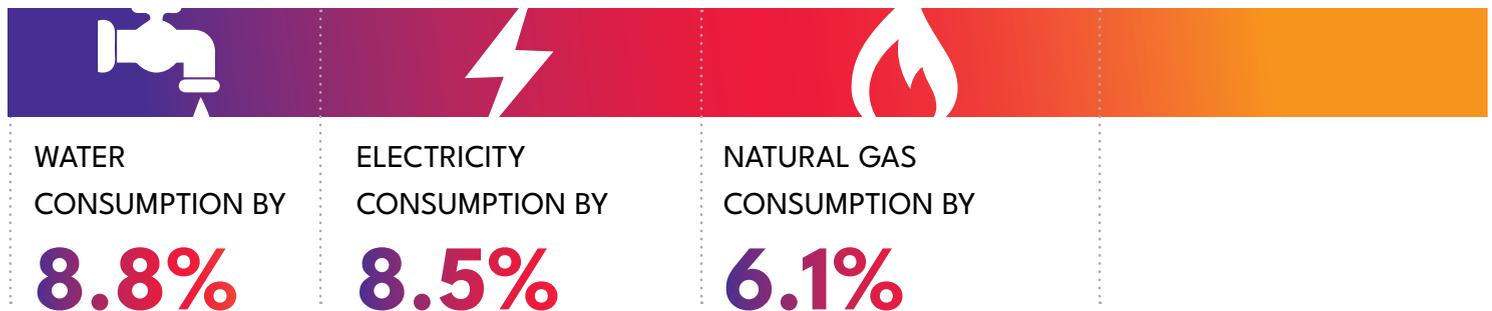
Thanks to R&D efforts and improvements at production plants, in the past year saved water equivalent to of the annual consumption of 1,156 people.

As a result of the effective operation of the waste management system and R&D efforts, reduced hazardous waste per unit by 7% and non-hazardous waste by 12% in 2019.

Reduced per-unit water consumption by 8,8% in 2018, and continued to pioneer the sector with the ISO 14046 Water Footprint Verification.

Reduced per-unit water consumption by 36% over the course of five years, despite a 55% increase in total production.

IN THE PAST YEAR, REDUCED ITS PER-UNIT



Awards Received in 2019

iF Design Awards

Vestel won 3 awards in the Kitchen and Home Appliances category at the iF Design Awards, a long-running competition going back 65 years.

Brandon Hall HCM Excellence Awards

Vestel Career Development team won the Silver Award in “Talent Management” under the “Best Practices in Achievement and Career Management” category of the Brandon Hall HCM Excellence Awards.

Good Design Awards

Vestel was recognized at the Good Design Award with 12 products. With these 12 awards bringing its total to 72 to date, Vestel became one of the most highly decorated brand in the Good Design Awards.

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

Vestel Customer Services won the “Diamond” Award in the Household Appliance, Electronics and Smartphone categories of ŞikayetVar A.C.E. Awards 2019, which recognizes brands with the highest customer satisfaction.

A'Design Award

In addition to winning the Red Dot Design Award and Good Design Award, two of the world's most prestigious design competitions, Vestel's borderless TV set, a first in Turkey, also won the “Golden A'Design Award” at the A'Design Award 2018-2019.

Vestel Borderless TV (65560 Borderless TV) was the only television to be awarded this year in the “Digital and Electronic Product Design” category.

International Design Awards (IDA)

Vestel received six awards in IDA with four products.

Design Turkey

In Design Turkey, Vestel won the “Best Design Award” in electronics, as well as three “Product Design” and one “Concept Design” awards in household appliances.

Plus X Award

Vestel Elektronik’s 9 products received 26 awards for design, quality and functionality at the 2019-2020 Plus X Award. Vestel Elektronik surpassed other strong international technology companies and dominated the awards with its easy-to-use designs fueled by innovative technologies.

Vestel Beyaz Eşya won the highest number of awards in the ‘Household Appliances’ category at Plus X Award, taking 32 awards with eight products. In addition, four Vestel products were named “Best Product of the Year” in their respective categories.

With this achievement, Vestel repeated last year’s success to be named the “Most Innovative Brand”, the most coveted grand prize of Plus X granted to companies with the most awards in each category.

European Product Design Award (EPDA)

At the European Product Design Award, a prominent global design competition, Vestel’s concept designs won three awards, one bronze and two honorable mentions, in the categories of Media and Home Electronics/TV, Video and Audio Equipment and Robotics.

Awards Received in 2019

Productivity Project Awards

Vestel Elektronik received the Incentive Award in the “Large-Scale Enterprise Sustainable Production” category at the Productivity Project Awards organized by the Republic of Turkey Ministry of Industry and Technology Productivity Directorate General.

Technology Development Zones and R&D Centers Awards

Vestel Elektronik won the First Prize in the seventh iteration of the Technology Development Zones and R&D Centers Awards organized by the Ministry of Industry and Technology.

Hezarfen Project Awards

The event jointly organized by Manisa Chamber of Commerce and Industry and the Turkish Patent and Trademark Office, Vestel Elektronik won the first prize by filing for the highest number of patents and utility models in the province of Manisa between 2014 and 2018.

Technology Awards

Organized by Izmir Institute of Technology, named one of Turkey’s top five universities by the Council of Higher Education based on 33 indicators including research capacity, research quality, interaction and collaboration, and awarded to industrial enterprises engaged in innovation and high-tech, the Technology Awards went to Vestel Beyaz Eşya for its comprehensive R&D efforts in 2018.

Energy Efficiency Awards

In 2019, Vestel Beyaz Eşya won the “Large Industry Award” at the Energy Efficiency Awards, which is organized by the Istanbul Chamber of Industry and the Ministry of Energy and Natural Resources.

Crystal Apple Creativity Awards

Vestel was granted 4 Crystal Apple Awards at the Crystal Apple Creativity Awards held as part of the 31st Crystal Apple Festival hosted by the Turkish Association of Advertising Agencies.

Felis Awards

Vestel's "Pinnable Household Appliances" innovation won four awards at the 14th iteration of the Felis Awards, which took place in 2019.

Turkish Exporters' Assembly, Turkey's Top Exporters Ranking

Vestel maintained its title as the export champion in the Electrical-Electronic and Service industries for the 22nd consecutive year in the 2019 Turkey's Top Exporters Ranking by Turkish Exporters' Assembly, which was released in 2020.

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

In addition to making people's lives easier with its technologies, Vestel also acts responsibly towards the nature and living beings in accordance with its sustainability vision, which is reflected in its projects. A good example of Vestel Beyaz Eşya's social responsibility efforts is a project in which the company uses scrapped household appliances to build walkers for disabled stray animals.

Vestel Beyaz Eşya's Walker Frame Project was named the "Best Social Responsibility Project" at the 7th ACE of M.I.C.E. Awards, as well as the Bronze Award at the Green Organisation's International CSR Excellence Awards, which is the most prestigious social responsibility award event of the UK.

In addition, The Green Organisation, which rates corporate social responsibility (CSR) and environmental sustainability efforts from across the globe, handed Vestel the "World Leader (CSR World Leader) Order" in recognition of its Walking Frame Project.

Consumer Electronics & Household Appliances

Vestel's 2019 Highlights

The dawn of the Research-Develop-Design era at Vestel

One of the three Turkish enterprises listed among the world's top 1,000 R&D spenders, Vestel launched its R&D&D Prototyping Lab in the Manisa Technopark.

A collaborative effort with Manisa Celal Bayar University and Zafer Development Agency, Manisa Technopark's R&D&D Prototyping Lab serves as a significant step towards transforming ideas into new technologies at an accelerated pace.

The R&D&D organization represents the addition of design to research and development processes, enabling rapid prototyping and hardware development informed by new ideas.

Vestel is already invested heavily into prototyping, which was carried out externally before the launch of the in-house R&D&D Prototyping Lab, and the new facility is expected to cut prototyping costs drastically while increasing quality.

VDE Certification of Record-breaking Vestel Products

Vestel's CrystalLight washing machine, offering a record-breaking 99.99999% sterilization rate, a dishwasher equipped with the HydroCharge technology for A-class washing performance without the need for detergent, and the dishwasher that consumes the lowest level of energy annually, with 30% less energy consumption than the A+++ class, were awarded the VDE Certificate, having completed the tests conducted by VDE, one of Germany's leading independent testing and certification institutes.

Vestel Call Center Awarded ISO 18295-1 Customer Services Quality Certificate

Having been granted EN 15838:2009 Customer Relations Management System Certificate, the Vestel Call Center now also holds the ISO 18295-1 Customer Services Quality Certificate, documenting its service quality.

With this certification, Vestel Call Center proved once more the EU-level of service it offers in a variety of material areas, including accessibility, quality, data management, and customer and employee satisfaction.





Vestel City hosts the Kodla(Ma)nisa Festival.

Vestel City hosted this year's "My Idea My Technology" themed closing festival of the Kodla (Ma)nisa Project, which has been organized by the Governorship of Manisa and the Provincial Directorate of National Education for the last four years. The largest event held inside a factory premises in Turkey, the festival saw 300 students from 20 provinces, particularly Manisa, exhibited the projects featuring their own codes.

In total, 73 project submissions were evaluated, and the top ranking students were awarded scholarship by the Mehmet Zorlu Foundation for the duration of their education in order to support their future endeavors.

Vestel aims to contribute to the development of Turkey's technological advancement by the support it offers to the youth.

Vestel and Hacettepe University join forces for the technologies of tomorrow

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

As part of the cooperation, Vestel will work with Hacettepe University's Artificial Intelligence Engineering Department, which was opened this year as the first of its kind in Turkey, to develop AI-based projects, particularly in Smart Home Appliances and New

Generation Manufacturing Technologies, R&D projects into eco-friendly, energy and water-efficient systems, as well as alternative, high-performance coating, insulation and raw materials. The cooperation will also involve various internship opportunities for students, as well as seminars and workshops.

Vestel remains the main sponsor of Turkish volleyball for two more years

Vestel, the main sponsor of Turkish volleyball since the 2016/17 season, extended its partnership with the Turkish Volleyball Federation (TVF) for two more years. As part of the agreement, the top division of the Turkish women's national volleyball will be named Vestel Venus Sultans League for two more seasons. In addition, Vestel will remain the main sponsor of the Turkish National Volleyball Teams, and the official sponsor Efeler League, Kupa Voley, Pro Beach Tour and other organizations by TVF, as well as the TVF Volleyball Schools Factory Volleyball, which has helped train hundreds of young athletes who will shape the future of Turkish volleyball.

Vestel-produced Sharp washing machines and tumble dryers receive high scores in Germany

The Sharp-branded washing machines and tumble dryers designed and produced by Vestel were awarded high scores and received positive reviews in the assessment conducted by Haus & Garten Test, a highly popular and reputable testing publication in Germany that is influential on the consumer purchasing decisions.

The scope of the brand licensing agreement with Sharp expanded

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

Female technicians reporting for duty in Vestel authorized service providers

Vestel launched the Female Technician Training Project in Vestel City as part of its support for women's employment.

Accordingly, Vestel offers training courses to female employees who work as specialist customer representatives at authorized service providers and wish to become technicians themselves, with plans to train 50 female technicians in 2020.

In the first phase of the project, 13 female technicians received their certificates by completing the four-week training course, and are now working in various provinces of Turkey.

The courses are currently exclusive to Vestel authorized service provider employees, with plans to include female applicants to Vestel in the coming period.

WeWALK named one of the best inventions of 2019 by Time

A joint invention by Vestel engineers and the Young Guru Academy (YGA), the WeWalk smart cane, which is designed to allow visually impaired individuals to fully and equally participate in social life,

was named by the Time magazine as one of the best inventions of 2019.

Having been shown as a model project in the United Nations in 2017 and attracted significant interest in every exhibition it was featured, WeWALK is capable of obstacle detection, mobile connection and app integration, warning about chest and head-level obstacles on the user's path.

The smart cane WeWALK has built-in Google Maps and Alexa voice assistant integration, offering various technological innovations. The cane enables visually impaired users to connect to the WeWALK mobile app for hands-free navigation, learn about nearby bus stops and bus schedules with its public transport integration feature, and give voice commands to Alexa virtual assistant.

WeWALK is already being used by visually impaired people in over 25 countries.

Vestel opens its largest overseas store in Azerbaijan.

Vestel opened a 800-m² showroom inside the Optimal Live tech store in Baku, Azerbaijan to consolidate its growing brand recognition and brand perception in the region.

Designed to serve as an area for experiencing technology and innovation as well as a sales point, the showroom has the distinction of being the largest Vestel store outside of Turkey. The showroom features Vestel's Smart Home range of products, latest technology televisions and household appliances, as well as B2B screen solution and LED lighting products.



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 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.

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.

To this end, corporate customers' needs, demands and current challenges are identified and analyzed in the fastest and most accurate way to design customized products accordingly.

Vestel Project Partner also offers flexible and diverse payment models for project investment costs, selecting the most suitable products and projects for the customer's needs. Aftersales 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.

Set out to leverage the capabilities of Vestel and Zorlu to transform life-changing and productivity-oriented technologies into products, Vestel Ventures 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.

Vestel Ventures provides support for ventures that are poised to make a difference and create significant value for Vestel or users. An arena of ideas where innovative technologies 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 2019, Vestel Ventures invested in a total of 17 enterprises inside and outside Turkey. The fields the company has invested in include energy, healthcare, bioplastics, mobile applications, AR/VR (Augmented & Virtual Reality) technologies, smart cities, cyber security, and customer services.

In the ISE Amsterdam Expo of 2019, Vestel Ventures showcased the smart pole, smart city and transport technologies developed by its partner, Verisun.

In addition, in the BETT London Education Technologies Expo, the company presented the trust circle product by Verisun, which is aimed at students and is compatible with Vestel’s smart boards.



Consumer Electronics & Household Appliances

Fully aware of the potential future demand for unmanned aerial vehicles, Vestel Savunma continued to expand the usage scenarios of the Karayel UAV System in 2019.

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.

Fully aware of the potential future demand for unmanned aerial vehicles, Vestel Savunma continued to expand the usage scenarios of the Karayel UAV System in 2019. Accordingly, Karayel UAV System was expanded with various payloads and cutting-edge subsystems. Having been revised with new capabilities, Vestel Savunma's UAV Systems have total flight time of over 20,000 hours.

In 2019, Vestel Savunma continued its sales and marketing activities as well as product development and R&D efforts in line with the domestic and international demand for its UAV systems and Fuel Cell Technologies.





As an enterprise specializing in Unmanned Systems, Vestel Savunma continues to design and develop new classes and systems. In 2019, a newly developed UAV platform successfully completed its first test flight.

The company also continued to design and develop a high-capacity VTOL UAV.

As part of its goal of translating the experience it has gained from the defence systems and technologies it has designed, developed and manufactured into other industries as well, in 2019 Vestel Savunma started to work on Advanced Imaging Systems, Electro-Optical Systems, Border Security and Mobile Healthcare.

In 2019, the number of R&D Center projects increased, while staff grew by 4% over the previous year to 1,352 employees.

Vestel Savunma has made 12 patent applications so far, and as the end of 2018, has nine registered patents. The company continued its patent applications in 2019.

Consumer Electronics & Household Appliances

AYESAŞ

Aydın Yazılım Elektronik ve Sanayi AŞ (“AYESAŞ”) develops original products, effectively utilizing its strong production, engineering and software capabilities for a broad range projects in the defence industry and offering these capabilities to the service of the state. In this context, the company continues to develop next-generation Command Control and Platform Control Consoles and Cabinets for warships, Helicopter Obstacle Detection Systems, and Digital Moving Map and Mission Planning Systems for aerial platforms.

In 2019, AYESAŞ, leveraging its deep-rooted expertise, assumed the responsibility of designing, developing and manufacturing the Digital Engine Control System, a crucial component of the

Turboshaft Engine Development Project that is poised to reduce Turkey’s foreign dependence on foreign sources in the production of aviation thrust systems.

In addition, in 2019 the company began planning for indigenous design and production of avionic systems, such as display technologies that have the potential for use in the National Combat Aircraft Project.

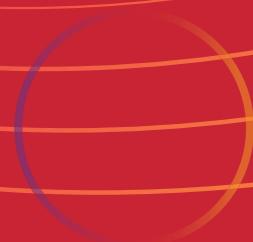
AYESAŞ also took part in a trilateral collaboration with Vestel and Havelsan, leveraging the combined experience and expertise of the companies for the development of Advanced Driver Assistance Systems (ADAS) for Indigenous Automobile and Military Land Vehicles, as well as positioning and mapping systems for autonomous driving systems.

In addition to its direct exports to the global giants in defence and aviation industries, AYESAŞ also distinguished itself as the first Turkish defence company to receive commissions from the NATO Communications Information Agency.

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, the company takes part in R&D projects under TÜBİTAK and European Union Framework Programs, supporting authentic product development activities.



Textiles



Textiles

Zorlu Textiles Group continues to take stronger steps towards sustainability with a circular economy-oriented next-gen approach to textiles fueled by innovation and technology, consolidating its position in the global competition as a brand that creates value.





Textiles



Zorlu Textiles is ideally positioned for the post-pandemic era thanks to its sustainable-focused transformation that has long reshaped its companies in accordance with the Smart Life 2030 philosophy.



Necat Altın

CEO, Zorlu Textiles Group

A year of serious economic uncertainties at the global scale, 2019 was also a challenging time for textiles and various other industries. Despite this global pressure, Zorlu Textiles continued to take stronger steps towards the sustainability of its companies, thanks to its circular economy-oriented next-gen approach to textiles fueled by innovation and technology.

As a reflection of this approach, the revenues we generated from sustainable and smart product categories continued to grow in 2019. Our goal is to maintain our focus in this area, and increase the share of smart textiles in our total revenues from its current 20% to 50% by 2025.

We continued to propagate this approach, which is guided by R&D, technology and innovation, across the entirety of our process management, both with our own projects, as well as other initiatives such as RECLAIM, in which Zorluteks joined last year as part of the EU Horizon 2020 Grant Program. In this context, we are working on a circular economy-based project involving several areas from Industry 4.0 to energy efficiency and nanotechnology, and smart production to water reclamation.

With this approach, Korteks continued to develop recycled products while maintaining its growth in existing markets while. As part of the ongoing recycling project, Korteks aims to recycle waste PET bottles into raw material for polyester yarn production to develop 600 tonnes of recyclable products per month. We have also begun PLA yarn production from agricultural products with high starch content, such as maize and sugarcane. We also continue our efforts to develop hybrid yarns using

proprietary polyester yarns. In 2019, we maintained our focus on technical textiles and automotive yarns, which we believe offer significant potential. As the company single-handedly supplying 15% of Europe's total consumption of automotive yarns, our goal is to further expand our exports in the coming period.

Zorluteks continued to grow driven by technical textiles while also increasing the weight of smart textiles. In addition to apparel fabrics, we also focused on the development of roller blinds and black-out, outdoor and canvas materials. Looking ahead, our goal is to enhance our self-cleaning stores with FR and anti-bacterial capabilities to increase our exports even further. Furthermore, we are taking steps forward on our journey to become a next-generation company that will shape the future with several TÜBİTAK-supported technology and innovation projects, including "Sleep Pattern Analyzing Mattress Pad", "Sound-Absorbing Next-Gen Curtain" and "Textile-Integrated Wearable ECG and Heart Rhythm Monitoring System".

On the retail side, we continued to expand our operations with a multi-channel approach, including stores, franchises, regional dealers, wholesale, supermarkets, e-commerce (B2B-B2C) and contract sales. We remained the primary choice of consumers with our strong brands, particularly Taç, Linens and Valeron in the market, where we are active with our broad range of products such as curtains, household items and tableware. After the Zorlu Home Textiles store that opened in the US in late 2018, we opened seven new stores in six countries in 2019. Our goal in overseas retailing is to have sales points in 28 countries by 2023. In addition to these developments, the COVID-19 outbreak, which emerged in China in late 2019 and has since become a global pandemic, forces us to reevaluate our ways of doing business looking forward. During the pandemic, we witnessed the growth of an experience-focused, next-generation economy shaped by digitalization, which had already begun to affect consumer habits. It is safe to say that the situation reinforced this existing trend. While we believe that conventional retail will continue to exist, a hybrid model that combines online and conventional shopping is expected to become more

and more prevalent. In the coming period, we will continue to support our conventional retail channel, which accounts for a significant share in our total revenues, while also increasing our focus on digital supported by technology investments.

Zorlu Textiles is ideally positioned for the post-pandemic era thanks to its sustainable-focused transformation that has long reshaped its companies in accordance with the Smart Life 2030 philosophy.

We are highly capable of meeting the needs of this new world with an extensive range of products with fire retardant, thermal insulation and anti-bacterial capabilities. Thanks to our investments in recent years in technology and digitalization, the importance of which is being recognized even more in this environment, our overseas customers are able to place online orders to our factories. This sustainability, digitalization and technology-oriented approach has enabled us to remain the innovative business partner of world retail giants. We are able to manage our supply and shipping processes even more efficiently today, an outcome of this smart transformation. In the coming period, we will continue to develop sustainability-focused smart products and solutions that the new world will need. We will make our commercial channels smarter with the addition of new tasks, new channels, e-commerce and international collaborations. We remain committed to double our USD revenues by 2025, supported by this smart transformation.

Textiles

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

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 14 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 2019, Zorlu Textiles Group's exports reached USD 182 million. With around 7,000 employees and manufacturing facilities spanning 800,000 m² in total, Zorlu Textiles Group is among the leading polyester yarn and home textiles manufacturers around the globe.





Innovative business partner of world giants, guiding the transformation in textiles with its R&D and innovation capabilities.

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.

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 has become synonymous with innovation in the textiles industry. The Group makes key

investments to develop and manufacture innovative products which meet the needs of the consumers.

Zorlu Textiles Group enjoys a competitive and leading position in technical textiles, testified by its 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, which have all been made possible by the innovative approach adopted by the Group.

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

Digitization and technology-intensive business model

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.

Textiles

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

Human-oriented and customized designs, products surpassing 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 enabling 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 practices. Embracing the goal of a sustainable world by using resources effectively today, Zorlu Textiles Group is committed to develop environmentally friendly products.

Smart production and firm steps forward with Industry 4.0.

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.

A brand that creates value: Made by Zorlu

In today's world, being unique and maximizing the value offered to consumers are the main goals of manufacturers. Consumers opt for unique brands 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 expand its Made by Zorlu brand across the globe.

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

Zorlu Textiles 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 utilizes 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 to its customers rapidly and in desired quantities.



Textiles

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

ZORLUTEKS

Zorluteks is a leading global player in home textiles.

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

Zorluteks ranks among the most modern and largest integrated textile producers with its massive 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 m² 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 various other home textile products in 108,000 m² production area; these include 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 weaving, knitting and warping machines in a 60,000 m² production area.

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

The world's largest digital print machine giving Zorluteks a competitive advantage.

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, a rare feat that only few other companies in the world have accomplished.

Textiles

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.

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 trusted 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 "Authorized Economic Operator Certificate" has increased Zorluteks' strength in customs transactions.

With the RECLAIM project, which aims to increase service life of machinery, equipment and materials to prevent unnecessary use of resources, Zorluteks has been accepted into the EU's Horizon 2020 Grant Program for research, development and innovation projects.

Zorluteks maintained its export-oriented performance in 2019, reaching 68 countries in five continents.

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

Textiles

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 single-handedly accounts for 23% of Turkey's bedding exports and 17% of curtain 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 2019, the retail growth drive continued and the number of stores and outlets in various regions were increased.

Zorluteks generated USD 132 million in export revenues in 2019, presenting its product range to 68 countries in five continents and carried out sales under the TAÇ brand to approximately 20 countries and regions including Russia, Ukraine, Georgia, Middle East and the Balkans. The aim of the company is to increase 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 committed 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 requirement of future existence 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 environmentally 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

32 COUNTRIES
120 STORES
770 OUTLETS



TURKEY

1,698 OUTLETS
26 FACTORY OUTLETS IN **16**
PROVINCES

LİNENS



ABROAD

7 COUNTRIES
7 STORES



TURKEY

27 PROVINCES
73 STORES

VALERON



ABROAD

35 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

EXPORTS TO OVER **250** CLIENTS
FROM APPROXIMATELY
50 COUNTRIES

PRIMARY BRANDS

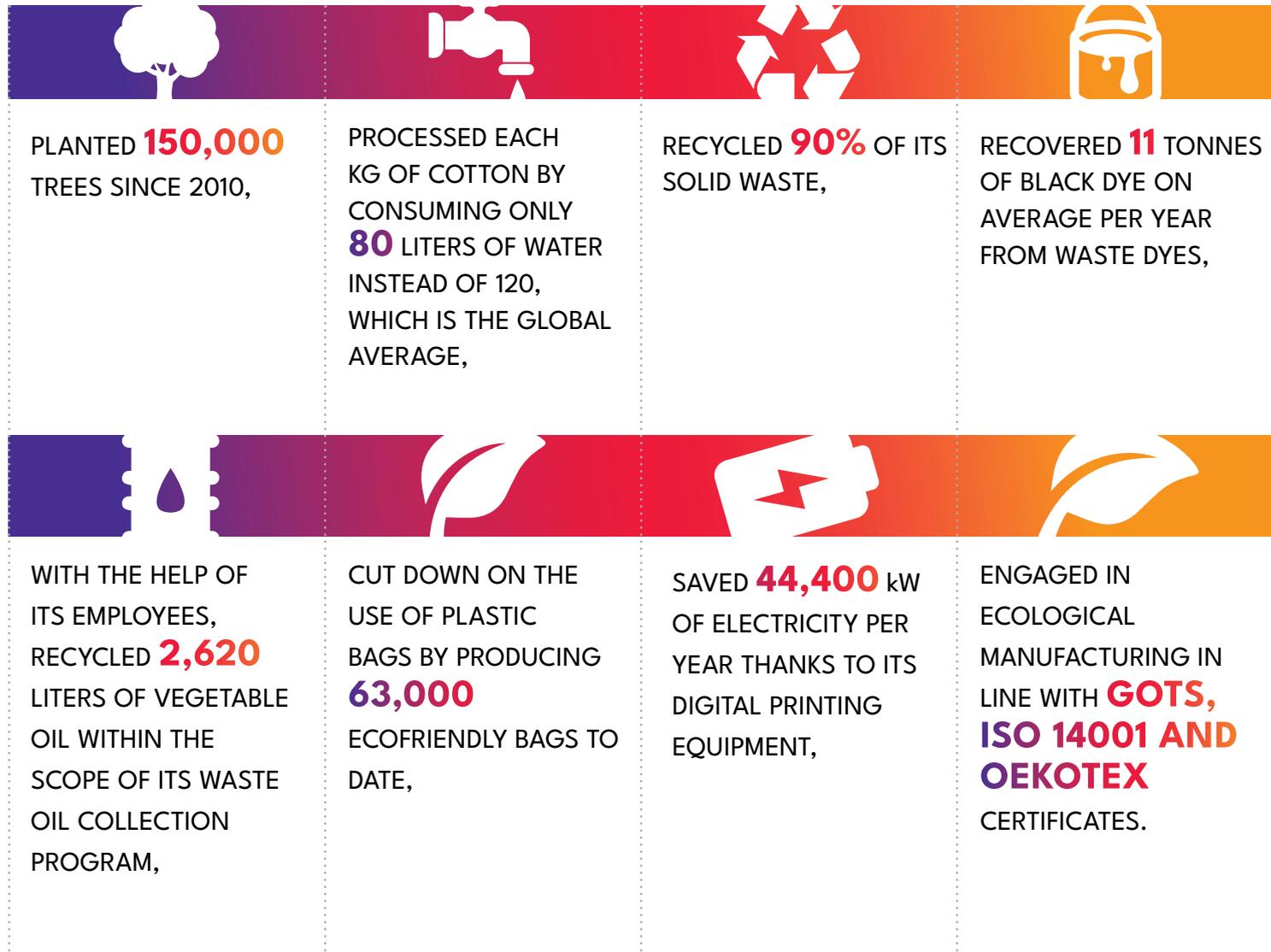
ZORLUTEKS

EXPORTS TO **68** COUNTRIES



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

In its production cycle, Zorluteks;



In its consumption cycle, Zorluteks;



KORTEKS

Korteks is the largest integrated and innovative polyester yarn 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 m². 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 scale, 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, one of its major competitive advantages, 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.

Since its establishment, Korteks has always remained among the top-ranking polyester thread manufacturers in Turkey and the world at large, and over time, 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 and texturing



Textiles

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.

machinery and cutting-edge test and analysis equipment allow for research and development efforts in a rapid and consistent 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 supplies high quality, unique, novel and eco-friendly polyester thread products to a variety of textiles companies across the global arena.

Korteks adds numerous new and functional products to its portfolio in an effort to enhance product variety with distinct and innovative options. Offering a competitive edge in the textile industry, these products are used in furnishing, carpets, towels, medical products, sweatshirts, top-wear and sportswear, outdoors, and automotive textiles, and are becoming increasingly popular with customers.

Korteks manufactures super-gloss and 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 such as high count.

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.

Korteks product range also includes DRY TOUCH®, TAÇ FLAME RETARDANT, TAÇ COTTON-LIKE, TAÇ ANTIMICROBIAL, TAÇ ANTISTATIC and TAÇ UV RESISTANT products intended for the technical textiles industry.

Preferred choice of customers with its extensive range of high-quality and innovative products.

Aiming to achieve superior customer satisfaction by combining technology and innovation, Korteks endeavors to continuously expand its product range, manufacture premium-quality products, and remain the preferred choice among its customers.

Korteks sells approximately 85% of its production to the Turkish market, where around 1 million tonnes of polyester thread are consumed annually. Today, Korteks single-handedly supplies 17% of Turkey's total yarn demand.

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

One of Turkey's leading exporters with USD 50 million in export revenues in 2019, Korteks exports its products to 57 countries in five continents, including Germany, Belgium, United Kingdom, Italy, Spain, France, Poland, Portugal, Iran, Egypt, United States, Canada, Mexico and South Africa. Korteks' top export destinations in 2019 were Germany, Italy and Slovakia.

Korteks effectively leverages its technological capabilities to drive progress in sustainability as well.

Korteks ensures corporate sustainability by implementing ISO 9001, IATF 16949, ISO 10002 and ISO 14001 management system standards. In 2019, Korteks also measured its carbon emission load

by calculating and verifying its greenhouse gas emissions under ISO 14064.

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. The certification was renewed in 2019.

In 2019, 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 6,751,590 in total.



Textiles

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.

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.

As a manufacturer that has embraced the principles of Industry 4.0, Korteks has a team specializing in this field. Industry 4.0 is highly compatible with Korteks' production technologies, and each and every automation process in this context has been custom designed internally. Korteks also cooperates with its business partners for Industry 4.0. A global machinery supplier, a long-time business partner of Korteks, has selected Korteks as its Industry 4.0 implementation partner. The aim of this project is to jointly develop a system that can be marketed internationally.

Korteks utilizes many robots with various functionalities in different stages of its fully automated production processes.



Awards Received in 2019

Sustainable Business Awards

Korteks's "Efficient Use of Water in Industry" project was awarded in the "Water Management" category of the Sustainability Academy's "Sustainable Business Awards".

Value Summit and Brands that Add Value to Turkey

Zorlu Tekstil was named the "Brand that Adds Value to the Textile Industry" in the "Value Summit and Brands that Add Value to Turkey" award ceremony, which is organized with the motto "Value for Turkey".

Stars of Export – Secret Champions of Turkey

Zorlu Tekstil was named the "Most Eco-friendly Champion" in the "Stars of Export – Secret Champions of Turkey" award ceremony, which is organized by the Dünya newspaper in collaboration with the Turkish Exporters' Assembly to support the development of exports and increase the share of exports in the economy.

Energy



Energy

Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ, Zorlu Energy Group is a global conglomerate that is engaged in various fields of the energy industry.





Energy

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As the “Energy Company of the Future”, Zorlu Enerji strives for maximum use of domestic and renewable energy sources in its investments, guided by a sustainability approach that is based on security of supply, competitiveness and environmental protection.

”



İbrahim Sinan Ak

CEO, Zorlu Energy Group

Our world is experiencing an unprecedented period of change and transformation. The energy industry, with its strategic importance, will unavoidably be affected by this change. In recent years, Turkey has taken some important steps to keep pace with the changes in the energy industry. Having largely completed the first phase of its growth process, the Turkish energy market is now in the development and maturation stage. This stage has brought about a period of change and transformation where financial sustainability will be achieved, liquidity and market depth will increase, and investments will rebound.

Against this backdrop of Turkey making progress towards establishing a predictable energy market and uninterrupted supply, Zorlu Enerji, as the “Energy Company of the Future”, strives for maximum use of domestic and renewable energy sources in its investments, guided by a sustainability approach that is based on security of supply, competitiveness and environmental protection, and has placed sustainability at the core of its business model. We combine our country’s diverse trove of untapped renewable energy sources with advanced technology and innovation, contributing to our country’s ability to take advantage of opportunities in the transition to a low-carbon, self-sustaining economy.

We endeavor to improve our resource diversity and further increase the share of renewable energy (geothermal and solar energy in particular) in our generation portfolio, both in Turkey and abroad. As of the end of 2019, Zorlu Energy Group’s 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.

Meanwhile, guided by our vision of reducing carbon emissions for a better future, we pioneer investments in electric vehicle charging stations to promote the use of electric vehicles. Accordingly, we are ready to share our experience in this field with all industry players with our company ZES, which had a market share of 35% as of the end of 2019 with a broad network of intra-city and inter-city charging stations.

Despite the global challenges that marked 2019 as well as the ongoing downturn in the national economy, we closed the year with successful results in terms of operating profitability. Our sales revenues grew by a strong 40% to reach TL 8.4 billion, while our EBITDA rose 10% TL 2 billion.

In 2019, we made a deal to sell our 100% stake in Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ, the owner of the Saritepe and Demirciler Wind Power Plants, to Akfen Yenilenebilir Enerji AŞ. The sale was completed in February 2020. We will continue to operate our 135-MW Gökçedağ Plant.

This sale has further strengthened our capital structure. In line with our growth strategy, the sale has allowed us to recycle our capital to add value to our company as we prepare for larger investments.

In 2019, we invested a total of TL 1,057 million, the majority of which was channeled to improvements and expansion of the existing electricity and natural gas distribution infrastructure, as well enhancements to the quality of service in these businesses.

Another key goal for us is to become a global benchmark in energy and receive support for our projects. In 2019, as a testament to this commitment, Zorlu Enerji was deemed eligible to receive funding worth approximately EUR 3.5 million with its six projects, three of which involve geothermal energy, from EU's largest Research and Innovation Framework Program Horizon 2020, which will be running between 2014 and 2020.

The COVID-19 pandemic that emerged late 2019 has altered our predictions, and had a multi-dimensional impact on our operations. Accordingly, we have taken all necessary precautions in our electricity and natural gas distribution businesses, in which service continuity is paramount.

Electricity demand plummeted in parallel with the economic downturn due to the COVID-19 pandemic, as shopping malls, small-scale businesses and large industrial enterprises, which are the key drivers of demand in the industry, were forced to suspend their operations. On the other hand, household electricity demands climbed.

Zorlu Enerji monitors changes in daily consumption across Turkey, as well as in the Osmangazi Region, in which it provides retail electricity sale and distribution services. We recorded a loss in demand in the second quarter as a result of the pandemic. We expect to reach the previous year's level in the third quarter, and to surpass this level in the last quarter, driven by the positive growth.

Meanwhile, we have observed a drop in spot electricity prices in parallel with the decline in consumption. This has had two effects for Zorlu Enerji. The first involves generation: The majority of Zorlu Enerji's generation-based sales fall under the scope of YEKDEM (Support Mechanism for Renewable Energy Resources in Turkey) with prices indexed to US dollar, thus limiting the impact of market prices on the company. The second effect involves its impact on the retail sales of our commercial enterprises. Zorlu Enerji hedges its electricity sales to retail customers, which provides the company with a degree of protection against price fluctuations.

Energy



With its investments in renewable energy and smart technologies, Zorlu Enerji is a prominent stakeholder of the Smart Life 2030 vision, and is committed to continue working towards building a sustainable future and leaving a more livable world for future generations.



In terms of the exchange rate risk, although the power plant investments are financed in foreign currency, the impact of exchange rate volatilities on Zorlu Enerji is limited, as the majority of the electricity Zorlu Enerji generates is also sold at fixed FX prices via the YEKDEM mechanism. On the retail side, exchange rate fluctuations affect the electricity purchases made with foreign currency, as well as the YEKDEM price reflected to the consumers.

From a medium to long-term point of view, in the post-pandemic era, both countries and individuals are expected to reevaluate their strategies from the perspective of sustainability, and gravitate towards self-sustaining systems. Predictions suggest that new trends will expedite the transition from fossil fuels and gradually reduce the demand for oil. We believe that, electric vehicles being recharged using renewable energy sources will grow in prominence as a sustainable and eco-friendly method of transportation in the new world order, which will drive the demand for electric vehicle charging stations.

It is apparent that the pandemic has accelerated the evolution of a new customer profile, who seeks solutions shaped by sustainability, digitalization, technology and innovation. This evolution confirms the accuracy of the roadmap Zorlu Enerji is following on its journey to become a next-generation energy company that develops solutions using technology and innovation.

Zorlu Holding's Smart Life 2030 plan for the future includes innovative solutions designed to make life more productive, effective, manageable, holistic and sustainable. With its investments in renewable energy and smart technologies, Zorlu Enerji is a prominent stakeholder of this vision, and is committed to continue working towards building a sustainable future and leaving a more livable world for future generations.

Turkish Energy Industry in 2019

According to the data published by Turkish Electricity Transmission Corporation (TEİAŞ), which includes unlicensed power plants, electricity consumption increased to 303.7 GWh in 2019, with a 1.2% growth year-over-year. In line with the growth in demand, electricity production also increased by 1.2% to 304.3 GWh during the year.

As a result of the high amounts of rainfall in 2019 that increased the water supply of hydroelectric dams by 60% year-over-year, the share of hydroelectric power plants in total electricity generation increased from 20% to 29.2%, while the share of wind, geothermal and solar power plants rose from 11.4% to 13.2% with new renewable energy power plants, especially in solar power, entering into service during the year.

In 2019, the share of domestic and imported coal-fired power plants in total electricity generation was 37.2%, similar to the previous year, while the share of natural gas power plants fell from 30% to 18.6% as a result of the supply surplus that affected the industry in recent years, increase in hydroelectric power generation, and falling profit margins.

Turkey's total installed capacity reached 91,267 MW in 2019 with a 3.1% growth year-over-year and a net increase of 2,716 MW (after adjusting for reduced and retired capacity) with 1,166 new power plants that entered into service in 2019. 65% of the 3,272 MW of new installed capacity in 2019 came from renewable energy power plants.

In 2019, coal-fired plants recorded the highest capacity increase with 1,286 MW, followed by solar power plants with 932 MW and wind power plants with 586 MW. Geothermal, hydroelectric and natural gas power plant capacity increases were 232 MW, 212 MW and 23 MW, respectively.

Hydroelectric energy accounts for 31.2% of total installed capacity, natural gas for 28.4%, domestic and imported coal for 22.2%, wind for 8.3%, solar for 6.6%, geothermal for 1.7%, and other energy sources for the remaining 1.6%. As of the end of 2019, renewable energy power plants constitute 49% of Turkey's total installed capacity. 21.5% of the total installed capacity belongs to EÜAŞ (the state-owned Electricity Generation Company) and its subsidiaries,

3.9% to power plants operated under the build-operate-transfer (BOT), build-operate-own (BOO) and transfer of operating rights (TOR) schemes, and the remaining 74.6% belongs to independent power producers and unlicensed power plants.

In 2019, Turkey's natural gas consumption fell 7% to 45 billion m³ due to the growing share of hydroelectric power plants in electricity generation. Natural gas consumption by households and industry increased to 14.5 billion m³ and 12.4 billion m³, respectively, while consumption in electricity generation decreased 38% to 11.3 billion m³.

As of the end of 2019, the total number of natural gas subscribers increased to 16.5 million. The number of residential subscribers is approximately 15.9 million, while the number of eligible consumers is approximately 624,000. The current distribution network investments have brought natural gas to 66.4 million people, whereas active natural gas users increased 3% over the previous year to reach 52 million.

Zorlu Energy Group

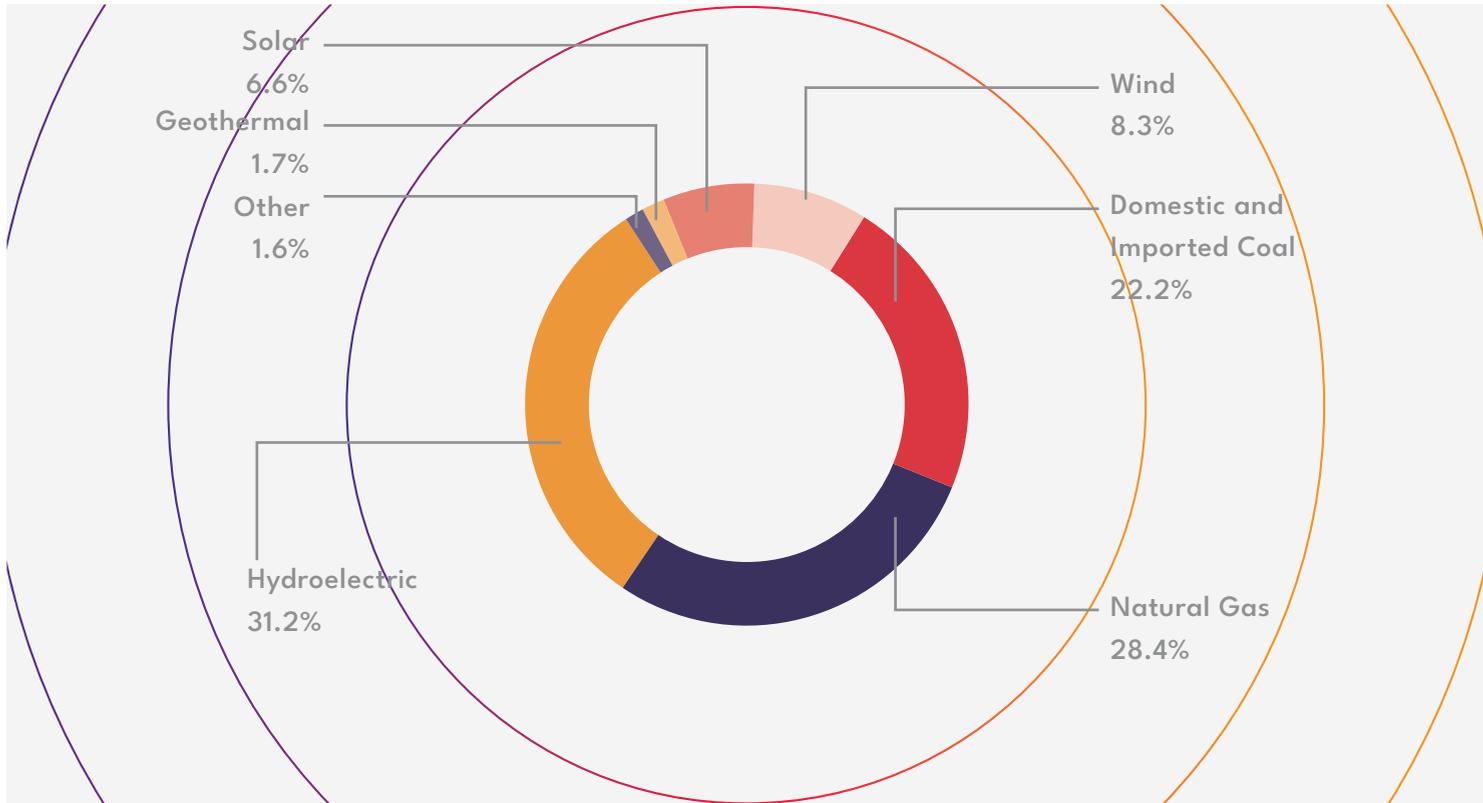
Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ, Zorlu Energy Group is a global conglomerate that is engaged in various fields of the energy industry.

Zorlu Energy Group is engaged in:

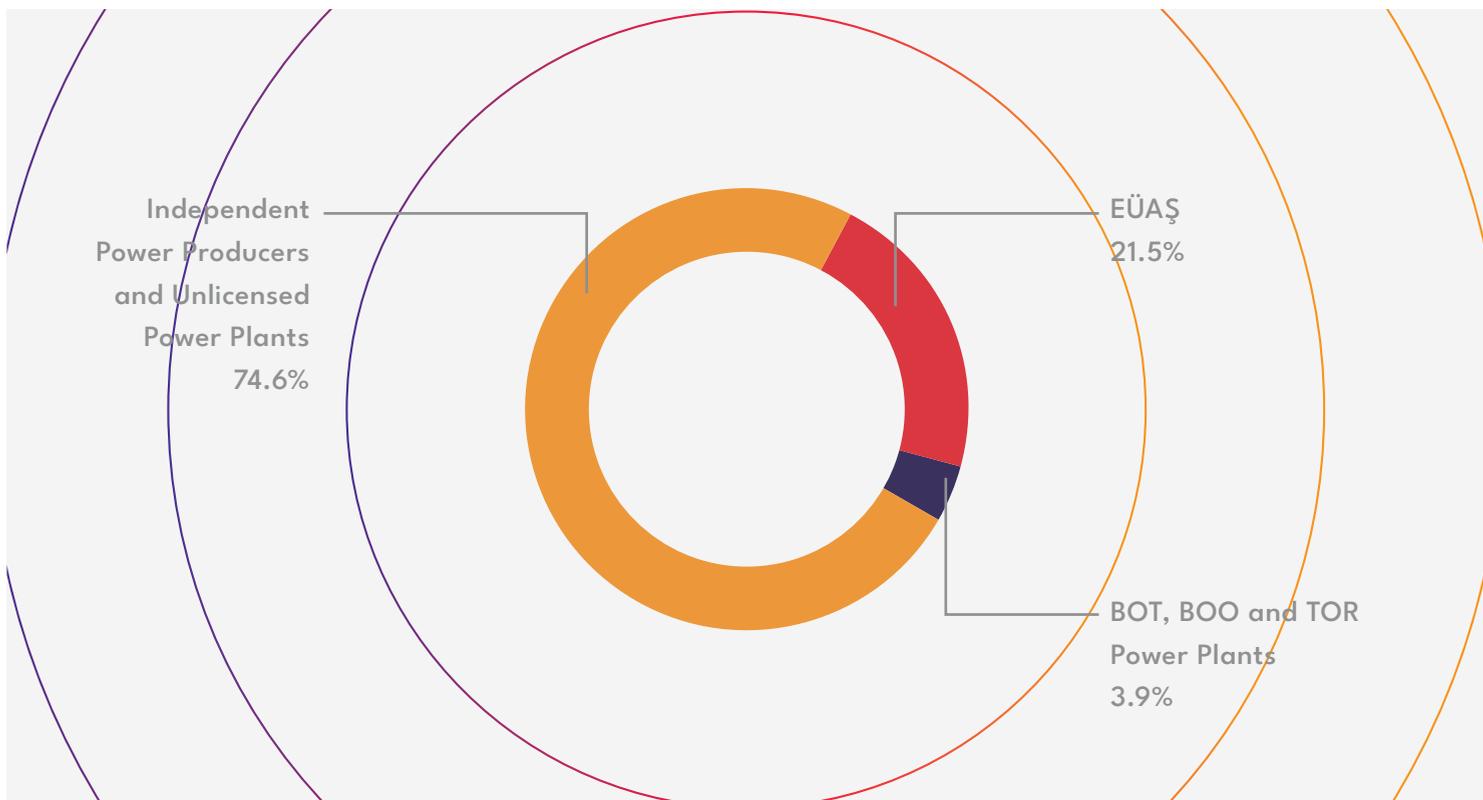
- Generation and sale of electricity and steam,
- Electricity trade,
- Electricity distribution and retail sales,
- Power plant construction, maintenance, repair and operation,
- Natural gas distribution,
- Natural gas trade and sales,
- Solar panel trade and installation,
- Electric vehicle charging station installation,
- Electric vehicle rentals.

Zorlu Energy Group's consolidated revenues increased by 28% to TL 8,720 million in 2019.

Breakdown of Installed Capacity by Source (2019, %)



Breakdown of Installed Capacity by Producers (%)



Energy

Today, Zorlu Enerji is one of the leading players in the Turkish energy industry with a balanced generation portfolio with high resource diversity in domestic and overseas power plants, integrated structure including a broad range of operations, sectoral experience, and strong market position.

ZORLU ENERJİ

The only publicly listed company of Zorlu Energy Group, Zorlu Elektrik Enerjisi Üretim AŞ, alongside its subsidiaries and affiliates, is engaged in electricity and steam generation and sales, electricity trade, electricity distribution and retail sales, natural gas distribution, solar panel trade and installation, electric vehicle charging station installation, and electric vehicle rentals.

Today, Zorlu Enerji is one of the leading players in the Turkish energy industry with a balanced generation portfolio with high resource diversity in domestic and overseas power plants, integrated structure including a broad range of operations, sectoral experience, and strong market position.

As of the end of 2019, the total installed capacity of Zorlu Enerji is 1,086 MW. Zorlu Enerji's generation portfolio comprises:

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

Zorlu Enerji single-handedly accounts for 20% of Turkey's total installed geothermal capacity.

The share of renewables in Zorlu Enerji's total installed capacity in Turkey has grown steadily over the recent years, particularly as a result of investments in wind and geothermal energy. In 2012, 34% of Zorlu Enerji's installed capacity in Turkey was composed of renewables, which now account for 87% as of the end of 2019, as well as 64% of total installed capacity.

Zorlu Enerji increased its installed geothermal capacity to 305 MW with new investments in Kızıldere, which is the first geothermal site discovered in Turkey to be suitable for power generation, as well as the one with the highest potential, and in Manisa Alaşehir. As of the end of 2019, Zorlu Energy single-handedly accounts for 20% of Turkey's total installed geothermal capacity. As Turkey's largest player in geothermal power, Zorlu Energy is one of the most competent and capable investors in the field.

In addition to new GPP projects to utilize the untapped geothermal potential of Kızıldere and Alaşehir, Zorlu Enerji also started geophysical and geological surveys in two new geothermal sites in Denizli and Kütahya.

Energy

Having increased its installed geothermal capacity to 305 MW, as of the end of 2019, Zorlu Energy single-handedly accounts for 20% of Turkey's total installed geothermal capacity.

After completing the exploratory drilling for the Tekkehamam II GPP project, which is planned to be developed in Sarayköy, Denizli under the geothermal operating license leased from Denizli Metropolitan Municipality for a period of 25 years, or until 2041, Zorlu Enerji obtained pre-licensing in January 2020 for 35 MW, valid until 30 months. Zorlu Enerji already operates three geothermal power plants in Denizli with a total installed capacity of 260 MW, and with the addition of the new Tekkehamam II GPP, expects to meet the annual electricity demand of approximately 53,000 people.

The company plans to commence exploratory drilling operations in the Yeniköy, Kütahya site in 2020, having obtained the relevant geothermal exploration licenses in 2016.

Zorlu Enerji is also focusing on renewable energy investments overseas.

Accordingly, Zorlu Enerji began investing in solar power in Pakistan, having previously built a 56.4-MW wind power plant in Jhimpir, which is also significant as the country's first wind farm developed with foreign investment, through its wholly owned subsidiary, Zorlu





Enerji Pakistan. To this end, in 2017, Zorlu Solar Pakistan (Private) Limited (“Zorlu Solar Pakistan”), in which Zorlu Enerji has 99.7% stake, commenced the development of the 100-MW Bahawalpur I Solar Power Plant in Punjab, Pakistan, and obtained a 25-year generation license for the project from the Pakistan National Electric Power Regulatory Authority. The plant is expected to enter into service in the second half of 2021.

In July 2017, Zorlu Enerji signed a Letter of Intent with the Jerusalem District Electricity Company (“JDECO”), which undertakes electricity distribution in Jerusalem and its surrounding areas, to establish and operate solar power plants to supply electricity to Palestine. Subsequent negotiations were completed in 2018 with the signing of a “Joint Venture Agreement” between Zorlu Enerji and JDECO’s sister company Sharekat Kahrabaa Mohavazat Al-Quds Al-Urdineyyah (“Sharekat”). Accordingly, a new joint venture will be established, in which Zorlu Enerji and Sharekat will hold 75% and 25% stakes, respectively. Under the agreement, solar power plants with a total installed capacity of 100 MW will be developed in various parts of Palestine, starting with a 30-MW power plant in the first phase.

In this context, in May 2019, a new venture was established with the title ZJ Strong Energy For Renewable Energy Ltd. Co. (“ZJ Strong”), in which Zorlu Enerji and JDECO hold 75% and 25% stakes, respectively. ZJ Strong has commenced the development of a 1.8-MW solar power plant (Dead Sea Project) in Jericho, Palestine. The plant will be built on a plot of land owned by JDECO and to be leased by ZJ Strong for a period of 25 years, during which time the generated power will be sold to JDECO at a guaranteed USD tariff. ZJ Strong signed a loan agreement worth 5 million Shekels with the Bank of Palestine to finance the investment.

Zorlu Enerji’s controlling shareholder, Zorlu Holding AŞ (“Zorlu Holding”), and the US company First Solar, Inc. (“First Solar”) signed a Distribution & Supply Agreement in February 2017 for the exclusive distributorship of First Solar’s high-performance thin-film photovoltaic (PV) solar modules in 26 countries. Under the five-year agreement, Zorlu Holding and its subsidiaries will be the sole authorized distributor of First Solar PV modules in 26 countries including Turkey, Albania, Bosnia-Herzegovina, Bulgaria, Cyprus, Georgia, Kosovo, Libya, Macedonia, Pakistan, Romania, Serbia,

Energy

As of the end of 2019, Zorlu Solar reached a portfolio of over 500 MW with First Solar products in Turkey and other countries in the region, consolidating its leading position in the market.

Turkmenistan, Ukraine, and the Commonwealth of Independent States, and Zorlu Enerji will use First Solar's PV panels in its own projects. Within the scope of this distribution agreement, Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar"), a wholly owned subsidiary of Zorlu Enerji, began to distribute and sell First Solar's solar panels both in Turkey and abroad in the second quarter of 2017.

As of the end of 2019, Zorlu Solar reached a portfolio of over 500 MW with First Solar products in Turkey and other countries in the region, consolidating its leading position in the market. Thanks to its distributor network encompassing Turkey and other countries in the region, as well as high-tech products and photovoltaic solar panel investments, Zorlu Solar has become a preferred supplier and contractor for global enterprises, particularly in fast-moving consumer goods and petroleum industries, and remained the first choice for investors with new projects launched in 2019.

In August 2019, Zorlu Enerji acquired 42.15% stake in Adnit Real Estate Ltd., which won Israel Electric Corporation's tender for the development of a 13-MW solar power plant. Adnit Real Estate Ltd. was previously a wholly owned subsidiary of Edeltech Ltd., Zorlu Enerji's partner in the Israeli joint venture Ezotech Electric Ltd.

Zorlu Enerji is one of the leading private energy companies in Israel.

As one of the few private energy companies operating in Israel*, Zorlu Enerji has built and commissioned three natural gas power plants with a total installed capacity of 1,031 MW together with its partners. Zorlu Enerji's stake-adjusted installed capacity in Israel amounts to 290 MW.

In 2019, the project finance agreements were renewed for natural gas power plants Ashdod Energy Ltd. ("Ashdod") and Ramat Negev Energy Ltd. ("Ramat Negev"), which supply electricity and steam to the Israeli industry, and are owned by Ezotech Electric Ltd., in which Zorlu Enerji has 42.15% stake. Ashdod and Ramat Negev are capable of generating 64.5 MW of electricity and 40 tonnes/hour of steam, and 126.4 MW of electricity and 70 tonnes/hour of steam, respectively. The existing loans for the power plants worth 1,020,428 thousand Israeli shekels, with Ashdod accounting for 332,862 thousand and Ramat Negev 687,566 thousand, were

* Zorlu Enerji's investments in Israel are accounted for by the equity method in its consolidated financial statements.

Energy

In February 2017, Zorlu Enerji expanded into electricity distribution business by acquiring 100% stake in Osmangazi Elektrik Dağıtım AŞ and Osmangazi Elektrik Perakende Satış AŞ.

refinanced at a more favorable interest rate. The interest rate for the loans will vary based on project ratings.

In addition to the investments carried out by Zorlu Enerji, Zorlu Energy Group also has investments in Russia.

In electricity generation, in addition to the investments made by its publicly listed company Zorlu Enerji, Zorlu Energy Group has a combined cycle natural gas power plant (Tereshkovo Power Plant) owned by Zorlu Holding in Russia, Moscow. Tereshkovo Power Plant 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 heat generation varies between 150,000 and 200,000 Gcal depending on the local heating needs, and the plant sells the heat it generates to MOEK.

Zorlu Enerji is becoming more active in electricity distribution and retail sales.

In February 2017, Zorlu Enerji expanded into electricity distribution business by acquiring 100% stake in Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") and Osmangazi Elektrik Perakende Satış AŞ ("OEPSAŞ").

OEDAŞ distributes electricity in the provinces of Eskişehir, Afyonkarahisar, Bilecik, Kütahya and Uşak, serving approximately 1.84 million subscribers as of the end of 2019. OEPSAŞ is the assigned supplier for the Osmangazi region and sells electricity to eligible consumers as well. In 2019, the company sold electricity to a total of 1.83 million customers.

* Gigacalories

Energy

As part of its vision to deliver the energy solutions of the future, Zorlu Enerji is engaged in the development of a series of smart systems, which range from electric vehicle rentals to electric vehicle charging stations, smart home systems to smart energy management systems.

Strong steps towards becoming the energy company of the future

As part of its vision to deliver the energy solutions of the future, Zorlu Enerji is engaged in the development of a series of smart systems, which range from electric vehicle rentals to electric vehicle charging stations, smart home systems to smart energy management systems.

In 2019, Zorlu Enerji's next-gen technology brand Zorlu Energy Solutions ("ZES") continued to expand its electric vehicle charging station network at an accelerated pace. Accordingly, Zorlu Energy Solutions increased its electric vehicle charging points across Turkey to 149, and sockets to 272 as of the end of 2019. Zorlu Energy also introduced hourly electric vehicle rentals in Turkey by founding electrip, which has a fleet of exclusively electric vehicles.

Growing subscriber base in natural gas.

As part of its natural gas distribution activities, as of the end of 2019, Zorlu Enerji serves 344,000 subscribers in the Edirne-Kırklareli-Tekirdağ Natural Gas Distribution Region through Trakya Bölgesi Doğal Gaz Dağıtım AŞ ("Trakya Doğal Gaz"), and 343,000 subscribers in Gaziantep-Kilis-Nizip Natural Gas Distribution Region through Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ ("Gaziantep Doğal Gaz").

Zorlu Enerji signs deal to sell Zorlu Rüzgar Enerjisi Üretimi AŞ to build a strong capital base for growth.

Aiming to ensure efficient allocation of capital to start the new period with a more robust capital base and to create additional equity through capital recycling, Zorlu Enerji signed a deal with Akfen Yenilenebilir Enerji AŞ in February 2019 involving the sale of its stake in its wholly owned subsidiary Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ, which owns Sarıtepe and Demirciler WPPs. Zorlu Enerji will continue to operate the 135-MW Gökçedağ WPP and evaluate new investment opportunities.

Zorlu Enerji sells Çumra Güneş Enerjisi ve Üretim AŞ.

Zorlu Enerji sold all of its stake in its wholly owned subsidiary Çumra Güneş Enerjisi ve Üretim AŞ to KHM Enerji Turizm Ticaret Sanayi AŞ for USD 6.4 million. Previously on April 30, 2019, the company had transferred the generation license for the upcoming 18-MW Alibeyhöyüğü SPP project in Çumra, Konya to Güneş Enerjisi ve Üretim AŞ.

Energy

Zorlu Enerji received approximately EUR 3.5 million in funding under Horizon 2020, the largest research and innovation framework program of the EU, for the six projects developed by its engineers in 2019. Three of these projects set to receive EU support involve geothermal energy.

Zorlu Enerji projects receive funding worth around EUR 3.5 from the EU.

Zorlu Enerji received approximately EUR 3.5 million in funding under Horizon 2020, the largest research and innovation framework program of the EU, for the six projects developed by its engineers in 2019. Three of these projects set to receive EU support involve geothermal energy.

GECO: Developed to ensure sustainable management of natural mineral resources, the GECO Project includes only Zorlu Enerji and the Middle East Technical University from Turkey alongside 18 other institutions from countries such as France, the UK, Italy, Iceland and Germany. The project's goal is to develop international standards for the disposal of carbon dioxide and similar gases to reduce emissions to zero, thereby ensuring sustainability in geothermal sites.

GeoSmart: Using Kizildere I GPP as a pilot site, the GeoSmart energy storage project aims to store the energy required to sustain electricity generation during peak demand times and brownouts, ensuring a continuous flow of energy supply to the grid for electricity and heat generation.

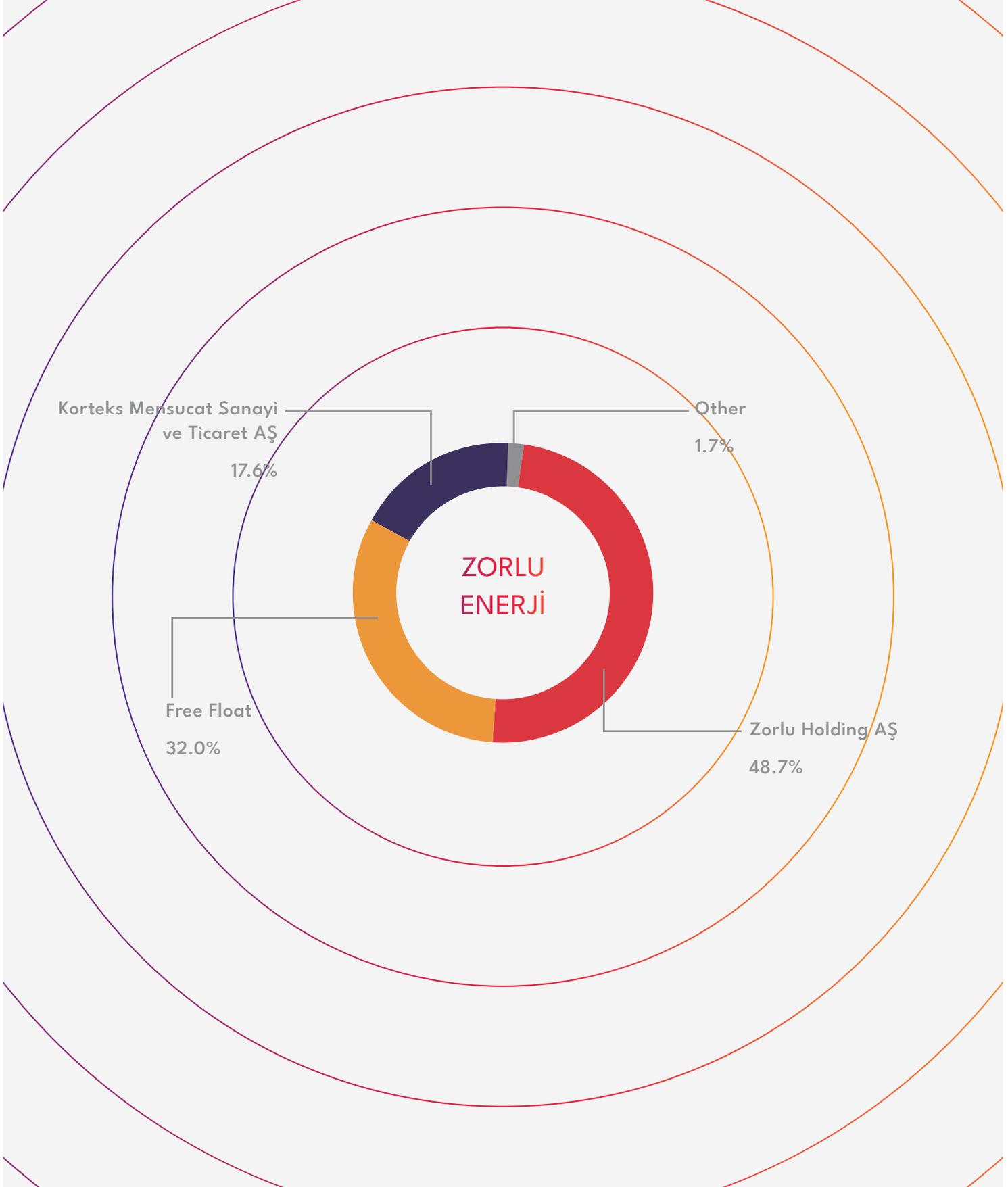
GeoPro: A first in the geothermal energy industry, GeoPro adapts a method that was previously exclusive to the petroleum industry, which involves continuous monitoring of geothermal fluids from the reservoir to operation using specialized software and models, integrating certain conventional and time-consuming laboratory processes into the technology itself, saving time and resources.

Flexigrid: Designed to offer flexibility and retail market options for distribution grids, Flexigrid is a transparent data management platform that will provide information on the grid using smart technologies.

PlAMES: Exploring technological advancements for the development of multi-energy systems, PlAMES aims to offer an optimized roadmap with integrated planning that will meet carbon targets and renewable energy requirements at transmission and distribution levels.

BD4OPEM: BD4OPEM aims to help create the energy ecosystem of the future by using big data for an open innovation energy market.

Shareholding Structure



ZORLU ENERJİ 2019 FINANCIAL RESULTS



NET SALES
TL 8,361
MILLION

In 2019, Zorlu Enerji's consolidated revenues increased by 40% year-over-year to TL 8,361 million. The reasons for the strong revenue growth in 2019 were as follows:

- Strong growth in OEDAŞ's sales revenues thanks to investments made in the last quarter,
- Year-round operation of the second unit of Kızıldere III GPP in 2019, which was commissioned in March 2018, increasing utilization at Alaşehir I GPP and growth in YEKDEM revenues in parallel with the rising USD/TL exchange rate,
- Increase in retail and wholesale revenues driven by the growth in commercial customer portfolio and the increase in electricity tariffs,



EBITDA*
TL 2,034
MILLION

- Growth in natural gas distribution revenues in line with the increase in natural gas tariffs and the growth in the sales volume of Gaziantep Doğal Gaz.

In 2019, EBITDA increased by 10% to TL 2,034 million, due to the reduced exchange rate effect on YEKDEM revenues as a result of the slowdown in the USD/TL exchange rate compared to 2018, as well as the lack of new power plants that entered into service in 2019.

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

Energy

In 2019, Zorlu Enerji's gross electricity generation remained mostly unchanged compared to the previous year, at 3,083 GWh. In parallel with generation, electricity sales from generation were at 2,784 GWh.

Zorlu Enerji's Activities in 2019

Electricity Generation and Sales

In 2019, Zorlu Enerji's gross electricity generation remained mostly unchanged compared to the previous year, at 3,083 GWh. While electricity generation declined at wind and natural gas power plants during the year, the latter due to an increase in fuel costs, hydroelectric and geothermal power generation increased as a result of the year-round operation of the second unit of Kızıldere III GPP in 2019, which was commissioned in March 2018, and the increasing utilization at Alaşehir I GPP.

In parallel with generation, electricity sales fell by a slight 1% compared to 2018 to reach 2,784 GWh. Sales of electricity procured from other sources dropped 9% to 8,760 GWh as a result of the decline in industrial production adversely affecting the electricity demand in the industrial segment. Consequently, total electricity sales decreased by 7% to 11,543 GWh in 2019 reflecting the fall in the sales of electricity from other sources.

In 2019, six power plants participated in YEKDEM mechanism, while sales through YEKDEM accounted for 82% of total electricity sales from generation.



YEKDEM sales, which are in US dollar and are priced significantly above market prices, had a positive effect on company profitability, while also offering a natural hedge against exchange rate losses.

Electricity Distribution and Retail Sales

Osmangazi Elektrik Dağıtım AŞ - OEDAŞ

Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") distributes electricity within the provincial borders of Eskişehir, Afyonkarahisar, Bilecik, Kütahya and Uşak.

OEDAŞ is responsible for operating the electricity distribution grid in the Osmangazi Electricity Distribution Region; maintenance, repair, rehabilitation operations; grid expansion, R&D, capacity increase and technology investments; power meter reading and maintenance; preparing demand projections and investment plans; illuminating public boulevards, streets, underpass and overpasses, bridges, squares, crossroads, walkways and crosswalks in residential areas within the distribution region (with the exception of highways and limited access roads) as well as the installation and operation of lighting fixtures and metering systems at the aforementioned locations; and purchasing electricity to offset the shortfall in the regional grid stemming from electricity 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% on an annual basis. In 2018, subscriber base in the region grew by 3% to reach 1.84 million. During the year, Uşak recorded the highest growth in subscribers with 4.4%.

In parallel with the slowdown in the economic activity, the energy distributed in the region dropped by 1.6% to 6.23 TWh in 2019, while the actual loss/theft ratio was at 6.61%, below the EMRA's 2019 target for the Osmangazi Region, which was 7.43%.

OEDAŞ strives to provide the best service to consumers and places great importance on supply. In 2019, the company made the largest investment to date in the Osmangazi Region in order to improve the existing grid and remedy the deficiencies. These investments involved over 600 projects, as well as thousands of kilometers of power lines being undergrounded or renovated. This investment, worth approximately TL 1 billion, is unprecedented in the Osmangazi Region, and represents a significant step towards the uninterrupted energy supply of the future.

Osmangazi Elektrik Perakende Satış AŞ - OEPSAŞ

As the assigned supplier for the Osmangazi Electricity Distribution Region, Osmangazi Elektrik Perakende Satış AŞ ("OEPSAŞ") sells electricity to regulated customers in the region at the retail sale tariffs set by EMRA. The company also sells electricity to eligible consumers throughout Turkey without any regional limitation.

After its acquisition by Zorlu Enerji in 2017, OEPSAŞ accelerated its investments in process and infrastructure development to better serve its customers.

These efforts started with a comprehensive review of all retail sale systems and operational processes, and paved the way for a transition to a technology-driven business model that is highly responsive to customer needs. OEPSAŞ has completed process analysis in line with regulatory and customer satisfaction-oriented targets, and systemic improvements and development efforts are underway to provide more sustainable and quality service to customers.

OEPSAŞ's customer portfolio includes two types of customers:

- 1) Customers who procure energy at regulated tariffs (K1)
- 2) Customers who exercise their right of eligibility and procure energy through bilateral agreements (K2)

The required energy for the K1 portfolio is procured mainly from EÜAŞ and EPIAŞ. In 2019, 53.1% of the energy demand of K1 customers was procured from EÜAŞ. For the K2 portfolio, energy is procured from other suppliers and EPIAŞ through bilateral agreements. In 2019, energy procurement agreements for the K2 portfolio were made at prices below the average market price.

In 2019, OEPSAŞ sold a total of 6.25 TWh of electricity to approximately 1.83 million consumers, both eligible and regulated. The company's electricity sales fell 11% year-over-year. The decline in sales was due to the supplier switching by consumers in the high-consumption K1 portfolio, who are subject to the last resort supply tariff (LRST). In addition, the increase in the national tariff in the final quarter of 2019 made more consumers eligible to switch suppliers.

In 2019, K1 and K2 portfolios accounted for 68% and 32% of total sales, respectively. Profitability of the K2 portfolio was enhanced by promoting sales to consumers subject to the LRST and to eligible

Energy

Zorlu Elektrik was established in 2000 with the aim of procuring electricity from the domestic market and from free zones, for wholesale and direct sales to the domestic market as well as for export markets.

consumers who buy electricity at regulated national tariffs. As a result of this efforts, the number of K2 subscribers rose from 13,995 at the end of 2018 to 19,977 at the end of 2019.

Electricity Trade and Electricity Sales to Eligible Consumers

Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ (“Zorlu Elektrik”) was established in 2000 with the aim of procuring electricity from the domestic market and from free zones, for wholesale and direct sales to the domestic market as well as for export markets. Zorlu Elektrik sells electricity to eligible consumers under the “Supply License” granted by the Energy Market Regulatory Authority.

Zorlu Elektrik’s main operations consist of:

- Retail electricity sales to individuals and organizations deemed “eligible,”
- Buying and selling electricity in the Organized Wholesale Electricity Markets operated by EPIAŞ,
- Wholesale electricity trading on Over-the-Counter (“OTC”) and Derivatives Market (“VIOP”),
- Export and import of electricity and the management of the group* in charge of balance.

Within the scope of the aforementioned operations, Zorlu Elektrik makes demand and price forecasts and undertakes production planning, pricing, sales, risk and portfolio management and reconciliation and billing activities.

Zorlu Elektrik makes direct electricity sales to large corporate and industrial customers as well as to individuals and institutions considered “eligible”, which include residential users and SMEs. The company offers consumers alternative pricing options through bilateral agreements drawn on hourly, time-of-use (TOU) and real-time pricing (RTP) terms.

Zorlu Elektrik provides its customers with a robust service infrastructure along with expert sales and IT teams, enabling them to save money by selecting special offers that best suit their consumption habits.

Eligible consumer limit is set and announced by EMRA on an annual basis. The eligible consumer limit for 2019 was set as 1,600 kWh, down by 20% compared to the previous year. Accordingly, all consumers paying a monthly electricity bill of TL 72 or above on average were entitled to choose their supplier.

* Group Responsible for Balance: Refers to the group formed by the market participants to reduce imbalance costs. The group notifies the Market Operator (EPIAŞ) about the group and selects one of the market participants in the group to assume the responsibility/obligations for balancing transactions on behalf of the group.

The eligible consumer limit for 2020 is set as 1,400 kWh. This corresponds to an approximate monthly electricity consumption of 116 kWh, and a monthly electricity bill of TL 83.

The consumption limit for customers subject to the Last Resort Supply Tariff was 50 million kWh per year in 2018, which was reduced to 10 million kWh in 2019 and to a further 7 million kWh in 2020.

The sales volumes to eligible consumers, which declined considerably in 2018, started to rise again in line with the increases made in the national tariff from the second half of 2019. Higher competition in the retail sales market pushed the companies to sell electricity at a lower price than the national tariff, providing customers with an added advantage in service quality and price. In 2019, Zorlu Elektrik continued its operations efficiently, attaining its targets for sales volumes and profitability through better service quality and competitive prices.

Creating highly economical tariff packages and campaigns based on consumers' consumption volumes and reaching potential customers through relevant communication and sales channels, Zorlu Elektrik meets customer expectations not only through alternative pricing options, but also by sharing its experience in infrastructure, regulations and applications.

In addition to electricity sales to eligible consumers, Zorlu Elektrik also engages in commercial activities with other leading companies in the sector and undertakes energy trade with other energy companies in the market through bilateral agreements. The company also engages in import and export of electricity with neighboring countries.

On the other hand, Zorlu Elektrik aims to manage its open position through both hedging and trading transactions in OTC and VIOP markets, aiming to secure a profit from these transactions based on price trends.

Smart Systems

Committed to its goal of becoming the energy company of the future, Zorlu Enerji develops new technologies and designs and implements next-gen solutions for the world of tomorrow.

Zorlu Enerji works on Smart Systems in line with its goal of becoming the energy company of the future. In 2017, Zorlu Elektrik established the internal Smart Systems Group to develop an array of smart systems, including electric vehicle rentals, electric vehicle charging stations, smart home systems and smart energy management systems.



Energy

Zorlu Enerji's next-generation technology brand, Zorlu Energy Solutions ("ZES") offers electric vehicle users a convenient and uninterrupted travel experience travel with its charging station network.

Zorlu Energy Solutions Charging Stations

Zorlu Enerji's next-generation technology brand, Zorlu Energy Solutions ("ZES") offers electric vehicle users a convenient and uninterrupted travel experience travel with its charging station network. ZES opened its first charging station at Zorlu Center in Istanbul with the motto "Turkey's fastest charging station network," allowing users to charge their electric vehicles within 30 to 60 minutes. In addition to offering fast charging services on urban and intercity roads, ZES also installs charging stations in homes and businesses upon customer request.

ZES charging station network connects the major cities of Turkey, such as Istanbul, Ankara, Izmir, Bursa and Eskişehir, offering an uninterrupted driving experience across the coastlines of the Aegean and Mediterranean seas. In addition, ZES is developing alternative routes for the cities already served by a charging station, increasing the number of service locations, stations and sockets accordingly. As of the end of 2019, ZES operates in 149 locations with 272 sockets, with the goal of expanding to the entire country in the long term.

ZES aims to expand its network of fast charging stations throughout Turkey in the coming period, enabling electric mobility across the country while also helping prepare both Turkey and Zorlu Group for the "Turkey's Automobile" project, which includes Zorlu Group company Vestel Elektronik Sanayi ve Ticaret AŞ as a stakeholder.

electrip: Electric Vehicle Sharing Platform

Guided by its vision to offer energy solutions of the future, Zorlu Enerji founded electrip, introducing hourly electric vehicle rentals in Turkey. Unlike other vehicle rental platforms, electrip boasts a fleet comprised entirely of electric vehicles. The company represents a revolutionary step in transportation solutions, bringing a breath of fresh air to the car rental industry with zero-emission and silent electric vehicles.

The electrip app, available on mobile devices, eliminates procedural challenges associated with conventional car rental systems, such as having to visit the rental offices in person and signing contracts. Users of the app can subscribe to the service, find and rent an electric vehicle nearby their location, unlock and start the vehicle in a keyless manner via the app, and at the end of the rental term, return the vehicle to the location they collected it from.

With electrip, Zorlu Enerji will continue to develop alternative solutions to personal vehicle ownership, which creates parking, traffic and environmental challenges.

Energy

Guided by its vision to offer energy solutions of the future, Zorlu Enerji founded electrip, introducing hourly electric vehicle rentals in Turkey. Unlike other vehicle rental platforms, electrip boasts a fleet comprised entirely of electric vehicles.

Energy Monitoring and Management Solutions

Zorlu Enerji offers a range of energy solutions for various consumption groups. The company introduced the first plug-in product that can monitor total power consumption at device level from a single point, enabling home and office users to monitor both total and real-time consumption instantly. Leveraging its expertise in the industry, Zorlu Enerji offers consulting and monitoring solutions to high-volume consumers, enabling them meet their energy needs in an efficient, uninterrupted, cost-effective and quality manner, in accordance with regulations and the evolving dynamics of the energy market.

The company also plans to expand its product range with smart ancillary devices such as smart sockets, water meters and natural gas meters, making houses smarter while also enabling remote control and automation in accordance with preset rules and configurations. As an example to potential use cases, these new smart home products will suspend charging of electric vehicles when the oven is switched on. Furthermore, these products will ensure higher efficiency in electricity usage and also notify the user of any spikes in power consumption when there is no one at home.

Mobile Applications and Digital Channels

Zorlu Enerji develops digital channels to reach end-users and customers through the strategic projects initiated by the Smart Systems Group for digitalizing its companies. Primarily aimed at mobile, these innovative digital channels will prioritize customer needs, and focus on enhancing customer experience and delivering the services of the future.

The ZES mobile application allows users to conveniently locate ZES charging stations and apply for a ZES Card. The electrip mobile app manages the entirety of the rental process, including subscription, reservation, vehicle locking and unlocking, supporting the digital experience of the user.

Developed for consumers who procure retail electricity services from Zorlu Enerji, the mobile app allows consumers to view their past and current electricity bills, and offers a direct line of contact with Zorlu Enerji's retail sales companies. Furthermore, the company has other projects in the pipeline that will digitalize traditionally paper-based processes, facilitate subscription and cancellation processes, reduce costs and increase customer satisfaction.

Energy

Trakya Doğal Gaz fulfills its obligations under the distribution license on time and in full, and as of the end of 2019, the company has a pipeline length of 4,112 km and a total investment value of USD 168 million.

Natural Gas Distribution

Trakya Bölgesi Doğal Gaz Dağıtım AŞ

Established in 2005, Trakya Bölgesi Doğal Gaz Dağıtım AŞ (“Trakya Doğal Gaz”) is engaged in the distribution of natural gas to homes and industrial facilities.

Trakya Doğal Gaz won the tender issued by EMRA on June 23, 2005 for the Edirne-Kırklareli-Tekirdağ Natural Gas Distribution Region, with an offer of zero subscriber connection fee for the first five years, zero unit service amortization fee for the first eight years, and license fee of TL 2.5 million. The company received its distribution license on January 25, 2006, and started natural gas distribution in the region. Within the scope of this license, for a period of 30 years, the company will be responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network in accordance with the applicable legislation, and for the transportation of natural gas to subscribers and eligible consumers through this network to the distribution region, which encompasses Lüleburgaz, Çerkezköy, Muratlı, Kavaklı, Evrensekiz, Büyükkarıştıran, Kızılpınar, Kapaklı, Karaağaç, Veliköy, Ulaş, Misinli, Velimeşe and Babaeski districts in the provinces of Edirne, Kırklareli and Tekirdağ.

Expansion in license area

Trakya Doğal Gaz has expanded its licensed distribution region to include:

- Keşan, İpsala and Süloğlu districts of the Edirne province, pursuant to the EMRA Board resolution no. 5813-6 dated October 8, 2015,
- Süleymanpaşa, Şarköy, Malkara, Hayrabolu, Ergene (Ulaş, Velimeşe and Misinli neighborhoods) and Saray districts of the 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 ve Yenikarpuzlu townships of the Edirne province and Pınarhisar and Vize districts and Ahmetbey township of the Kırklareli province, pursuant to the EMRA Board resolution no. 6853-7 dated January 12, 2017,
- Pehlivan köy district and Beğendik, Üsküp, Alpullu, Büyükmandıra, Kaynarca townships of the Kırklareli province and Esetçe township of the Edirne province, pursuant to the EMRA Board resolution no. 7749-2 dated March 22, 2018.

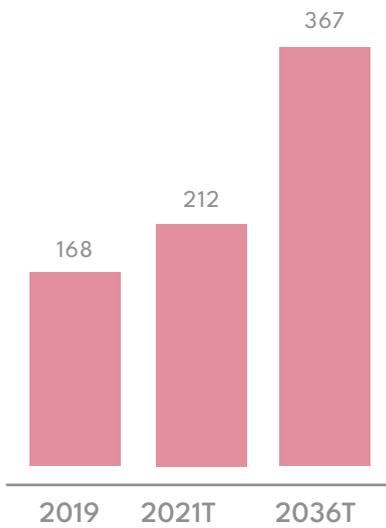
A to Z responsibility in natural gas supply

Trakya Dođal 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 distribution network to subscribers and eligible consumers in the cities included in the distribution license.

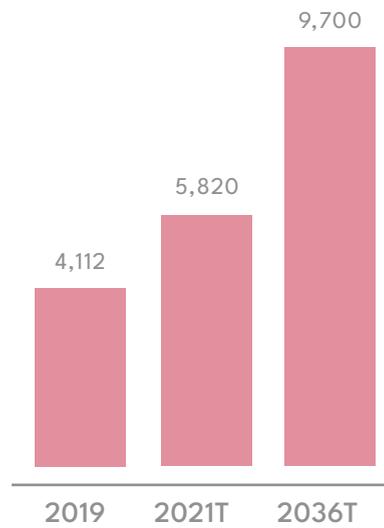
Trakya Dođal Gaz fulfills its obligations under the distribution license on time and in full, and as of the end of 2019, the company has a pipeline length of 4,112 km and a total investment value of USD 168 million*.

With new investments, Trakya Dođal Gaz aims to reach a pipeline length of 5,820 km with an investment of USD 212 million by the end of 2021, and a pipeline length of 9,700 km with a total investment value of USD 367 million at the end of its 30-year distribution license in 2036.

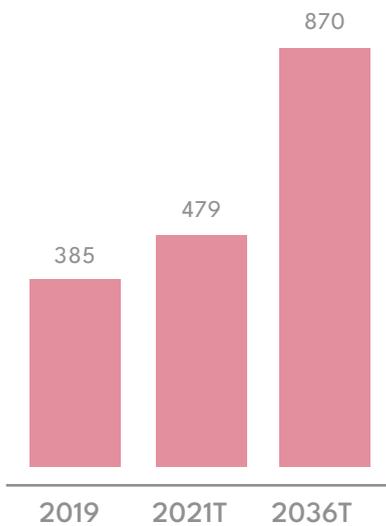
Total Investment Value* (USD Million)



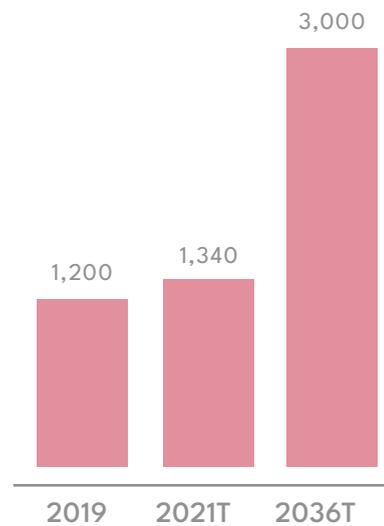
Total Pipeline Length (km)



Total Number of Subscribers (Thousand BBSs -independent sections**)



Natural Gas Consumption (Million m³)



* Excluding exchange difference and interest expenses

** BBSs (independent sections)

Energy

Gaziantep Doğal Gaz fulfills its obligations under the distribution license on time and in full, and as of the end of 2019, the company has a pipeline length of 3,507 km and a total investment value of USD 159.4 million.

As of the end of 2019, the company has made subscriber connection agreements with 385,006 BBSs (independent sections) The company expects to reach 479,006 BBSs by the end of 2021, and to 870,024 BBSs by 2036.

In 2019, a total of 1.2 billion Sm³ of natural gas was consumed in Trakya Doğal Gaz's distribution region. 710 million Sm³ of this amount was sold directly to consumers by Trakya Doğal Gaz, while the company provided transport services for the remaining 457 million Sm³.

With new investments and the expansion of the subscriber base, total natural gas consumption in Trakya Doğal Gaz's distribution region is expected to reach 1.34 billion Sm³ in 2021, and to at least 3 billion Sm³ in 2036.

Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ

Established in 2005, Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ ("Gaziantep Doğal Gaz") is engaged in the distribution of natural gas to homes and industrial facilities.

Gaziantep Doğal Gaz won the tender issued by EMRA on July 28, 2005 for the Gaziantep-Kilis-Nizip Natural Gas Distribution Region, with an offer of USD 30 in subscriber connection fee for the first five years and 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 in the region. Within the scope of this license, for a period of 30 years, the company will be responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network in accordance with the applicable legislation, and for the transportation of natural gas to subscribers and eligible consumers through this network to the distribution region, which encompasses Gaziantep, Kilis, and Nizip.

Expansion in license area

Gaziantep Natural Gas has expanded its licensed distribution region to include:

- Oğuzeli, İslahiye and Nurdağı districts of the Gaziantep province, pursuant to the EMRA resolution no. 5717-4 dated August 6, 2015,
- Araban and Yavuzeli districts of the Gaziantep province, pursuant to the EMRA resolution no. 6867-4 dated January 19, 2017,
- Karkamış district of the Gaziantep province, pursuant to the EMRA resolution no. 8083-4 dated September 27, 2018.

A to Z responsibility in natural gas supply

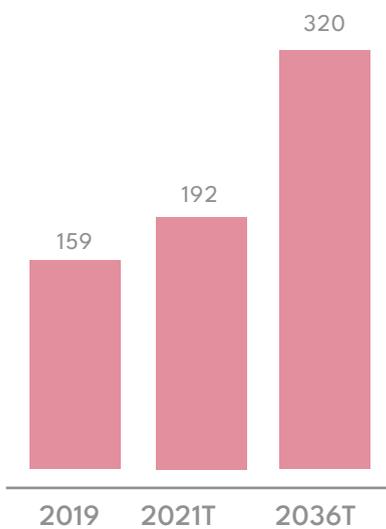
Gaziantep Dođal Gaz is responsible for the planning, project design, construction, operation, maintenance and expansion of the distribution network and transportation and retail sales of natural gas through this distribution network to subscribers and eligible consumers in the cities included in the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

Gaziantep Dođal Gaz fulfills its obligations under the distribution

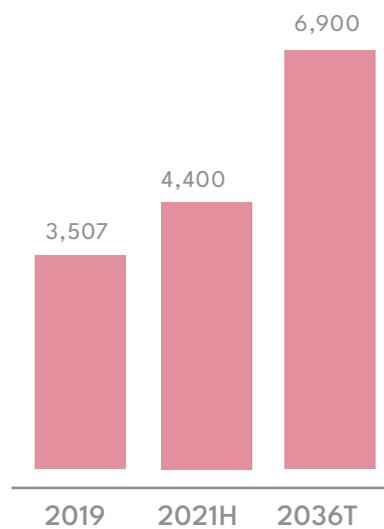
license on time and in full, and as of the end of 2019, the company has a pipeline length of 3,507 km and a total investment value of USD 159.4 million*.

With new investments, Gaziantep Dođal Gaz aims to reach a pipeline length of 4,400 km with an investment of USD 192 million by the end of 2021, and a pipeline length of 6,900 km with a total investment value of USD 320 million at the end of its 30-year distribution license in 2036.

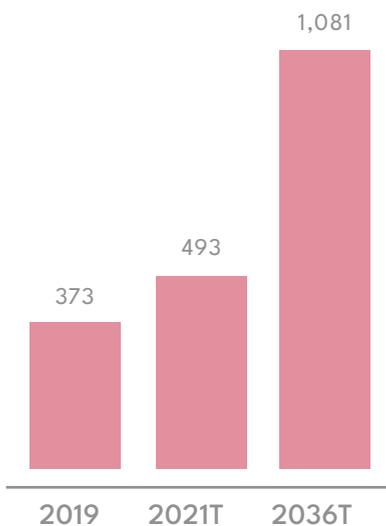
Total Investment Value* (USD Million)



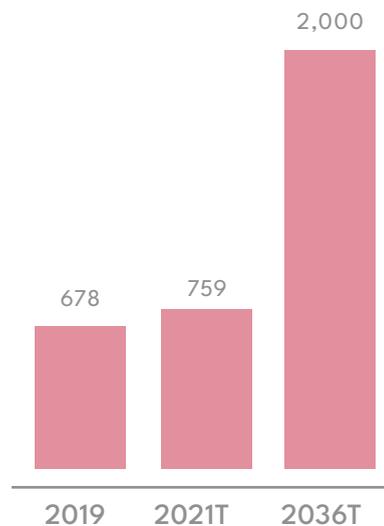
Total Pipeline Length (km)



Total Number of Subscribers (Thousand BBSs -independent sections**)



Natural Gas Consumption (Million m³)



* Excluding exchange difference and interest expenses

** BBSs (independent sections)

Energy

Since 2010, Zorlu Energy Group has been conducting natural gas trade operations through the Zorlu Holding AŞ affiliates Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ and Zorlu Doğal Gaz Tedarik Ticaret AŞ.

As of the end of 2019, the company has made subscriber connection agreements with 372,826 BBSs (independent sections) The company expects to reach 492,826 BBSs by the end of 2021, and to 1,081,539 BBSs by 2036.

In 2019, a total of 678 million Sm³ of natural gas was consumed in Gaziantep Doğal Gaz's distribution region. 401 million Sm³ of this amount was sold directly to consumers by Gaziantep Doğal Gaz, while the company provided transport services for the remaining 278 million Sm³.

With new investments and the expansion of the subscriber base, total natural gas consumption in Gaziantep Doğal Gaz's distribution region is expected to reach 759 million Sm³ in 2021, and to 2 billion Sm³ in 2036.

Gazdaş Call Center

Located in Adıyaman, Gazdaş Call Center provides services to all distribution regions of Gazdaş. Equipped with the latest technologies, Gazdaş Call Center operates on a 24/7 basis, responding to emergency calls received by the 187 hotline as well as to the customer requests received by the 444 9 429 (444 Z GAZ) Gazdaş Call Center from the distribution regions of Trakya Natural Gas and Gaziantep Natural Gas.

Calls to the emergency hotlines are immediately dispatched to the hand terminals of field teams by the command center, and the problem reported by the customer is resolved in less than 15 minutes.

Under the Easy Subscription Project, customers can sign connection and subscriber agreements without having to visit a Gazdaş Subscription Center, by applying to certified companies authorized to control interior installations. This method has reduced the workload on connection and subscriber agreements, increasing customer satisfaction.

Other projects designed to further increase the quality of service, such as online subscriber applications and connection fees and security deposit collection via virtual POS, have reached their final stage of development.

Natural Gas Trade

Since 2010, Zorlu Energy Group has been conducting natural gas trade operations through the Zorlu Holding AŞ affiliates Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ ("Zorlu Doğal Gaz") and Zorlu Doğal Gaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik").

Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik engage in direct sales to licensed local wholesale, retail and distribution companies and eligible consumers as well as exports and wholesale trade to exporters, selling natural gas procured from production lines of domestic production companies, transmission lines of importers or other wholesalers and/or exported in the form of liquefied natural gas (LGN).

Zorlu Energy Group entered natural gas trade in Turkey in 2010 with the natural gas trade licenses it obtained, and since then, it has been working to consolidate its position in the natural gas trade market. Committed to sustain its consistent growth in the energy market, Zorlu Enerji Group has 8.9 billion m3 of natural gas across Turkey since receiving its license, 259 million m3 of which was sold in 2019.

Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik operate with the goal of leading the natural gas trade sector and becoming key players in the region, offering their services to eligible consumers via their transmission and distribution networks with a focus on service continuity and quality as well as zero environmental impact.

Power Plant Construction, Maintenance, Repair and Operation

Zorlu Endüstriyel

Founded in early 2000, Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret AŞ ("Zorlu Endüstriyel") offers turnkey Engineering, Procurement and Construction (EPC) contracting services and solutions, including project development, feasibility, basic design, engineering, procurement, construction, installation and commissioning work for industrial plants and power plants in Turkey and abroad. Zorlu Endüstriyel also provides feasibility and engineering services as well as turnkey construction and installation works at Zorlu Energy Group power plants in Turkey and abroad.

2019 Activities

Zorlu Endüstriyel obtained TEİAŞ preliminary project and TEDAŞ electricity distribution line approvals for the planned 18 MW Alibeyhöyüğü SPP project in Konya by completing the basic engineering procedures prior to the sale in the second quarter of 2019. After the commencement of the EPC activities in October 2019, basic and detailed engineering works were completed for the 1.8-MW Dead Sea SPP project in Palestine, and orders were placed for the procurement of equipment, material and construction works. Preparations were completed to open a branch that will coordinate EPC operations for the upcoming 43-MWe Kunshuaq SPP



Energy

Established in 2000 as the first Turkish maintenance and operations company in the energy sector, Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ provides long-term operation, maintenance and repair services for thermal, hydroelectric, wind and geothermal power plants of Zorlu Energy Group and third parties.

in Kazakhstan. Engineering works commenced, and procurement packages were created. Six new injection wells were commissioned to support the injection system in Kızıldere III GPP, capacities of the two injection well lines in Kızıldere II GPP were increased, and one new injection well was commissioned for the injection system of Alaşehir I GPP. Basic engineering and quotation works were offered during the second quarter of 2019 under the Rehabilitation Project EPC tender, issued by Kenya Electricity Generating Company (KenGen) for the Olkira I Unit 1, 2, 3 GPP located inside the Great Rift Valley, Kenya. The quote submitted to KenGen in November 2019 is expected to be evaluated in 2020. Eight new Electric Vehicle DC Fast Charging Locations were installed on Turkey's highest-traffic highways on the Istanbul-Ankara, Istanbul-Izmir and Ankara-Izmir routes, bringing the total Electric Vehicle DC Fast Charging Locations to 17. Furthermore, 172 AC smart charging units were installed in 120 locations in 33 cities.

Zorlu O&M

Established in 2000 as the first Turkish maintenance and operations company in the energy sector, Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") provides long-term operation, maintenance and repair services for thermal (natural gas, simple cycle, combined cycle, cogeneration) hydroelectric, wind and geothermal power plants of 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 individual contracts. Zorlu O&M has a number of remarkable overseas projects in its portfolio, including the maintenance of all publicly owned LM gas turbines in Greece.

Apart from operation and maintenance services, Zorlu O&M also undertakes the commissioning of newly-built power plants. Zorlu O&M's robust logistics network is supported by an extensive pool of spare parts, experienced operation and maintenance personnel, emergency response teams and an advanced automation infrastructure, guaranteeing an excellent level of availability for customers.

2019 Activities

Zorlu O&M renders operation and maintenance services to the 135-MW Gökçedağ WPP in Osmaniye, and the 56.4-MW Jjimpir WPP in Sindh, Pakistan. Zorlu O&M was also involved in the installation and commissioning of these power plants.

Zorlu O&M provides maintenance and repair services for Trakya Bölgesi Doğal Gaz Dağıtım AŞ and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ under five-year operation, periodic maintenance & repair and inspection contracts signed with the two companies.

Zorlu O&M Calibration Center was established in Gaziantep in the first quarter of 2018 to perform calibration and adjustment services for type G2.5-G4 and G6 domestic natural gas meters. The first authorized calibration center in the Eastern Anatolia Region, Zorlu O&M Calibration Center boasts the capacity to serve 100,000 meters per year in its extensive facilities built on an outdoor area of 1,200 m² and an indoor area of 600 m².

Zorlu O&M extends natural gas cycle power plant gas turbine maintenance services provided by OEM (Original Equipment Manufacturing) companies to its own customers with a high response speed and flexible pricing policy. Rising operating costs, particularly fuel prices, as well the increasing costs of maintenance

by OEM companies (especially the cost spare parts, which are indexed in foreign currencies) create significant challenges in natural gas cycle power plant operation, forcing several power plants serviced by Zorlu O&M to shut down. For this reason, Zorlu O&M has established a new structure capable of adapting rapidly to future developments, taking into account the current state and future outlook of the energy market.

Following the acquisition of Turkbine by Zorlu O&M in the final quarter of 2017, the company's maintenance equipment were transferred from the Istanbul Ataturk Airport maintenance site to Zorlu O&M's facilities in Bursa. In doing so, Zorlu O&M aims to offer its services, which were formerly limited to aero-derivative gas turbines, to all power plants in Zorlu Enerji's portfolio as well as to third parties via external services, and to meet customer demand over a wider service network. The Bursa Maintenance Workshop's maintenance equipment pool is being expanded to include the infrastructure for workshop-level maintenance services. In addition to the maintenance of gas turbines, Zorlu O&M is also planning to offer grinding, balancing and other similar services for rotating power generator components of internal and external customers. Negotiations with Presidency of Defence Industries and Turkish Naval Force are underway to carry out major overhaul of LM2500 gas turbines used on navy vessels and frigates in the inventory of Turkish Naval Forces at Zorlu O&M's Bursa Workshop.



Energy

Zorlu Energy Group's sustainability efforts are focused around the main pillars of responsible use of natural resources, energy efficiency and security of supply, digitalization, R&D and innovation, business ethics, and climate change.

Zorlu Energy Group and Sustainability

Zorlu Energy Group regards maximum utilization of domestic and renewable energy as a vital component of sustainable development, and accordingly, follows a policy of energy generation and distribution from efficient and reliable resources. Zorlu Energy Group's sustainability efforts are focused around the main pillars of responsible use of natural resources, energy efficiency and security of supply, digitalization, R&D and innovation, business ethics, and climate change.

Formed within Zorlu Energy Group in 2015, the Sustainability Board guides the efforts on sustainability by preparing relevant strategies and action plans. Under the guidance of its Sustainability Board, Zorlu Energy Group defines its approach towards sustainability, which is embedded into its operational processes, as "a guide to effectively 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 Zorlu Energy Group's sustainability strategy. Accordingly, the group is committed to sustain its investments in indigenous and renewable energy resources while respecting its environmental and social responsibilities.

Zorlu Enerji fosters and embraces the vision of its controlling shareholder, Zorlu Holding, which calls for increasing the quality of life of future generations by investing in sustainable development through the "Smart Life 2030" initiative, shaped in line with the UN Sustainable Development Goals.

In 2019, Zorlu Enerji provided TL 2.6 million in funding for social investment projects. Approximately 55% of this funding was used to create scholarship opportunities for university students from investment regions who demonstrate academic achievement, 20% to initiatives aiming to increase quality of life in said regions, and 25% towards improving local culture and social life.

Zorlu Enerji is the first company in Turkey to calculate its carbon footprint and to obtain the ISO 14064-1 Greenhouse Gas Emission Reporting Standard Certificate. A participant in the Carbon Disclosure Project (CDP), the company prepares annual reports detailing its carbon footprint and climate change management efforts, which it discloses to stakeholders and the public in a transparent manner. Zorlu Enerji won the CDP Turkey Climate Disclosure Leader Award in 2011, 2013, 2014 and 2017.

Calculating its carbon footprint resulting from its activities since 2010, Zorlu Enerji has adopted a tree-planting program to offset its carbon footprint. As of the end of 2019, Zorlu Enerji planted 240,000 saplings to create commemorative forests in Çıldır-Kars, Bahçe-Osmaniye, Tire-Izmir and Buldan-Denizli, an ongoing effort which has been carried out jointly with the Turkish Ministry of Agriculture and Forestry in the last two years.

Since 2017, Zorlu Energy Group participates in the CDP Platform Climate Change Program with two of its companies, namely Zorlu Enerji and Zorlu Doğal, measuring and disclosing its water footprint to its stakeholders via the CDP Platform. In the fall of 2017, Zorlu Enerji also started to carry out compliance activities under the ISO 14046 Water Footprint Standard, which the company continued in 2019 in line with its transparency policy.

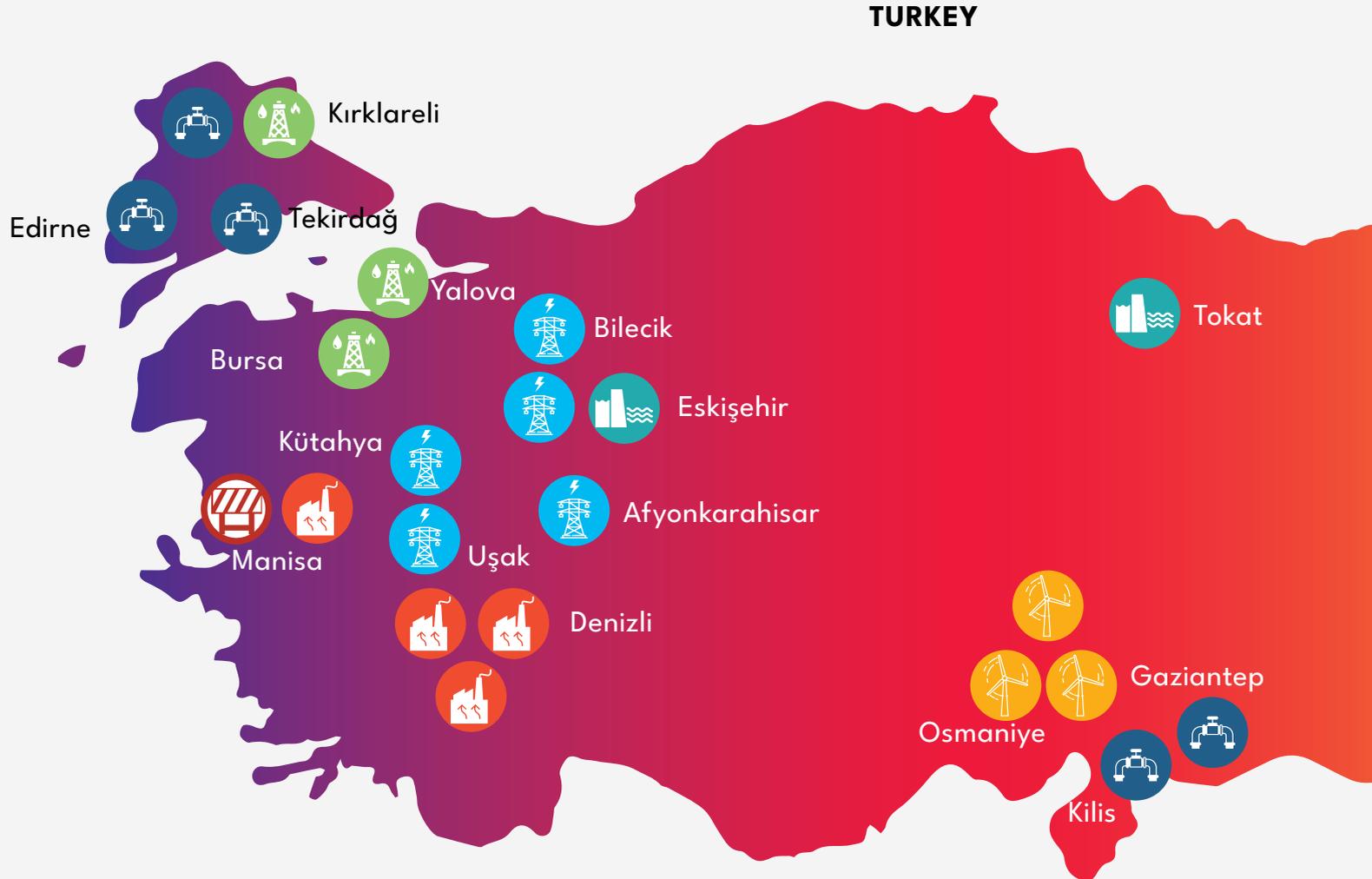
In 2011, Zorlu Energy Group became the first enterprise in the Turkish energy sector to report its sustainability performance, and since then, the group has continued to publish periodical sustainability reports, disclosing its sustainability performance transparently to all stakeholders. In 2018, the group published its fifth Sustainability Report, covering the 2016-2017 period. The report was prepared in accordance with the Global Reporting

Initiative's (GRI) Sustainability Reporting Standards: Core option. In 2019, the group published the 2018 Sustainability Progress Report, which detailed the performance of its activities in 2018 and communicated the changes made to its corporate sustainability practices.

Leveraging its impressive track record of exemplary projects in domestic and renewable energy, in November 2016, Zorlu Enerji voluntarily joined the BIST Sustainability Index, which includes the shares of BIST-traded public companies with a high corporate sustainability performance. A pioneer in the industry in terms of sustainability, Zorlu Enerji qualified for inclusion in the BIST Sustainability Index for the fourth time in the November 2019-October 2020 period, becoming one of the 56 companies included in the index.



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 based on renewable energy resources
 - Natural Gas: 607 MW (47%)
 - Wind: 272 MW (21%)
 - Geothermal: 305 MW (23%)
 - Hydroelectric: 119 MW (9%)

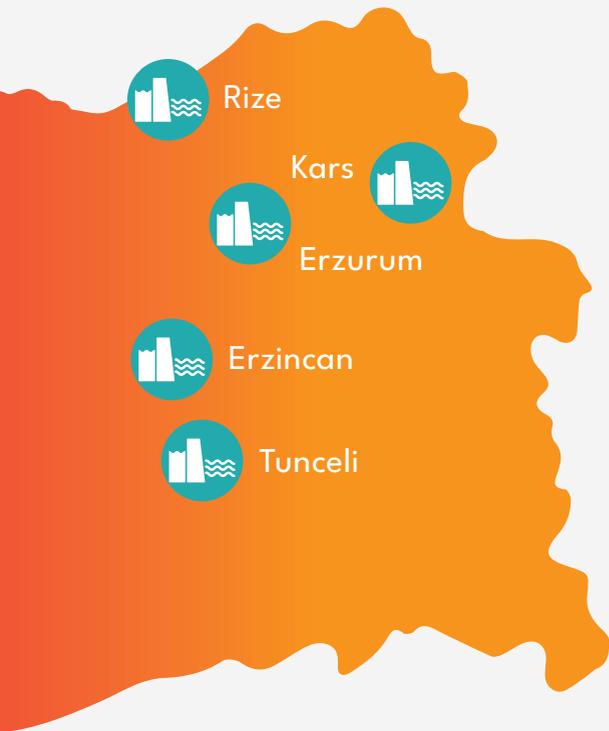
ELECTRICITY DISTRIBUTION

- Electricity distribution in Eskişehir, Bilecik, Uşak, Afyonkarahisar and Kütahya provinces, which represent a total population of 2.8 million
- Approximately 1.84 million distribution subscribers
 - 6.2 TWh of net distributed electricity
 - 6.61% theft and loss ratio

ELECTRICITY TRADE AND SALES

- 8 TWh of total electricity sales
- 1.85 million
- Approximately 31,500 eligible consumers
- Customer portfolio (based on consumption):
 - Commercial (28%)
 - Residential (20%)
 - Industrial (47%)
 - Other (5%)
- One of the first market makers in the Derivatives Market

* According to partnership shares



NATURAL GAS DISTRIBUTION AND TRADE

- Natural gas distribution in Edirne, Kırklareli, Tekirdağ, Gaziantep and Kilis provinces, which represent a total population of 4 million
- 7,400 km natural gas distribution network
- Approximately 687,000 subscribers
- 1.1 billion Sm³ of natural gas sales
- 1.8 billion Sm³ of natural gas distribution



NATURAL GAS POWER PLANT



GEO THERMAL POWER PLANT



HYDROELECTRIC POWER PLANT



WIND POWER PLANT



NATURAL GAS DISTRIBUTION



ELECTRICITY DISTRIBUTION

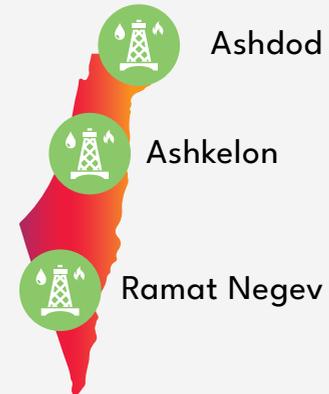


POWER PLANTS UNDER CONSTRUCTION

PAKISTAN



ISRAEL



RUSSIA



Awards Received in 2019

Zorlu Enerji Wins Bonds&Loans Award for the Second Time

Zorlu Enerji was awarded once again at the Bonds&Loans Awards, which brings together Turkey's most respected financial institutions and recognizes the most successful financial transactions in various industries in Turkey. The TL 175 million bond issued by Zorlu Osmangazi was awarded second place in the "Local Currency Bond/Sukuk Issuance of the Year" category. The bond, the first of its kind in Turkey to offer a guarantee and an early redemption option, was guaranteed by Zorlu Holding, and was issued with European Bank for Reconstruction and Development (EBRD) as the biggest investor.

Two Awards from EMEA Finance to Osmangazi EDAŞ

Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ"), which provides electricity distribution service in Afyonkarahisar, Bilecik, Eskişehir, Kütahya and Uşak, received two awards, the "Achievement Awards" and "Project Finance Awards" in the event organized by the international economy and finance magazine EMEA Finance. With its hybrid bond and project financing agreements for TL 175 million USD 330 million in Turkish lira equivalent, OEDAŞ received awards in both the "Best Structured Finance in EMEA" and the "Best Energy Agreement" categories.

Zorlu Enerji Receives Geothermal Resources Management Leader Award

Organized by the Water and Technology Association (“SUTEK”) to encourage efficient use of water and environmental resources and raise awareness about and support efforts in these areas, the fifth iteration of the Water and Environment Conference took place in 2019 with the motto of “The Future of the Environment”. In the award ceremony of the conference, Zorlu Enerji was granted the “Geothermal Resources Management Leader Award” for its contribution to Turkey’s rise to fourth place in the global geothermal energy rankings.

Alaşehir I GPP brings Zorlu Energy the Oscar of Geothermal Energy

The 25th iteration of ICCL, which took place in 2019 with the theme “change and transformation in the energy market”, was home to the 8th ICC Energy Awards. In the event, leading players in the sector in terms of their capability to adapt to the transformation, digitalization and change, areas that have become one of the key agenda items in both Turkey and the world at large, were awarded in the categories of renewable energy plants, thermal power plants, and main equipment suppliers. Zorlu Enerji was granted the “Oscar” in the geothermal power category with Alaşehir I GPP.

Diamond Award for High Customer Satisfaction

At the 4th A.C.E Awards organized by sikayetvar.com, Zorlu Enerji was recognized with its focus on customer satisfaction as well as its excellence in managing customer complaints, bringing the company the Diamond Award.

Real Estate



Real Estate

Guided by the Smart Life 2030 vision, Zorlu Real Estate Group embraces sustainability and transforms it into a way of doing business, designing innovative living environments that make people's lives easier through smart projects and practices shaped by innovation and technology,





Real Estate



The Real Estate Groups focuses its business model on sustainable buildings and smart building management systems.



Mesut Pektaş

CEO, Zorlu Real Estate Group

A year plagued by uncertainties affecting the global economy, 2019 was a challenging period to manage for the real estate industry. Despite said uncertainties, in 2019, Zorlu Real Estate continued to offer great examples of innovative and sustainable new-generation living environments with Zorlu Center and Levent 199.

Guided by this approach, we continued to develop the five-function Zorlu Center as a destination and experience venue compatible with global trends. By designing specially crafted events that offer visitors a distinct experience during each visit, we created a venue that people will keep coming back, and an attractive destination for foreign tourists visiting Istanbul.

Maintaining our focus on sustainability in line with our Smart Life 2030 vision, we continued to develop Zorlu Center in terms of environmental, social and governance performance. As digital transformation accelerates, consumers' demand for innovative living environments grows with each passing day. Accordingly, we are continuously developing Zorlu Center into a smart living space in line with the global transformations and trends. We are always raising the bar in visitor experience with a vast range of smart applications including electric taxi cabs to charging stations, smart poles to smart city furniture, and touch-screen digital maps to digital data analytics.

Our destination approach is supported and inspired by Zorlu PSM, which hosted more than 650,000 guests with 1,100 events in the last season. While bringing the world's

best musicals and arts events to Turkey, Zorlu PSM also began to focus on local festivals as well. In this context, for the last four years, Zorlu PSM has been the venue of Vestel Proudly Local concert series. In 2019, we also produced and staged a musical for the first time, titled Alice.

Raffles Istanbul Zorlu Center, one of the world's most exceptional luxury hotels, maintained its distinguished position as the go-to address for elite guests visiting Istanbul from across the globe. Raffles Istanbul welcomed approximately 118,000 local and foreign visitors over the course of 2019. Raffles Istanbul was the only hotel to be awarded five stars in both the 2018 and 2019 editions of Forbes Travel Guide's annual Star Awards series, which ranks the most prestigious hotels from around the world.

In line with Smart Life 2030 vision's focus on public benefit, Zorlu Center continued to run several social responsibility projects that support an obstacle-free, accessible lifestyle. The project we developed with the Guide Dogs Association as part of the "No Barriers in Zorlu" was recognized with the "Best Community Support Program" award in Europe by the International Council of Shopping Centers, as well as the worldwide "ICSC Foundation Albert Sussman" award, motivating us to further our commitment to transform Zorlu Center into a no-barrier living space.

Despite these positive developments, the COVID-19 outbreak that emerged near the end of 2019 to become a global pandemic, also had a severe impact on the real estate industry. As a mixed-use venue, Zorlu Center is naturally affected by the suspension of shopping, culture & arts and tourism activities.

Shopping centers halted their operations for a period of two months, and started to reopen in a gradual manner from May 11 onwards. All Zorlu PSM events were postponed on March 13, and these are expected to resume after September in accordance with official instructions. Nevertheless, our commitment to position Zorlu PSM as a meeting point of culture and arts holds true regardless of whether this meeting is physical or digital, and accordingly,

in the week of March 23, we began broadcasting our "Stay with PSM" content via digital channels. This content, which started as live Instagram performances, successfully grew into a multi-dimensional remote experience.

It is clear that the COVID-19 pandemic will have unavoidable effects on consumer habits. Taking this into consideration, we will shift our focus on customer experience to restore our revenues. We understand that visitor numbers might remain limited for a while, and accordingly, we will aim to offset this by generating more revenues per visitor and tenant, which will make our efforts to listen to their feedback and respond with accurate and innovative efforts all the more important.

The normalization in our industry will occur over time, and as such, we remain committed to adapt the experience we gained from COVID-19 into our daily lives.

As a destination, it is our primary duty and responsibility to protect public health, which involves fully implementing hygiene measures and social distancing rules, using 100% fresh air in our HVAC systems and equipping the filters of these systems with UV-C devices that offer 99.9% sterilization against bacteria and germs, as well as regularly disinfecting high-touch surfaces, common areas, elevators and stores.

In this process, we will continue to manage all of our properties and offer innovative living spaces in the most efficient way possible, using strategies devised in response to developing conditions.

Real Estate

Zorlu Real Estate Group continues to enhance Zorlu Center as a next-gen living environment by implementing sustainable technologies and smart systems.

Innovative and sustainable center of next-gen living: Zorlu Center

Zorlu Real Estate Group offers one of the most impressive examples of innovative and sustainable next-gen 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 mixed-use development in Turkey and the world at large. Zorlu Real Estate Group continues to enhance Zorlu Center as a next-gen living environment by implementing sustainable technologies and smart systems.

Zorlu Center introduces the best examples of enhancements that improve people's lives, such as 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, which is the first of its kind in Turkey.

Smart systems reduce our environmental impact while furthering our contribution to sustainability.

Zorlu Real Estate Group develops projects that improve the lives of residents and customers while propagating its focus on sustainability, which it embraces as a way of doing business, across its venues through innovative practices and smart systems, taking important steps towards reducing its environmental impact.

Some examples of best practices for reducing environmental impact at Zorlu Center include a 120-m² recycling room for solid waste, glass waste collection points, as well as recycling operations for 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 recovery of waste water, improved energy efficiency in common areas by switching to LED lighting, and significant reduction in energy consumption with Smart Energy Management.

Adopting a holistic approach to its environmental impact, Zorlu Center carries out activities for spreading awareness on environment, not only in its immediate vicinity, but across the entire city of Istanbul. An example of this approach is the electric taxi cab system in place in Zorlu Center, which serves customers with eco-friendly cabs with zero carbon emissions.



Innovative practices continue to reduce energy and water consumption.

Ensuring the maximum level of comfort and safety and making quality sustainable at Zorlu Center, Turkey's first five-function mixed-use project, requires a well-orchestrated effort. Zorlu Center addresses all requests by its residents with a solution-oriented mindset, and develops new initiatives that will provide a benefit in terms of energy and water consumption.

These include the SkySpark program, a single point of analytics for all energy consumption data across Zorlu Center, which informs efforts towards reducing power consumption and ensuring energy efficiency in all systems within the project.

Zorlu Center has adopted ISO 50001 Energy Management System to continually increase its energy performance, ensure compliance with laws and regulations, support stakeholder engagement in its policies, transform energy management into a corporate culture through company-wide training activities, and guarantee environmental and economic sustainability.

No barriers in Zorlu Center

In addition to developing practices to make life easier for guests and residents alike, Zorlu Center also takes significant steps to support projects that raise awareness on people with disabilities.

In the previous years, Zorlu Center collaborated with the Guide Dogs Association as part of the "No Barriers in Zorlu" project, which aims to transform Zorlu Center into a fully accessible venue to facilitate social participation of individuals with disabilities. As part of the project, all food court personnel in Zorlu Shopping Mall received sign language training and all restaurant menus also featured Braille print.

Also in line with this vision, the "My Dream Companion" app was added a "My Travel Buddy - Shopping Mall" feature to support individuals with visual disabilities to participate in social life more actively and independently.

Zorlu Shopping Mall reaches 75 million visitors.

A highly accomplished that has welcomed 75 million visitors to date, Zorlu Shopping Mall offers a unique experience to its guests with more than 200 stores, gourmet restaurants, and smart living spaces based on a public square concept.

Real Estate

An essential venue for culture and arts since its inception, Zorlu PSM hosted a total of 2.5 million art lovers in the span of six years, with 650,000 guests in the last season alone.

Zorlu PSM hosts 2.5 million art lovers

An essential venue for culture and arts since its inception, Zorlu PSM hosted a total of 2.5 million art lovers in the span of six years, with 650,000 guests in the last season alone. Zorlu PSM single-handedly accounted for nearly 15% of all entertainment, culture and arts event tickets sold in Turkey. Zorlu PSM also provides employment to 10,000 people per season, including event staff and the 160-person Zorlu PSM team.

Raffles Istanbul Zorlu Center remains the address of distinguished guests.

Raffles Istanbul Zorlu Center, one of the world's most exceptional luxury hotels, maintained its distinguished position as the go-to address for elite guests visiting Istanbul from across the globe. In 2019, the hotel hosted 117,889 local and foreign visitors in its 185 rooms and 66 residences.

Located at the heart of the city and offering a unique journey of emotional luxury with excellence in service, Raffles Istanbul boasts the highest guest satisfaction rating among all Accor Group hotels based on meticulous customer satisfaction surveys. As a result of high customer satisfaction, the hotel has enjoyed a repeat rate of 38% since its opening.

The most attractive hotel in the city for meetings and events, Raffles Istanbul is also the most popular wedding venue in Istanbul with its 1,200-person ballroom.

Throughout the year, intense sales, marketing and public relations activities carried out in the US, Brazil, Latin America, Middle East, Europe and Turkey helped promote the hotel's facilities and services, creating an equivalent advertising value of EUR 15.4 million in total.

Focusing on experiences and making a name for itself in gastronomy with its unique touch, Raffles Istanbul took part in an exclusive collaboration with renowned Michelin-starred chef Paco Roncero at the Rocca Restaurant to create a 40-day pop-up restaurant experience between September and October. As part of the event, three separate areas were built from scratch at Rocca to create a creative, multisensory gastronomical experience – the first of its kind in Turkey.

Rocca also offered refined experiences for Istanbul foodies with its signature Sunday Raffles Brunch, which has become a true urban tradition, fancy Raffles iftars during Ramadan, as well as rich buffets on Friday evenings.

Real Estate

Located at the heart of the city and offering a unique journey of emotional luxury with excellence in service, Raffles Istanbul boasts the highest guest satisfaction rating among all Accor Group hotels based on meticulous customer satisfaction surveys.

The hotel's celebrated Long Bar stands out with its signature cocktails and own brand of events, while Raffles Patisserie has become the home of Istanbul's most innovative address for pastry and confectionery.

Spread across 3,000 square meters of naturally illuminated indoor space, Raffles SPA continues to offer an unparalleled wellness experience to guests with its diverse selection of care products and programs. The range of premium spa products used in Raffles SPA, which are also available for purchase, have been expanded to include personal care products developed by Biologique Recherche, which has received international acclaim with its personalized treatments.

Meanwhile, ISOKYO, a portmanteau of Istanbul and Tokyo, represents the Pan-Asian cuisine in the first floor of the hotel, having continuously introduced novelties in gastronomy since its establishment. One of the most popular meeting places of the city, the restaurant offers the most exquisite flavors from the emerging Pan-Asian cuisine in a modern interpretation of Eastern ambiance.

2019 Activities

Life is easier at Zorlu Center with next-gen navigation apps

Zorlu Center continually invests in technology and next-gen applications to make life easier. Touch screen maps and interfaces are updated regularly to facilitate navigation within the venue. With the new generation navigation system, menu interfaces and maps have been enhanced with animations to provide an excellent user experience, while the routes displayed on touch screens allow visitors to conveniently locate the store or restaurant of their choice. For foreign tourists, these screens now include the Chinese language option in addition to the existing Arabic and English.

Zorlu World renewed.

The Zorlu World application was updated to offer guests a more digital Zorlu experience. The renewed app has several new features including information on discounts and promotional campaigns offered by Zorlu Shopping Mall stores, mobile payments, and navigation inside the mall. Stores within Zorlu Center are now featured on Google Maps, thanks to a collaboration made with Google Maps in the final quarter of 2019.

Sponsorship deals launched in the previous years were continued in 2019.

Real Estate

Zorlu Real Estate Group continued to manage Zorlu Shopping Mall with a destination marketing strategy in 2019. The mall was positioned as a venue that people will keep coming back, and an attractive destination for foreign tourists visiting Istanbul, through specially crafted events that offer visitors a distinct experience in each visit.

Employees on roller skates providing direction services to visitors.

Zorlu Center implements innovative applications with the aim to develop rapid solutions in response the requests and expectations of visitors. Accordingly, the shopping mall employs personnel on roller blades who provide guests with information and directions.

Employee Portal making life easier for Zorlu Center employees.

Acknowledging that employees are its most valuable asset, Zorlu Real Estate Group focuses on creating an inclusive working environment, and makes life easier for Zorlu Center employees with innovative practices. To this end, in 2018, Zorlu Center launched the Shopping Mall Employee Portal, an ecosystem composed of Zorlu Center Shopping Mall tenants. 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.

Zorlu Center continued to expand its brand mix in 2019 with the addition of prominent international and local brands, including 1290SQM, Anlı Jewelry, Balmain Paris, Bobbi Brown, The Body Shop, Bosnjak, Camper, Gilan, Kismet By Milka, Inglot, Pandora, Sephora, Skechers, Dyson, Collection, Tahin, Fredonia, Alancha, Zula and Voi Cafe.

Zorlu Shopping Mall becomes a hub of social life with a variety of events.

Zorlu Real Estate Group continued to manage Zorlu Shopping Mall with a destination marketing strategy in 2019. The mall was positioned as a venue that people will keep coming back, and an attractive destination for foreign tourists visiting Istanbul, through specially crafted events that offer visitors a distinct experience in each visit.

Throughout the year, Zorlu Center offered limitless entertainment to a wide audience from every segment and every age. Zorlu Center organized various events for all audiences including Zorlu New Year's Village, Netflix – Stranger Things Project, 24-hour running performance by Özgür Tetik, exclusive events for adults and children through brand collaborations, exhibitions, movie screenings, free open-air concerts during summer months, and comedy performances.

Turkey's first new year's village at Zorlu Center.

Turkey's first new year's village, Zorlu New Year's Village carried the joy of the new year to Zorlu Center in 2019 between December 1-31 as part of Zorlu New Year's Festival. The village offered unique designs by prestigious brands in an environment of joy and entertainment for guests of all ages, complete with marching bands and juggling performances, photo shooting areas, and a live musical performance by Nil Karaibrahimgil.

Open-air entertainments series continue.

A gathering place for those who love to enjoy life to the fullest since its opening, Zorlu Center maintained its position as an attractive destination for Istanbulites in 2019.

As part of the concert and event series that ran between June and October, Zorlu Center hosted several popular artists such as Zeynep Bastık, Meltem Cumbul, Ceylan Ertem, Gaye Su Akyol, Sena Şener, Nova Norda, Nilipek, Betül Arım, Eda Baba, Serhat Kılıç, Miray Akovalıgil and Ceren Gündoğdu.

Zorlu PSM hosts 650,000 in its sixth season.

Furnished with the latest technology, halls of various sizes, and multiple-purpose areas, Zorlu PSM hosted 650,000 guests at over 1,200 events in its sixth season. With an event program comprising large-scale productions, Zorlu PSM's most favorite show during the year was the musical Alice, which reached an audience of 100,000.



Real Estate

In 2019, the “No Barriers in Zorlu” project stood out among other contestants from around the world to win the International Council of Shopping Centers’ (ICSC) highest honor, the “ICSC Foundation Albert Sussman” award.

While bringing the world’s best musicals and arts events to Turkey, Zorlu PSM also began to focus on local festivals as well.

Raffles Istanbul Zorlu Center win prestigious awards.

Five Stars from Forbes Travel Guide

Raffles Istanbul was the first and only hotel in Turkey to be awarded five stars in Forbes Travel Guide’s annual Star Awards series, which ranks the most prestigious hotels from around the world.

Widely regarded as the highest accolade of global tourism, Forbes Travel Guide’s list included Raffles Istanbul Zorlu Center among the top 210 hotels across the globe.

Complementing the numerous accolades Raffles Istanbul has won over the years, the five stars awarded by the Forbes Travel Guide stands out as the highest recognition in the luxury hotels segment.

With this award, Raffles Istanbul Zorlu Center carried both Turkey and Istanbul into the global league of top-tier accommodation.

Accor Quality Award

In 2019, Raffles Istanbul Zorlu Center surpassed over 3,000 Accor Group hotels in Europe to be named the Best Hotel in Quality.

Best Asian Cuisine Award to ISOKYO

ISOKYO has quickly made a name for itself as one of the most popular dining venues in the city, winning the top spot in the Best Asian Cuisine category of the 18th Time Out Food & Beverage Awards in its first year, based on jury and guest votes. ISOKYO’s ambiance and creative interpretation of the Asian cuisine helped the restaurant quickly rise in ranks to become one of the city’s most stylish fine dining establishments.

Real Estate

In 2019, a Green Office Project was launched to enhance the eco-friendly features of Levent 199 with improved efficiency, which resulted in three additional projects selected for implementation after feasibility studies.

Zorlu Center adds to its long list of awards in 2019.

In 2018, the “No Barriers in Zorlu” project, which aims to transform Zorlu Center into an accessible destination that facilitates participation into social life for individuals with disabilities, was granted the “Best Community Support Program” award in Europe by the International Council of Shopping Centers (ICSC). The project stood out among other entries from across the globe to win the “Albert Sussman International Community Support Award”, the highest honor granted by the ICSC.

In addition to the awards, the Guide Dogs Association was also granted USD 10,000 in 2018 and USD 15,000 in 2019, for a total of USD 25,000 in prize money by the International Council of Shopping Centers.

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 scale in Turkey to obtain a LEED Gold Certificate by the U.S. Green Building Council (USGBC).



Zorlu Real Estate Group will continue to make an impact with its ambitious new projects in the coming period.

Levent 199 earned this certificate due to its eco-friendly features including highly energy-efficient glass facades, use of LED fixtures throughout the lighting system, an exclusive parking lot for electric vehicles, a bicycle parking area, heat recovering fresh air systems, and an expansive 10,000 m² landscape area.

In 2010, Levent 199 was recognized as the best office architecture in Europe-Africa in the commercial buildings category of the International Property Awards, one of the world's most prestigious awards series in architecture and real estate investments. The project also took second place in the Turkey's Most Successful Real Estate Investments lists of 2012.

In line with the concept of smart life, Levent 199 makes effective use of sustainability-oriented technologies such as its double-deck elevators, a first in Istanbul, which reduce the average elevator waiting time to 27 seconds and provide an energy efficiency of over 50%. Levent 199 also supports end-to-end recycling, and has implemented various eco-friendly practices, such as waste disposal and water treatment systems that treat gray water for reuse in the irrigation of green spaces.

In 2019, a Green Office Project was launched to enhance the eco-friendly features of Levent 199 with improved efficiency, which resulted in three additional projects selected for implementation after feasibility studies. These include maximizing the efficiency of the central cooling system and increasing energy efficiency by switching to LED lights in all common areas.

Zorlu Real Estate Group focuses on developing new, smart projects that add value to life.

Zorlu Real Estate Group will continue to make an impact with its ambitious new projects in the coming period. Accordingly, the group will prioritize Zorlu Konak, Zorlu Alaçatı and Zorlu Marmaris projects in the coming period.

Development project for Zorlu Konak has been completed, and the construction permit has been obtained.

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

Awards Received in 2019

ICSC Foundation, Albert Sussman International Community Support Award

The “No Barriers in Zorlu” project, developed in collaboration with the Guide Dogs Association to enable individuals with disabilities to participate in social life in a more active manner, was granted the Albert Sussman International Community Support Award, the highest accolade of ICSC. The award also brought the association USD 15,000 in prize money.

Forbes Travel Guide Five Stars

Raffles Istanbul was awarded five stars in another year by the annual Forbes Travel Guide, which ranks the most prestigious hotels from across the globe. By placing in the list, which is widely regarded as the highest accolade of global tourism, Raffles Istanbul Zorlu Center maintained its position among the top hotels in the world.

Time Out Best Asian Cuisine Award

ISOKYO won the top spot in the Best Asian Cuisine category of the 18th Time Out Food & Beverage Awards in 2019.

Accor Quality Award

Raffles Istanbul Zorlu Center accomplished a significant achievement by surpassing all other Accor Group hotels in Europe to win the “Best Hotel in Quality” award.

Mining- Metallurgy



Mining- Metallurgy

Meta Nikel Kobalt Madencilik aims to expand upon the production of concentrated nickel and cobalt from raw material, and begin producing high-end products and rare-earth elements as part of its goal to become a global supplier of nickel and cobalt.





Mining- Metallurgy

“

Processing surface-mined ores in a closed circuit system, the eco-friendly Gördes Nickel Cobalt Facility production facility introduces a brand new and sustainable approach to mining-metallurgy, bringing dynamism to the industry.

”



Dr. Orhan Yılmaz
CEO, Zorlu Mining Group

Meta Nikel Kobalt Madencilik (META) continues exploration, operation, export, R&D, mining and investment activities in order to utilize the nickel potential of Turkey in benefit of the national economy. META currently operates a nickel-cobalt facility in Gördes, Manisa, one of the top 10 facilities in the world in its respective category, as well as nickel reserves in Eskişehir and Uşak. Processing surface-mined ores in a closed circuit system, the eco-friendly Gördes production facility introduces a brand new and sustainable approach to mining-metallurgy, bringing dynamism to the industry.

Driven by its innovation-focused approach and wealth of expertise, Meta Nikel Kobalt Madencilik is capable of producing concentrated forms of nickel and cobalt from ore, and endeavors to expand its product range of high-quality nickel and cobalt products with other minerals, particularly rare-earth elements, as well as with high-purity nickel and cobalt products for use in energy storage systems and batteries, adding to its portfolio of commercial products.

META's accurate policies and the ability to keep abreast of developments in the mining and metallurgy industry have enabled the company to become a key production hub that takes full advantage of strategic opportunities. In line with this vision, the company focused its efforts towards creating an robust ecosystem of competent and well-trained employees who will follow advancements in science and technology to develop successful projects and industrial innovations, which culminated in the R&D Center certification the company obtained in the first quarter of 2018. Today, the R&D Center is well on its way towards becoming the research and development hub of the industry. The R&D Center aims to develop new products, improve quality in existing product range, and minimize operating costs, while also establishing its corporate culture drawing from its know-how.

The top goal for the company for the years ahead is to achieve full capacity utilization in production with the completion of new investments and planned improvements.

With new investments, the Gördes facility will be transformed into an integrated production center capable of producing its own input. This new organization will give the Gördes facility the speed and efficiency to adapt to international developments and meet customer demands in a rapid fashion.

Our vision is to improve value-added by supplying 90% of our raw material from domestic sources, as well as through research and development, in order to increase the economic contribution we make in our country and our industry, and to that end, procuring from within the country the majority of the technology, machinery and equipment that will be used in the investments planned for the years ahead.

In today's new world and fierce competition environment created by the rapid advances in technology and globalization, META is committed to strengthen its presence in international markets and become a global supplier of nickel and cobalt by leveraging its production competence and know-how to effectively meet the needs and expectations of end users.

The ongoing pandemic has affected the world in various ways, which are reflected in our industry as well, chiefly through the change in metal prices.

Today, 76% of the world's nickel production is consumed by the stainless steel industry, and 4% in the production of batteries. As one of the largest players in the stainless steel supply chain, China also leads global steel demand. Particularly in recent years, the soaring demand for nickel has upset the supply/demand balance as existing production capacities failed to catch up. As the origin of the COVID-19 pandemic, China was forced to cut down on its nickel demand, which bloated LME (London Metal Exchange) stocks, and in turn, caused a slight decline in metal prices.

Since then, markets have entered a process of normalization, based on the relatively positive outlook of the pandemic. Metal trade has begun to recover, particularly in the largest consumer of nickel, China. Based on this optimistic outlook, we expect the stainless steel and automotive industries, the main drivers of the nickel industry, to recover their losses in the short term, reversing the trend of price drops in nickel until a relative balance is reached, with only slight fluctuations afterwards until the end of the year.

As we keep a close eye on metal prices on the global conjuncture, we are committed to make the most of opportunities as they present themselves in this turning point in history.

Another outcome of the pandemic is the disruption of communications with our foreign business partners, which creates challenges in project management as it slows down the response process to technical queries. Yet, this has not prevented us from preparing for the post-pandemic period without losing steam in our upcoming investment projects.

Mining- Metallurgy



Meta Nikel Kobalt Madencilik's accurate policies and the ability to keep abreast of developments in the mining and metallurgy industry have enabled the company to become a key production hub that takes full advantage of strategic opportunities.



We are at the decision-making stage regarding the sulphuric acid production plant, which is one of our new investments, and our goal is to commence project development as soon as possible to produce the sulphuric acid we use internally. In addition to sulphuric acid, the plant will also output high- and low-pressure saturated steam. This high-energy saturated steam will be used in both power generation to reduce dependence on external resources and to meet the saturated steam needs of the nickel production plant, lowering operating costs.

Our experiences in the pandemic made us realize once again how valuable our employees are. We always endeavor to enable employees to fully utilize their knowledge and skills, embrace an approach of maximizing their contributions to the company, and provide a healthy and safe work environment for them to enhance their quality of life and work. We believe that our biggest asset as a business is our people, not our machinery and equipment. Experienced and talented engineers, technicians and employees form the core of our approach to mining and metallurgy. Our workforce, regardless of their position, is our key driver on our journey to become a global supplier.

Mining- Metallurgy

In addition to reserve development activities in Eskişehir and geological surveys in Uşak, Meta Nikel Kobalt Madencilik also carries out nickel-cobalt exploration in various regions across Turkey.

A brand new, sustainable production approach in mining and metallurgy.

Meta Madencilik Limited Şirketi was founded in 2000 to engage in nickel mining in Turkey. The company operated in partnership with Zorlu Group from 2007 until its acquisition by the Zorlu Group, which sold 50% stake in the company to Vestel Elektronik for USD 250 million in June 2018. The company has been carrying out its activities as Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ ("Meta Nikel Kobalt Madencilik" or "META") since.

Currently operating the nickel-cobalt mining facility in Gördes, Manisa, META carries out reserve development and ore production in Eskişehir, geological surveys in Uşak, and nickel-cobalt exploration in various regions across Turkey.

Investments for the Gördes Meta-Nikel project, designed with an annual production capacity of 10,000 tonnes of nickel metal from around 1.7 million tonnes of ore, commenced in 2011. The production facility was completed and entered into service in 2014. The facility made its first export sales in May 2015.

The plant produced 1,790 tonnes of nickel metal equivalent in 136 workdays in 2016; approximately 4,000 tonnes of nickel metal equivalent in 230 workdays in 2017; 5,001 tonnes of nickel metal equivalent in 242 workdays in 2018; and 2,175 tonnes of nickel metal equivalent in 138 workdays in 2019 due to planned maintenance works and low nickel prices, as well as a total export of 15,063 tonnes of nickel metal equivalent concentrated products.



Mining- Metallurgy

In addition to mining-metallurgy activities, META draws from its expertise in metallurgy and chemistry to develop innovative products.

In addition to mining-metallurgy activities, META draws from its expertise in metallurgy and chemistry to develop innovative products. Ranking among the top 10 facilities in its industry, the Gördes plant extracts ore with approximately 0.7% nickel content, which is processed and enriched with advanced technologies, resulting in a product with 38% nickel content. META extracts surface ores via open pit mining, which is processed using cutting-edge technologies into hydroxide form (MHP-Mixed Hydroxide Precipitate) of nickel and cobalt for export markets. As part of its vision of gradually expanding its production capacity to become a global supplier, META aims to produce various forms of nickel and cobalt as well as process the rare earth content of the extracted ore in benefit of the Turkish economy.

In the medium term, META aims to blend the industrial and entrepreneurial competence of Zorlu Holding with R&D and innovation to further increase the value-added of its operations and reduce current deficit by producing more advanced forms of concentrated nickel and cobalt, produce its own input and ensure high energy efficiency through heat reclamation with new auxiliary facilities, and reduce Turkey's dependence on foreign sources through domestic production.

In addition to the stainless steel industry, nickel is also used to manufacture corrosion-resistant alloys, armor plating, and in the defence industry. The batteries used in electrical vehicles and energy storage systems contain nickel and cobalt. New studies carried out in parallel with the developing technology have shown that battery life increases with the nickel ratio in the battery's composition. In the near future, nickel content of battery and energy storage systems is expected to increase gradually, driving up demand.

Mining- Metallurgy

Meta Nikel Kobalt Madencilik focused its efforts towards creating an robust ecosystem of competent and well-trained employees who will follow advancements in science and technology, which culminated in the R&D Center certification the company obtained in the first quarter of 2018, a significant milestone in the company's journey to become a R&D hub in the industry.

R&D Efforts

In line with a sustainable production approach, the Gördes facility employs a variety of water recovery processes to reduce water consumption.

The plant features a 25 million m³ waste storage for process waste, as well as the largest impact assessment permit area to date in the industry with 3,834 hectares.

Preparations began in October 2017 for the ISO 9001 Quality Management System, and in February 2018 for the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System, and certification process for the aforementioned systems continued in 2019. Certification is expected to complete in 2020.

The company continued its collaboration with Celal Bayar University, and crowned its achievements in next-gen mining in Turkey with the "R&D Center" certification, which it received in March 2018.

Thanks to the devoted efforts of the management and the technical personnel, improvement and research efforts continued in 2019 with the goals of boosting plant efficiency, reaching full capacity utilization, and the production of new product types. Below is a summary of improvement efforts that took place during the year:

- Investments in the waste treatment plant to recover water from the waste storage dam and waste thickening,
- Obtaining third stage development permit to increase the capacity of the waste storage dam,
- Ore enrichment efforts,
- Investment in a ball mill to reduce particle size of high-grade sifter waste for %Ni enrichment and subsequent feedback into the plant,
- Investments in pre-leaching for removing carbonate compounds from the ore (through sulfuric acid feed into the surge tanks at the ore dressing area) to reduce ore calcium carbonate (CaCO₃) levels to plant design levels, and consequently increase autoclave feed rate (production capacity),
- Investments in relocating high-pressure sulphuric acid feed pumps to increase energy efficiency and reduce occupational safety risks,
- Cost reduction efforts,
- Magnetic separation to enrich the nickel grade of ore and remove carbonate compounds that increase acid consumption,

Mining- Metallurgy

Three R&D projects that involve remedying process-related problems, reducing costs, expanding the product range, producing raw materials for high-tech products, and developing battery cathode raw materials were approved to receive TÜBİTAK grants.

- Efforts in rare-earth element production,
- Ore enrichment efforts,
- Gold recovery from Keşkektepe ore,
- Investment in a production facility that will produce nickel and cobalt sulfate, raw materials used in lithium batteries, from intermediate products (MHP),
- Investment in a 750,000 tonne/year capacity Sulphuric Acid Plant to reduce sulphuric acid costs and reduce environmental impact,
- Investment in the second phase of MHP and Nickel - Cobalt Sulphate/Derivatives Plant (additional capacity for 10,000 tonnes of Ni-Metal equivalent),
- Waste reduction and waste recycling.

The Gördes plant is expected to reach full capacity utilization in the years ahead with the completion of the planned improvements in ore preparation, water treatment and waste storage dam, as well as an increase in total workdays. Collaborations with TÜBİTAK and universities for extending equipment and equipment lifetimes are also underway.

Three R&D projects were submitted for TÜBİTAK grant, these involve remedying process-related problems, reducing costs, expanding the product range, producing raw materials for high-tech products, and developing battery cathode raw materials. Of these projects;

- “Production of Cobalt Sulphate from Gördes Lateritic Ore MHP (Mixed Hydroxide Precipitate) Intermediate by Solvent Extraction” was approved by TÜBİTAK on June 20, 2019,
- “Recovery of Concentrated Scandium Compounds from Gördes Nickel Cobalt Plant Waste by Ion Exchange and Solvent Extraction Methods” was approved by TÜBİTAK on August 20, 2019,
- “Development of Cathode Active Material Production Process from Domestic Raw Materials, Pilot Scale Process Equipment Design, Prototype Battery Manufacturing and Performance Tests” was approved by TÜBİTAK on January 13, 2020.

Mining- Metallurgy

The R&D and Innovation Working Group submitted two projects to TÜBİTAK, and the project titled “Production of Cobalt Sulphate from Gördes Lateritic Ore MHP Intermediate by Solvent Extraction” was approved for a grant.

Sustainability Efforts

META participates in the sustainability working groups established within Zorlu Holding.

- The Employees Working Group joins Zorlu Holding’s efforts towards gender equality, shares its decisions with senior management, and carry out initiatives towards spreading awareness. The group develops suggestions for increasing the number of female employees in all levels of the company, as well as for meeting the needs of female employees. 57 (38%) of the company’s white collar employees joined the Zorlu Holding’s Kivilcimlar volunteer movement and logged 401 hours of volunteer work in total, reaching the per capita volunteer hours target for 2019.
- The R&D and Innovation Working Group submitted two projects to TÜBİTAK, and the project titled “Production of Cobalt Sulphate from Gördes Lateritic Ore MHP (Mixed Hydroxide Precipitate) Intermediate by Solvent Extraction” was approved for a grant.
- The Environment Working Group implemented the first phase of META Wastewater Recovery Project. As part of the project, 1,6 million m³ of water will be reclaimed from the waste storage dam to meet 65% of the plant’s water demand, and reduce the amount of water intake from external sources by the same amount. Other components of this integrated project, including Waste Dehydration and Wastewater Treatment Plant investments are complete, and testing is underway. The plant is expected to meet the entirety of its water demand through recycling by 2020 as all new developments enter into service.

Other Activities



Other Activities

Zorlu Faktoring

Zorlu Faktoring AŞ ("Zorlu Faktoring") was established in 2012 to deliver factoring services in Turkey and abroad. In line with the principles of its parent company, Zorlu Holding, Zorlu Faktoring focuses on providing reliable, consistent and trustworthy services to all industries and enterprises that shape Turkish economy.

Zorlu Faktoring's main line of business is domestic revocable factoring transactions, and the company's main customer group includes medium- and large-scale enterprises, as well as industry leaders with widespread supplier and dealer chains.

Zorlu Air Havacılık AŞ (Zorlu Air)

Zorlu Air started its operations under Korteks in 1992 before separating into an independent air charter company in 1996.

Zorlu Air currently renders its services with one 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 of these aircraft were added to the Zorlu Air's fleet on their year of manufacture.



Zorlu Grand Hotel

Launched in 1997 as Zorlu Group's first tourism investment, Zorlu Grand Hotel has a capacity of 116 rooms, including 26 deluxe rooms, and 335 beds. Situated in a central location only four kilometers from the airport, and equipped with six multi-function meeting halls, a spa and a variety of restaurants, Zorlu Grand Hotel is the only five-star hotel in the region, and hosts numerous congress, seminar, business meeting and social events throughout the year. Zorlu Grand Hotel is also the only green-starred hotel in the region, pioneering the service industry with its characteristic architecture and comfort.

ABH Turizm Temsilcilik ve Ticaret AŞ

JULES VERNE TRAVEL & EVENT

Since 1998, Jules Verne Travel & Event has been offering distinctive services across all aspects of tourism, including travel services to individuals and corporations as well as domestic and international travel and event organizations.

Jules Verne Travel & Event consolidated its strength joining Zorlu Group in 2004, and is now on its way to greater achievements under the guidance of its founder and CEO, Ayşe Yağcı Büyükpınar, and her experienced team of 65.

Jules Verne Travel & Event designs turnkey and personalized event and travel organizations across the globe with its team of

experienced, dynamic, enthusiastic, creative and curious individuals who are inspired by the future and keep abreast of innovation as part of the Smart Life 2030 vision.

The vision of the company is to become a pioneering and exemplary organization that is reliable, creative, dynamic and solution-oriented, adding value to its customers in the global competition with its global-mindset, new technologies and practices, team spirit, and know-how.

www.julesverne.com.tr

JABIROO

Jabiroo.com.tr provides online, custom-designed travel experiences, a first in Turkey, with the motto "Travel Differently with Jabiroo!"

Jabiroo.com.tr offers personalized travel itineraries and innovative solutions developed by travel advisors and curators, targeting clients who are looking for an excellent vacation experience.

Developed by travel design experts, these personalized itineraries take into account all expectations of the client, and include a wealth of useful information and recommendations about all aspects of the vacation, from recommended destinations to accommodation guides, local cuisines, and transportation.

www.jabiroo.com.tr



Human Resources



Human Resources

The constant goal of Zorlu Holding Human Resources Group is to ensure the organization's continuity and employ and develop the talent that will carry the group into the future.





Human Resources

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We endeavor to create an inclusive corporate culture that recognizes achievement and allows employees to fully utilize their talents, empowering them to join our aspiration for a better future and a more sustainable world.

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Necmi Kavuşturan
CHRO, Zorlu Holding

At Zorlu Group, we believe that our employees constitute our biggest asset, and in line with our Smart Life 2030 vision, we shape the future with the strength we derive from our human resources. The loyalty, commitment and passion of our colleagues play a critical role in realizing our vision.

With this mindset, we endeavor to create an inclusive corporate culture that recognizes achievement and allows employees to fully utilize their talents. We empower our employees to join our aspiration for a better future and a more sustainable world.

At Zorlu Group, effective performance management, career management and training programs, continuous development, digitalized HR applications, recruitment and development of young talents are among the main areas of focus for human resources, as they are essential for creating an organization powered by highly motivated, qualified and competent employees.

We follow and adopt new, trend-setting human resources practices from across the globe to create an environment where creative and productive talent can thrive. Through an array of training programs, we help establish the necessary infrastructure that will both provide personal development opportunities for employees and create value for our group.

As digitalizing HR practices make life easier for our colleagues, they also make our way of business more digital and smarter with each passing day, enabling us to guide the development of the next generation of human resources. For us, continuous development is not only essential for enhancing employee performance and productivity, but also their loyalty. Accordingly, we prioritize continuous development of our entire workforce in addition to recruiting and developing young talents.

The constant goal of Zorlu Holding Human Resources Group is to ensure the organization's continuity and employ and develop the talent that will carry the group into the future.

A leading player in Turkish economy, Zorlu Group employs more than 30,000 people in over 60 companies.

Human resources is the most valuable asset of Zorlu Holding. Zorlu Holding believes that innovative ideas and projects by qualified and motivated employees will enhance its competitive edge 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 creating a satisfying working environment and maintaining the best employment conditions. The group also provides systematic training programs and all-around personal development opportunities for its employees.

In its recruitment processes, Zorlu Holding gives priority to candidates who are open to improvement and change, and display the ability to adapt to 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 signatory of the UN Global Compact, Zorlu Holding strives for full compliance with the Ten Principles governing work environment and human rights, and continues its efforts to fulfill its commitments.

As of the end of 2019, Zorlu Group has a workforce of 30,102, 70% of whom are blue-collar and 30% are white-collar. The table below shows the distribution of personnel by industry.

Industry	Number of Employees* (31.12.2019)
Consumer Electronics & Household Appliances**	18,108
Textiles	6,865
Energy	2,958
Real Estate	954
Mining-Metallurgy	637
Other	580
Total	30,102

Zorlu Holding Human Resources Policy

In its human resources management activities, Zorlu Holding is guided by an understanding that passionate, determined, professional and competent employees are essential to achieving its corporate goals.

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

* The figures include employees working in the international operations of the relevant sectors and subcontractors serving the companies.

** The number of employees of Vestel Savunma Sanayi AŞ and Aydın Yazılım ve Elektronik Sanayi AŞ are included in the Vestel Group of Companies.

Human Resources

The main pillars of Zorlu Holding's Human Resources Policy are:

- a remuneration system that recognizes achievement, and a transparent performance management,
- career management that supports entrepreneurship,
- training programs.

In line with Zorlu Holding's corporate goals and principles, the human rights management is based on meticulous employee selection and placement processes, focusing on assigning the right person to the right position.

At Zorlu Holding, competence is the determining factor in recruitment. Suitable candidates are evaluated, and those deemed to possess the necessary qualifications for the position are invited for interviews.

The recruitment process makes use of personality inventories, foreign language proficiency tests, general aptitude tests and interviews to assess a candidate's suitability for the position. Candidates who are found suitable are made a job offer by the Human Resources Department.

Orientation is regarded as the key component of the recruitment process of all Group companies, and new recruits are offered a broad range of support to strengthen their bond with the Zorlu Group and facilitate their adaptation to their new company. Our goal is to enhance employee loyalty by offering the best possible working experience at Zorlu Group. Zorlu Holding conducts its performance management activities with a view to fostering a culture of high performance, and develops the performance system

based on corporate strategies. The scope of the Performance Management System was expanded to cover all Group companies. This newly expanded system, designed to evaluate and enhance business outcomes and competences of employees, took effect in 2019.

Zorlu Holding offers career development and progression via the Career Management System.

Zorlu Holding employs a vertical and horizontal progression system based on the needs of its companies and the career development of its employees. These systems help coordinate the future goal of companies with the individual goals of employees. The objective of these systems is to enhance the existing competence of employees, build on their professional expertise, and impart them with the skills they will require in their future positions.

Zorlu Holding Career Management System offers both vertical and horizontal development opportunities for the human resource. The system includes a rotation model, as part of which, employees assume new positions within the Group or their respective company in order to gain new skills, competences and experiences.

Zorlu Holding employs a rational Remuneration System based on pre-set parameters.

Informed by market conditions and Group dynamics, Zorlu Holding's Remuneration System is based on employee position, the Group's remuneration policy, and performance parameters,

The Remuneration Policy may vary within each Group company, as it is based on their existing compensation practices, market positions, and competitiveness. The Remuneration Policy also includes several employee benefits for in accordance with position.

Training and development activities based on equal opportunity.

The group plans and implements training and development programs to enhance the competence of human resources.

Training and development activities are carried out in accordance with the principle of equal opportunity. Based on tried and true analytical methods, human resources training and development activities help enhance the personal and professional development of employees as well as encourage them to keep up with the development in not only their particular profession, but the industry at large.

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

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 Development
- Technical Skills and Expertise
- Managerial Skills
- Finance
- Law
- Sales and Marketing
- Production

There are also personalized competence development training programs offered for managerial positions across Group companies.

In 2019, the online training platform Zorlu Academy was launched to accompany employees of Group companies on their personal and professional development journeys. Zorlu Academy offers employees a broad range of e-training programs, as well as a list of available programs from which they can request additional courses to support their areas of development. With a rich collection of content on various inspiring topics, Zorlu Academy offers an enjoyable learning experience.

Meanwhile, the Management Trainee (MT) 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.

Vestel Group engaged in comprehensive human resource development efforts.

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

Training programs and Academies help improve the professional, technical and intellectual competencies of employees. The training programs are given by academics and scientists as well as experts from various fields, and help contribute to the development new technologies and innovations.

Through Training and Development Programs, Vestel Technology Academy offers employees personal development as well as education opportunities.

Vestel Technology Academy is a training program designed to maximize employee motivation and productivity through training programs, and as a result facilitate the development of cutting-edge technologies which will consolidate Turkey's position in global markets.

Developed in collaboration between Vestel Group and Özyeğin University, the Vestel Technology Academy offers lifelong training opportunities for participants, as well as technical trainings for engineering personnel to further their experience and expertise in their respective fields.

The project has fulfilled its starting goal of "bringing the university campus into the company." In 2019, 170 students attended courses at the Vestel Technology Academy and 247 graduated.

Human Resources

Vestel MT Program creates value for Vestel by training the managers of the future.

Developed for new graduates, Vestel's Management Trainee (MT) Program is aimed at final-year students from engineering faculties who wish to improve their technical competencies, as well as economics and administrative sciences students who plan a career in non-technical fields, with the goal of attracting successful students from across Turkey to Vestel. The program is designed to prepare high-potential candidates for a future role in Vestel's management. The MT Program has been continued since 2010, with the 10th iteration taking place in 2019.

The young talents applying for the MT Program undergo a comprehensive assessment process before enrollment. The 10th MT Program in 2019 received a total of 6,838 applications. Of these applicants, 22 candidates successfully completed all stages of the meticulous assessment process and were invited to the 10th MT Program.

After passing a series of stages and enrolling to the MT Program, young talents are offered a broad range of opportunities to develop their skills in various fields over a course of four months. As part of the program, management trainees are expand their theoretical knowledge through training courses in both the university and the company, while also undergoing personal development programs to guide them on their upcoming career.

Zorlu Tekstil Talent Management Programs aim to train human resources equipped with the competencies of the 21st century.

Zorlu Tekstil Talent Management Programs aims to equip manufacturing and retail employees with the competencies of the 21st century.

Zorlu Tekstil New Graduates Program welcomes new graduates who will represent the next generation of achievement at Zorlu Group. As part of the program, talented new graduates are offered four months of theoretical and practical training in collaboration with Textile Engineering and Business Administration Departments of Istanbul Technical University. New graduates who complete the trainings are employed at Zorlu Textiles Group. The technical and personal development of these new recruits will be continued through 2020 with follow-up training programs. MT employees find the opportunity to utilize their training in their professional career with projects they develop under the mentorship of their supervisors.

In addition, all store managers took part in evaluation activities to identify areas of improvement, initiating development programs aimed at these areas.

Zorlu Enerji's training and development programs prepare employees for the future.

Zorlu Enerji prepares its employees for the future with its training and development programs. The Manager Training Academy, operating within the Zorlu Energy Group, aims to identify employees who display leadership qualities, support their personal and professional development, and prepare them for future positions with greater responsibilities.

Women make up 32% of all Zorlu Group employees as of 2019.

Guided by the UN Sustainable Development Goals, Zorlu Holding and Group companies have the necessary drive and resources to conduct effective operations towards societal development as they progress towards the strategic Smart Life 2030 vision. Zorlu Holding values dynamism, innovation and creativity in all its business processes, and endeavors to establish an inclusive and diverse corporate culture and advocate equality in the society starting from the business community, guided by the following commitments.

Driven by its gender equality approach and an effective corporate leadership, Zorlu Holding is committed to set an example for the business community in the context of equal participation in labor force. Zorlu Holding supports women's empowerment in social and economic life, and increasing their participation in the workforce, having embraced this approach as a corporate policy that governs all human resources processes. All Zorlu Group companies aim to increase the number of female role models and leaders within their organization and to ensure equal representation of women in their senior management. The Group pledges to advocate gender equality in all discourse and internal-external communication as it strives to spread awareness on this ambition among all stakeholders, from stakeholders to customers.

In line with the Smart Life 2030 vision, all gender equality-related efforts of the Group is coordinated and led via the Eşit Bir Hayat (An Equal Life) platform. The Gender Equality Committee, which is made up of senior executives, and the Gender Equality Working Group, formed of volunteers from Zorlu Group companies, work towards developing new projects in line with the Gender Equality Declaration.

In line with the goal of establishing a gender-equal workplace, Zorlu Holding promotes and supports gender equality within group companies, guided by the United Nations Women's Empowerment Principles (UNWEP), which the Holding signed in 2015, and Goal 5 of the UN Sustainable Development Goals.

As of the end of 2019, women account for 32% of all Zorlu Group employees. Increasing the number of female employees in Zorlu Holding and Group companies is recognized as a strategic goal, and women are encouraged to assume active roles within the organization.

As a result of Zorlu Tekstil continued efforts on gender equality and women's employment, the number of female sales representatives in the curtain departments of stores increased by 54% over the previous year. Meanwhile, Zorlu Tekstil's Lüleburgaz factory's daycare makes a considerable impact on women's employment at the facility as it enables mothers with young children to participate in the workforce, with their children receiving care under the same roof. Daycare capacity was increased with the construction of a new dedicated building in 2019 that meets regulatory requirements.

All employees of the Lüleburgaz factory were offered psychological support in partnership with a private psychology clinic. In doing so, psychological support was provided to all employees, blue collar and white collar alike, who need support in their career or personal life.

In a pilot implementation of Zorlu Energy Group's Gender Equality Project, all human resources functions were redesigned and implemented with a 360-degree approach. Accordingly, projects were designed and implemented for all human resources processes from recruitment and placement to the administrative needs of female personnel, employee development, performance evaluation, and career development. Among these, the Executive Succession Program Gender Equality Project was referenced by EBRD, our strategic partner, as an exemplary project. The project involves seeking a gender balance in current and potential executives, with mentorship and rotation aspects.

Meanwhile, Zorlu Enerji's female engineers introduce the energy industry to high school and university students to help them prepare for their career in an effort to carry the company's vision into the future. As a result of the project, the number of female engineers surged by 24.5% over the course of a single year. Zorlu Enerji's Chief Human Resources Officer was invited as a speaker to the International Gender Equality Summit held in Rwanda, thanks to the EBRD's recognition of the efforts done in this area.

Human Resources

Vestel Beyaz Eşya was named the “Company with the Highest Female Employment” in the Manisa region by the Social Security Institution. Vestel was also awarded the “Company with the Highest Female Employment Rate in 2019” and the “Company with the Highest Employment Rate in 2019” by the Turkish Employment Agency.

Vestel Group offers employment opportunities for individuals with disabilities with “Equal Opportunity”, “I’m a Part of Life”, and “ZEKI” projects.

The “Equal Opportunity” project implemented at Vestel’s Electronics Factory provides employment opportunities for individuals with hearing or speech impairments following a vocational training course. As part of the project, the production lines of the factory were redesigned to offer maximum accessibility and convenience. The factory currently has 172 employees with hearing or speech impairments who were recruited as part of the project.

Vestel Beyaz Eşya became one of the three pioneers in Turkey in terms of providing employment opportunities for individuals with intellectual disabilities with the project ZEKİ (“Protected Workplace for Persons with Intellectual Disabilities”) launched in Manisa Organized Industrial Zone. Vestel Elektronik opened a ZEKİ class in 2019.

As per the Protected Workplace Standards, Vestel Beyaz Eşya Factory was provided with specially designed areas to protect persons with intellectual disabilities from occupational health and safety risks. Currently nine employees with disabilities work under the supervision of a trainer to conduct preparation of material that will be used in the production processes. Meanwhile, as part of

the project “I’m a Part of Life” launched by Zorlu Holding Human Resources Group, Vestel offers employment opportunities for people with Down syndrome or intellectual disabilities.

Vestel was named the “Company with the Highest Disability Employment Rate in 2019” by the Turkish Employment Agency.

Other human resources activities within Zorlu Group companies

Human resources IT systems being used by Zorlu Group companies are currently being transitioned to a next-gen cloud-based model as part of the Zorlu Group Human Resources IT System Digital Transformation project. This comprehensive transformation project was launched in 2019 with the Performance Management System, and is expected to continue in 2020 as new modules undergo the transition. When completed, the project will offer a unified human resources technology infrastructure across the Group. The digital transformation of human resources processes also represents a significant step towards raising the bar in employee experience. With user-friendly interfaces, employees will be able to participate more conveniently in human resources processes, which will be also made faster and more effective through mobile support.

Group companies continued their efforts to boost employer brand perception in 2019.

Vestel develops change and development strategies, guided by its approach to “be present wherever talent is.” To attract the young talent required to support its rapid growth, Vestel kickstarted its employer brand journey in 2013 with the “Vestel at the Campus” project, through which the company aims to create alternative channels to reach promising candidates and discover young talent at university campuses prior to their graduation.

Vestel values the ideas and creativity of the youth. Accordingly, the company launched the V-Intelligence Computer Vision Competition in 2019. As part of the competition, students visited Vestel City in person or via digital channels to experience Vestel and develop IoT projects.

Vestel also carries out a Workplace Practical Training project, which takes the form of a long-term internship model designed to expand the company's candidate pool and facilitate access to talent. In this context, the company has several ongoing collaborations with Celal Bayar University, which offers both vocational and engineering education. The primary goal of this project is to introduce students from relevant branches, particularly those who are in the final year of their degree, to Vestel in order to prepare them for a future career at the company. The project also allows the departments of the company to evaluate the skills and performance of prospective candidates before recruitment. As part of the Workplace Training project, 23 final-year students received long-term internship at Vestel in 2019.

Engineering faculty graduates have the highest share among Vestel recruits due to the nature of the company's fields of operation. Engineering students in Turkey must complete a mandatory internship before becoming eligible for graduation. In this context, Vestel offers several short-term internship opportunities for engineering students every year in its production and R&D departments. In addition to engineering, students from economics and administrative sciences and other branches are offered internship opportunities in financial affairs, sales, human resources and relevant departments of Vestel to help them gain professional experience and explore career options. The internship program takes 20 or 30 business days, and is composed of three terms. The program takes place during the summer holiday, and in 2019, 365 university students joined Vestel as interns.

Zorlu Real Estate Group adheres to the principles of Zorlu Holding and Smart Life in its HR practices pertaining to the five functions of Zorlu Center. Prioritizing employee satisfaction, Zorlu Real Estate Group took important steps towards employee commitment, bolstering commitment significantly and reaching its targets. The group also focuses on activities aimed at students, and collaborates with universities during the academic year to help prepare students for their future career. The support programs of the group also include internship programs for vocational high school students. Career roadmaps for executive positions represented another significant step taken in 2019 towards the company's sustainability vision.

Korteks continued its Kaizen activities in 2019 to promote innovative ideas, ensure continuity of new product development and improvement activities, and encourage employee engagement. Kaizen-Continuous Improvement activities also include an annual award ceremony where employee ideas are recognized. The company also continues university-industry collaboration activities with particular focus given to universities in the region. The R&D Personnel Training Program, a joint initiative with Uludağ University, was completed successfully. Furthermore, in 2019, the "First-Level Manager Development Program" was implemented to develop the competencies of first-level managers at Technician, Shift Supervisor and Foreman levels who are responsible for the management and administration of blue collar employees, and to facilitate their transfer of expertise and experience to workers in an aim to bolster production efficiency. Meanwhile, in collaboration with Uludağ University, the "2244 Industry PhD Program" is carried out to enhance the pool of competent, PhD graduate employees in the textiles industry, which is in high demand.

In the mining-metallurgy industry, META has expanded on its collaborations with universities, and is currently offering internship programs in partnership with Celal Bayar University, Dokuz Eylül University and Middle East Technical University. META also participates in university career days to introduce Zorlu Holding and the mining-metallurgy industry to students. At the same time, through Mehmet Zorlu Foundation (MZF), META offers scholarship opportunities to 101 high-achieving students living in Gördes and the neighboring villages. Previous MZF scholarship recipients are also offered employment opportunities at the company. As part of a joint initiative with Gördes Vocational and Technical High School, 21 high school senior students started their vocational internship at META Gördes facility in the 2019/20 academic year. 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, as 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.

Human Resources

Occupational health and safety norms fully compliant with international standards

Zorlu Holding goes well beyond regulatory requirements and endeavors to create a healthy, safe and decent work environment of dignity and respect for all employees across the Group, based on international standards.

A core mission of the Holding is to provide a working environment where its employees can work efficiently and effectively to achieve a high performance.

Zorlu Holding Occupational Health and Safety (OHS) Policy is based on providing decent working conditions, assessing risks in the area of activity and taking measures accordingly, and regulating the working conditions of individuals with special needs.

Zorlu Holding is dedicated to maintain its zero occupational accident rate.

Zorlu Holding conducts planned and systematic Occupational Health and Safety training programs to establish a safe and healthy work environment by spreading awareness among employees.

Accordingly, Group-wide practical and interactive training programs are offered to employees to inform about occupational health and safety risks that might be faced in the workplace; these training activities are supported by OHS scenario drills as well as information brochures.

Zorlu Holding focuses on occupational safety as part of its sustainability initiatives in order to maintain its zero occupational accident rate.

Employee commitment and satisfaction are crucial components of the sustainable success and performance of Zorlu Holding.

Fully aware that its human resources are its most valuable capital, Zorlu Holding carries out planned activities to reinforce employee motivation, commitment and loyalty, which are crucial components of the successful and sustainable performance of the Group companies.

Employee commitment and satisfaction are measured through various tools and Group-wide surveys. In addition, analyses are carried out to identify the factors that contribute to employee loyalty in particular, which inform action plans to develop and implement initiatives that will reinforce employee commitment and enhance employee experience.

Zorlu Holding attaches great importance to corporate volunteering, driven by the philanthropy that is ingrained in its culture.

The Group-wide "Kıvılcıklar Movement" Corporate Volunteering Program was launched to coordinate all corporate volunteering activities under a single roof and to ensure the sustainability of these efforts in accordance with the Smart Life 2030 strategy for a better future as well as the corporate social responsibility policies of the Group. Zorlu Holding also engages in joint projects with several NGOs in the areas of social equality and environment. Zorlu Holding will continue to make a difference in its areas of focus with new projects, with plans to implement projects developed by its volunteers as well.

Social clubs play an important role in enhancing communication and coordination among employees.

Zorlu Holding's social clubs enable employees to come together and spend time on their hobbies and interests. The clubs also play an important role in enhancing the communication and coordination among employees.

The Group has several clubs that organize regular events. These include:

- Wellness and Sports Club,
- Book Club,
- Outdoor Club,
- Theater Club,
- Running Club

Zorlu Holding attaches importance to strengthening the bonds between its employees and boosting their motivation, and as such, supports the development of social clubs within the organization.

Social, culture & arts and sports clubs within the Group provide employees with an environment where they can develop their skills in their hobbies, facilitate their personal development, and achieve work-life balance while also building communication and collaboration with their colleagues.

A single platform for all Zorlu Holding employees: Zone

Zone is the intranet platform of Zorlu Holding open to all employees, serving as a communication and meeting platform for employees working at different locations. In addition to information and announcements about Zorlu Holding and Group companies, Zone also includes event information and news, as well as social content.

Dialogue Conference Series

Dialogue Conferences are a series of monthly events designed to broaden the horizons of Zorlu Group employees. Dialogue Conferences aim to foster a broader understanding of national and international developments.

The events include speeches and presentations by guests from various fields, and each month's Dialogue Conference is aimed at employees from different level within the organization.

Tea & Talk

In November 2017, Vestel launched the "Tea & Talk" seminar series for blue and white-collar employees in order to spread awareness about various topics. The regular monthly Tea & Talk events and guests cover a broad range of topics relevant to employees, who are invited to get answers to their questions about the topic at hand. So far, the Tea & Talk events covered the topics of 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, guided by its philosophy of investing in the future of Turkey.





Mehmet Zorlu Foundation

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In 2019, Mehmet Zorlu Foundation continued its dedicated efforts towards creating 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 of producing and creating value for its country at every step of the way. In all of our fields of operation, we endeavor to create solutions for societal challenges, and to create common value and benefit for the community.

We have inherited this vision from our Group's founder, Hacı Mehmet Zorlu, and the Mehmet Zorlu Foundation (MZF), named after him, has been undertaking charity efforts since 1999 in a broad range of areas, most notably education, as well as culture & arts, health, and social solidarity.

Our Group is dedicated to designing the world of tomorrow, today, and as such, education is among our top priorities. Education is particularly important in today's stunning pace of transformation due to Industry 4.0, with the momentum of the change and the consequent new ways of doing business profoundly affecting the youth and making traditional education schemes inadequate.

We are fully aware of the challenges faced by the society and invest in the future accordingly with the schools we develop, scholarships we offer, and our role in the 21st Century Competencies Awareness Program, all part of our aim to create lasting value and benefit for our country by helping train the competent human resource of the new era.

We thank all of our shareholders who embrace and contribute to our vision, and offer direct and indirect support to our efforts towards creating value.

Zorlu Holding carries out social responsibility efforts through MZF.

Zorlu Holding carries out its social responsibility activities for creating lasting social benefit through the Mehmet Zorlu Education, Health, Culture and Solidarity Foundation (“MZF”) established on April 25, 1999.

MZF’s activities are focused on education, culture & arts, and health and social solidarity. Committed to investing in the future of Turkey, MZF has pledged to continuously increase its contribution to youth education, culture & arts and sports.

MZF finances its social responsibility activities using its rent and interest revenues as well as donations from Zorlu Group companies.

MZF offered scholarships to 22,595 students to date, including in the 2018/19 academic year.

MZF provides a range of scholarship opportunities in education, as well as in-cash and in-kind aid to schools, associations and foundations. Every year, around 2,000 students receive MZF scholarships. With the 2018/19 academic year, the total number of MZF scholarship recipients has reached 22,595.

Scholarships continue until the graduation of students, depending on their individual achievement and support needs. As of the end of 2019, MZF scholarship program’s scope includes 33 universities in Turkey.

41% of MZF scholarship recipients are primary or secondary education students, while the remaining 59% are university students.

In addition to scholarship opportunities, MZF also builds schools in various regions of Turkey to enable young people to realize their aspirations through better education. MZF has built eight schools to date, and contributed to the development and renovation of many universities, high schools and primary schools in Turkey.

MZF supports a comprehensive education program that offers young people with opportunities to enhance their skills, experience and competencies: 21st Century Competencies Awareness Program:

With the youth at the focus of its social responsibility efforts, MZF participates in the 21st Century Competencies Awareness Program designed to help young people prepare for the future by acquiring

the necessary academic, technical and professional knowledge, as well as the life skills and adaptation capabilities required for the 21st century.

Introduced in 2016 and having been continuously improved since, the YetGen 21st Century Competencies Awareness Program aims to equip high school and university students with the skills, competencies and awareness they require in order to adapt to today’s rapidly evolving world, offering a broad range of courses on Presentation Techniques, Excel, Career Planning, Resume Preparation, Literacy for the 21st Century (Digital Literacy, Financial Literacy, Media Literacy, Information Literacy, Technology Literacy), Entrepreneurship, Sustainability and Social Innovation, and Self-Development, and Career Preparation.

A first in Turkey, the program consists of classroom courses, dissertation, summer internship, and post-internship working experiences, at the end of which, students attend to the MZF Youth Summit, which brings together thousands of students from across Turkey with the leading figures from various disciplines.

MZF’s systematic contribution to healthcare

MZF offers medicine, medical product and equipment aid to persons in need of assistance, as well as support and donations to several healthcare 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 culture & arts activities through the Zorlu Children’s Theater.

Zorlu Children’s Theater was established by MZF in 2003. In the 17 years since its founding, the troupe staged 1,328 performances of 14 plays, reaching an audience of 895,000 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, the Zorlu Children’s Theater has also expanded its repertoire with self-produced plays drawing from the imaginations of children from 2016 onwards. These include the Carnival Planet, the Cardboard City, and the Dream Stealing Witch.

Enriching children’s inner world and imagination with its range of entertaining and educational plays, the Zorlu Children’s Theater has received numerous international awards through the years.

Audit



Audit



Zorlu Holding Audit Department aims to ensure the effectiveness and efficiency of audit operations while also prioritizing development of 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.

Zorlu Holding Audit Department aims to ensure the effectiveness and efficiency of audit operations while also prioritizing development of projects to improve functions across the Group.

Organization and Activities of the Audit Department

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 statutory requirements, and presents its findings to Board of Directors, Audit Committees where applicable, and the Group CEO via audit reports prepared after each audit, as

well as annual reports detailing all audit and control activities that took place during the year.

In addition to the Internal Audit Department, the Financial Audit and Tax Audit Departments were established in 2011 and commenced their activities in 2012 to provide financial oversight of Group companies. In the last quarter of 2013, the Internal Audit and the 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, powers 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, compliance to 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 a risk assessment, during which 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, the effectiveness of internal controls for high-impact and high-probability risks are evaluated through tests. Observation results are shared with company executives in a draft report, which is then detailed with executives’ feedback and delivered to senior management in its final form. 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, necessary action is taken in line with the 4T approach (Treat, Terminate, Transfer, Tolerate) are reported to the Board of Directors.

During the year, the Internal Audit Department convenes periodically with Audit Committees (if applicable) to evaluate planned and actual audits, consultancy activities, special audits and other relevant matters for the year ahead, share findings, review action plans and follow-up results based on these findings, and review plans for the coming period.

Zorlu Group supports and encourages the professional development of the members of the Zorlu Group Internal Audit Team, which consists of six people, as they seek to advance their knowledge, skills and competencies through further training, become a member of relevant organizations (such as the Institute of Internal Auditing, Turkey – IIA Turkey), and obtain international certification. In total, the team holds 2 CIAs (Certified Internal Auditor License), 1 CFE (Certified Fraud Examiner License), 1 CRMA (Certification in Risk Management Assurance), 1 CMALL 3 (CMB Level 3 License), 1 CGRL (Corporate Governance Rating License), 1 DIL (Derivatives License) and 1 REAL (Real Estate Appraisal License).

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit Departments have been auditing Zorlu Group companies since 2012. Currently, these units have a total of 13 employees, with eight Financial Audit personnel and five Tax Audit personnel.

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.

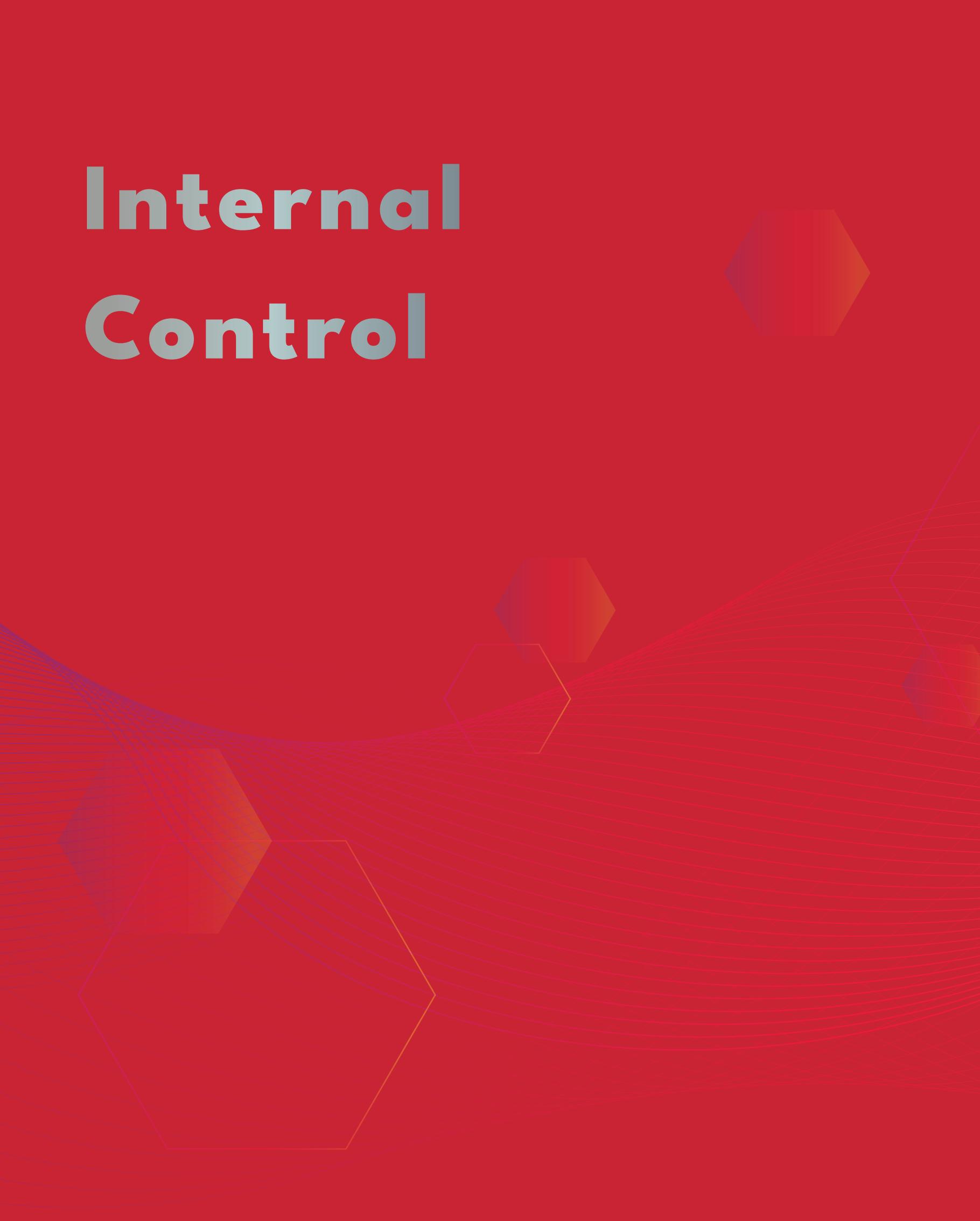
Audit findings are reported to the company executives and senior management.

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 Accountants) and 1 CMAALL (CMB Level 2 License), while the Tax Audit Team has 4 CPAs.

Internal Control



Internal Control



We aim to develop and improve target-related processes and internal control systems and to reinforce effective risk management and efficient, consistent and technology-driven 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.

Accordingly, and in light of the new ways of doing business, technological requirements and risks associated with the changing business, we follow a needs- and risks-based plan to actively assist Group executives in various areas, such as improving process efficiency and effectiveness, utilizing information technologies, consolidating internal control structures and reinforcing organizational memory in order to contribute to the Group's progress and sustainability objectives.

Organization and Activities of the Internal Control Department

Internal control of all Zorlu Group companies is carried out via a centrally coordinated organization.

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, the Internal Control Department features teams responsible for the internal control of specific sectors and companies; some of these teams work on the field, and have overlapping organizations.

The purpose, powers and responsibilities as well as operating principles and structure of the Internal Control Department have been defined by a series of documents 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 pre-set targets, and to share, disseminate and promote best practices across companies.

The Internal Control Department assists executives and employees in identifying areas of improvement in existing processes and the internal control system as well as the action to be taken in this context, utilizing information technologies in the aforementioned activities, implementing the specified actions, and monitoring their progress on a regular basis. In addition, the department provides continuous guidance to executives and process owners with regard to these activities. All relevant executives and employees of Group companies take part in the activities to establish, monitor and evaluate internal control systems and implementing necessary measures.

The Internal Control Department prepares an annual, risk-based internal control plan and carries out its activities in a systematic, consistent and disciplined approach. The internal control work plan is 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. The annual internal control work plan is submitted to Zorlu Holding’s CEO and Board of Directors for their 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, findings are disclosed, action plans based 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 skills and expertise through further training, and to obtain membership in relevant professional associations and international professional certifications (such as CIA, CPA, CISA, CFE, CICA and CRMA).

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 01.01.2019 - 31.12.2019.

Corporate Title and Other Information

Corporate Title: Zorlu Holding AŞ
 Head Office: Levent 199 Büyükdere Cad. No: 199 34394 Şişli/İSTANBUL
 Trade Registry ID: 267687
 Tax ID: 999 003 0324
 Telephone: (0212) 456 20 00
 Fax: (0212) 422 03 40
 Website: www.zorlu.com.tr
 Central Registration System ID: 0999003032400010

Changes to the Articles of Association during the Reporting Period:

No changes were made to 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 2019.

Company Name:	Engin Bağımsız Denetim ve Serbest Mali Müşavirlik AŞ
Fiscal Year:	01.01.2019 - 31.12.2019
Independent Auditor Public Registry ID:	8547
Address:	Abide-i Hürriyet Cad. Bolkan Center 211 C Kat: 3 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.

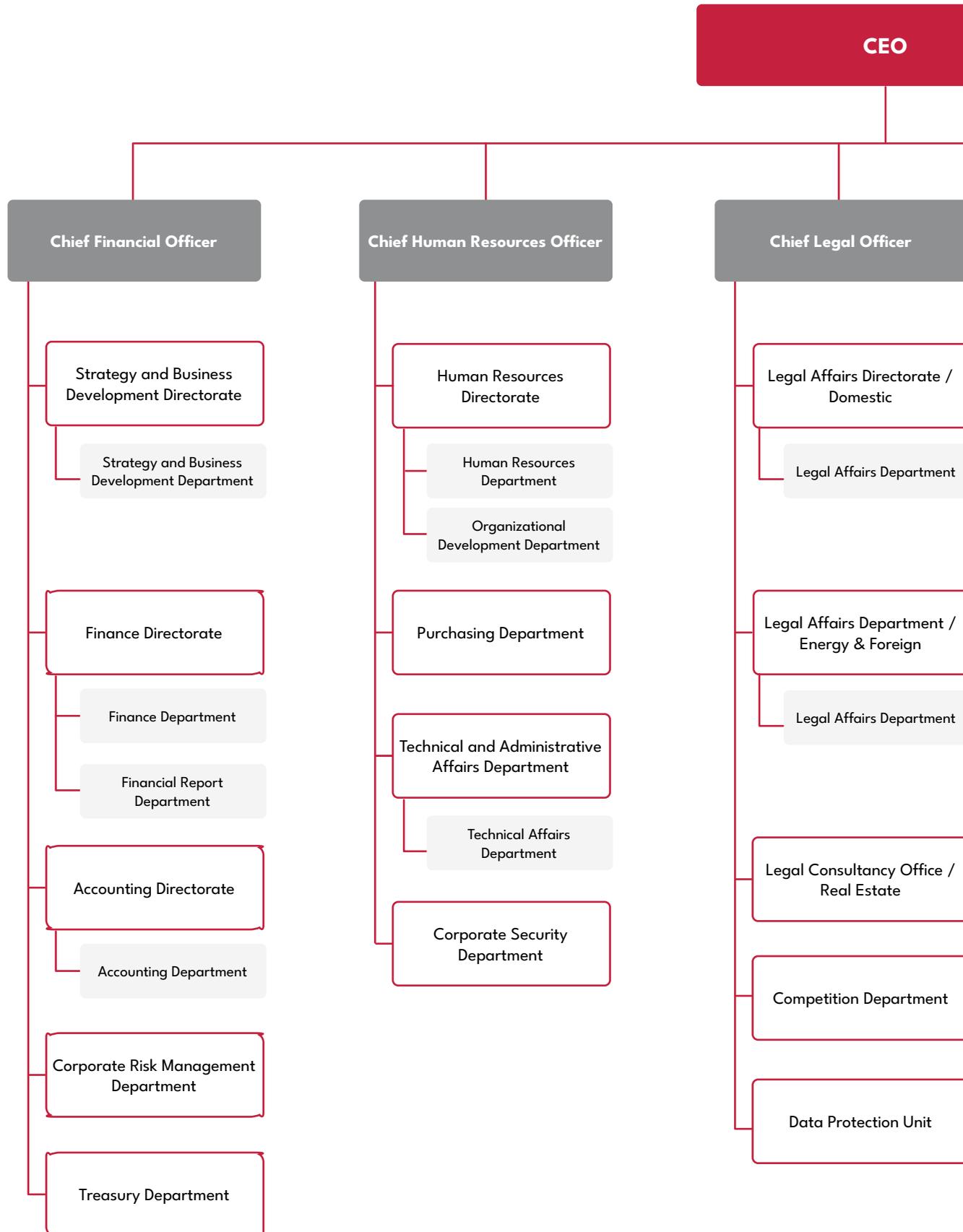
Shareholding Structure and Capital Distribution

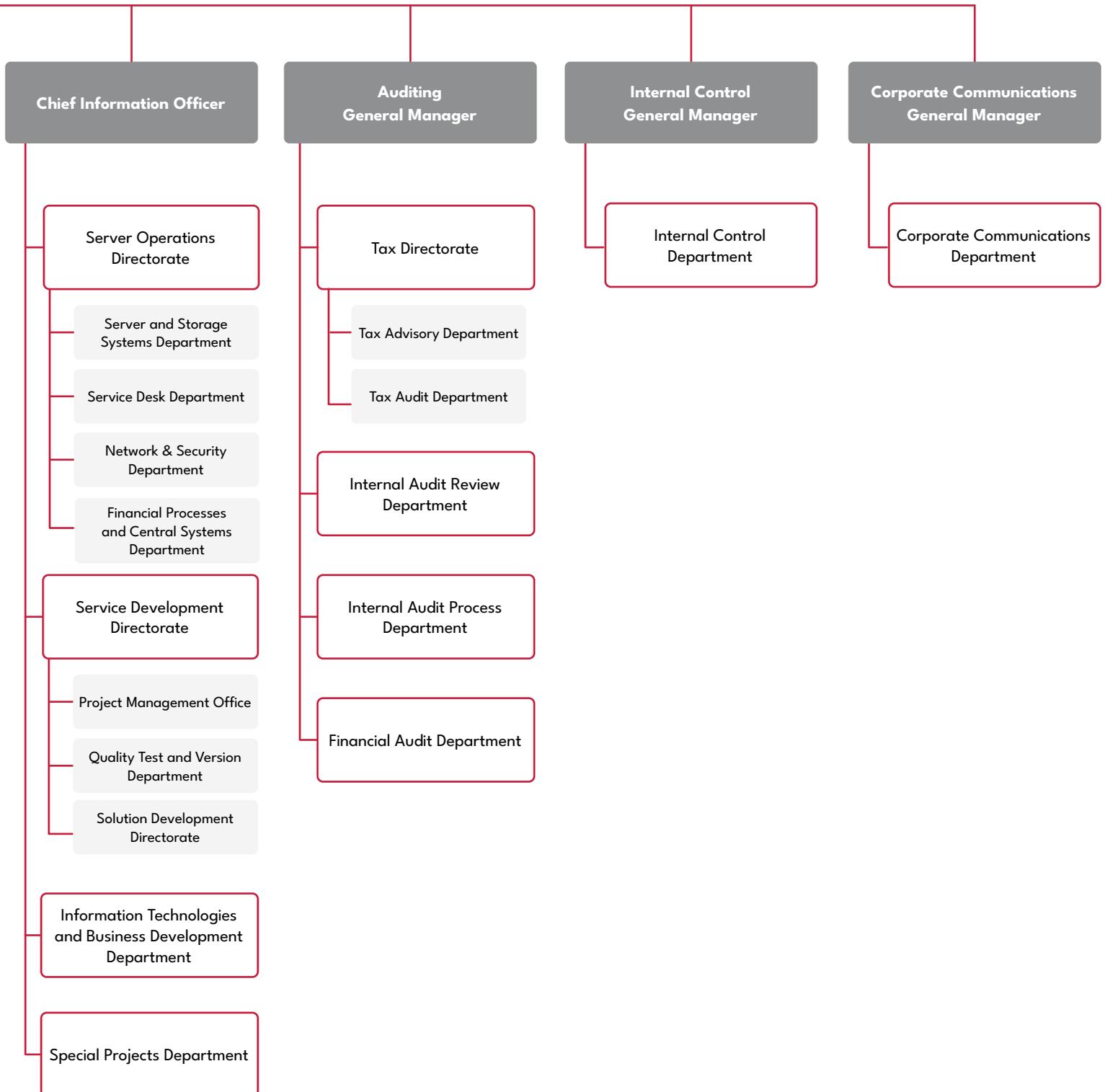
Shareholders	Number of Shares	Nominal Value of Shares (TL)	Share in Capital (%)
Zeki ZORLU	498,750,000	498,750,000	15
Ahmet Nazif ZORLU	1,529,500,000	1,529,500,000	46
Olgun ZORLU	1,064,000,000	1,064,000,000	32
Türkan ZORLU	33,250,000	33,250,000	1
Zülal ZORLU	33,250,000	33,250,000	1
Selen ZORLU MELİK	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
TOTAL	3,325,000,000	3,325,000,000	100

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 BENEFITS PROVIDED TO BOARD MEMBERS AND SENIOR EXECUTIVES

No member of any company governing body or senior management received any per diem for travel, accommodation or representation expenses during the 2018 fiscal period. The aforementioned individuals received a total of TL 17,266,918.29 as compensation, and a total of TL 135,423.27 was spent for their insurance expenses.

3. THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

None.

4. 2019 ACTIVITIES

Participation in Capital Increase in 2019

Company Name	Increased Capital (USD)	Amount of Increase (TL)	Share Ratio (%)
Rosmiks International B.V.	79,792,735.74	452,822,882.14	99.99%

Share Sales in 2019

Company Name	Nominal Value of Shares Sold (TL)	Number of Shares Sold	Share Ratio (%)
Vestel Elektronik Sanayi ve Ticaret AŞ	13,000,000	1,300,000,000	3.88%

Zorlu Holding sold 650,000,000 Vestel Elektronik shares on Borsa Istanbul at a price band of TL 12.0-12.26/share on April 26, 2019, and an additional 650,000,000 Vestel Elektronik shares at a price of TL 11.4/share on July 21, 2019. With these share sales, Zorlu Holding's stake in Vestel Elektronik Sanayi ve Ticaret AŞ fell from 77.54% to 73.66%.

Administrative or Judicial Sanctions Imposed Against the Company and the Board of Directors Members on Account of Breach of Legislation

There were no administrative or legal sanctions imposed against the Company or Members of the Board on account of breach of legislation during the 2019 fiscal year.

Disclosure on Special and Public Audits During the Fiscal Year

No special or public audit was made in the Company during the 2019 fiscal year.

Compliance/Non-Compliance with General Assembly Resolutions

All resolutions taken at the 2018 Ordinary General Assembly were complied with during the 01.01.2019-31.12.2019 fiscal period.

5. FINANCIAL SITUATION**Board of Directors' Statement Concerning an Assessment of the Company's Capital Adequacy and/or Insolvency**

According to the calculations based on the ratios specified in article 376 of the Turkish Commercial Code, the company is not insolvent.

Financial Ratios

A. FINANCIAL STATEMENT	31.12.2019
Current Assets/Total Assets	28.0%
Fixed Assets/Total Assets	72.0%
Short-Term Liabilities/Total Liabilities	62.8%
Long-Term Liabilities/Total Liabilities	33.0%
Equity Capital/Total Liabilities	4.2%
B. LIQUIDITY RATIOS	31.12.2019
Current Rate	44.7%
Liquidity Rate	12.0%
C. PROFITABILITY RATIOS	01.01.2019-31.12.2019
Net Profit (Loss) For the Period*/Paid-in Capital	(120.5%)
Net Profit (Loss) For the Period*/Sales	(13.0%)
Sales Cost/Sales	77.7%
Operating Profit*/Sales	11.2%

Profit Distribution Proposal

No contingency reserves will be made as the year 2019 resulted in loss.

* Excluding other operating income and expense

Additional Disclosures as per the Legislation

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.

Company	Share Percentage
BUSEB AŞ	1%
ZORLU GAYRİMENKUL GELİŞTİRME VE YATIRIM AŞ	2%

Companies where Zorlu controls 6-10% of all shares directly or indirectly.

Company	Share Percentage
OSTEOİD SAĞLIK TEKNOLOJİLERİ AŞ	7%
SICHUAN ZORLUTEKS YINHUA CO. LTD.	10%

Companies where Zorlu controls 11-20% of all shares directly or indirectly.

Company	Share Percentage
NANORTOPEDİ TEKNOLOJİ SANAYİ VE TİCARET AŞ	11%
TÜRKİYE'NİN OTOMOBİLİ GİRİŞİM GRUBU SANAYİ VE TİCARET AŞ	14%
AYDIN YAZILIM ELEKTRONİK VE SANAYİ AŞ	15%
INTERMAR TİCARET PAZARLAMA TURİZM SANAYİ AŞ	16%
CY VISION INC.	18%
MEDICRAFT MEDİKAL SİSTEMLER AŞ	18%
BİOLİVE BİYOLOJİK VE KİMYASAL TEKNOLOJİLER SANAYİ VE TİCARET AŞ	18%
VERİSUN TEKNOLOJİ AŞ	18%
APLUS ENERJİ YATIRIM DANIŞMANLIK TEKNOLOJİ VE TİCARET AŞ	18%

Companies where Zorlu controls 21-33% of all shares directly or indirectly.

Company	Share Percentage
DORAD ENERGY LTD.	21%
EZOM LTD.	25%
MAGE TASARIM VE ENDÜSTRİYEL İMALAT SANAYİ TİCARET AŞ	26%
VESTEL SAVUNMA SANAYİ AŞ	26%

Companies where Zorlu controls 34-50% of all shares directly or indirectly.

Company	Share Percentage
MAVİLAB YAZILIM MEDİKAL LAZER MAKİNA İMALATI SANAYİ VE TİCARET AŞ	35%
EZOTECH LTD.	35%
ASHDOD ENERGY LTD.	35%
RAMAT NEGEV ENERGY LTD.	35%
SOLAD ENERGY LTD.	35%
ADNIT REAL ESTATE LTD.	35%
ENWAIR ENERJİ TEKNOLOJİLERİ AŞ	37%

Companies where Zorlu controls 51-67% of all shares directly or indirectly.

Company	Share Percentage
NEMRUT JEOTERMAL ENERJİ ELEKTRİK ÜRETİMİ AŞ	63%
ZJ STRONG ENERGY FOR RENAWABLE ENERGY LTD. CO.	63%
CABOT COMMUNICATIONS LTD.	67%

Companies where Zorlu controls 68-100% of all shares directly or indirectly.

Company	Share Percentage
VESTEL BEYAZ EŞYA SANAYİ VE TİCARET AŞ	70%
RİNGPARA MOBİL İLETİŞİM BİLGİ TEKNOLOJİLERİ REKLAMCILIK TİCARET AŞ	74%
HAYRİYA BİLİŞİM VE SAĞLIK TEKNOLOJİLERİ AŞ	74%
INTERTEKNIKA LLC	74%
VESTEL ELECTRONICS GULF DMCC	74%
UTS-UNITED TECHNICAL SERVICES, S.R.O.	74%
VESTEL POLSKA TECHNOLOGY CENTER S..P. Z O.O.	74%
VESTEL KOMÜNİKASYON SANAYİ VE TİCARET AŞ	74%
VESTEL FRANCE SA	74%
VESTEK ELEKTRONİK ARAŞTIRMA GELİŞTİRME AŞ	74%
VESTEL ELEKTRONİK SANAYİ VE TİCARET AŞ	74%

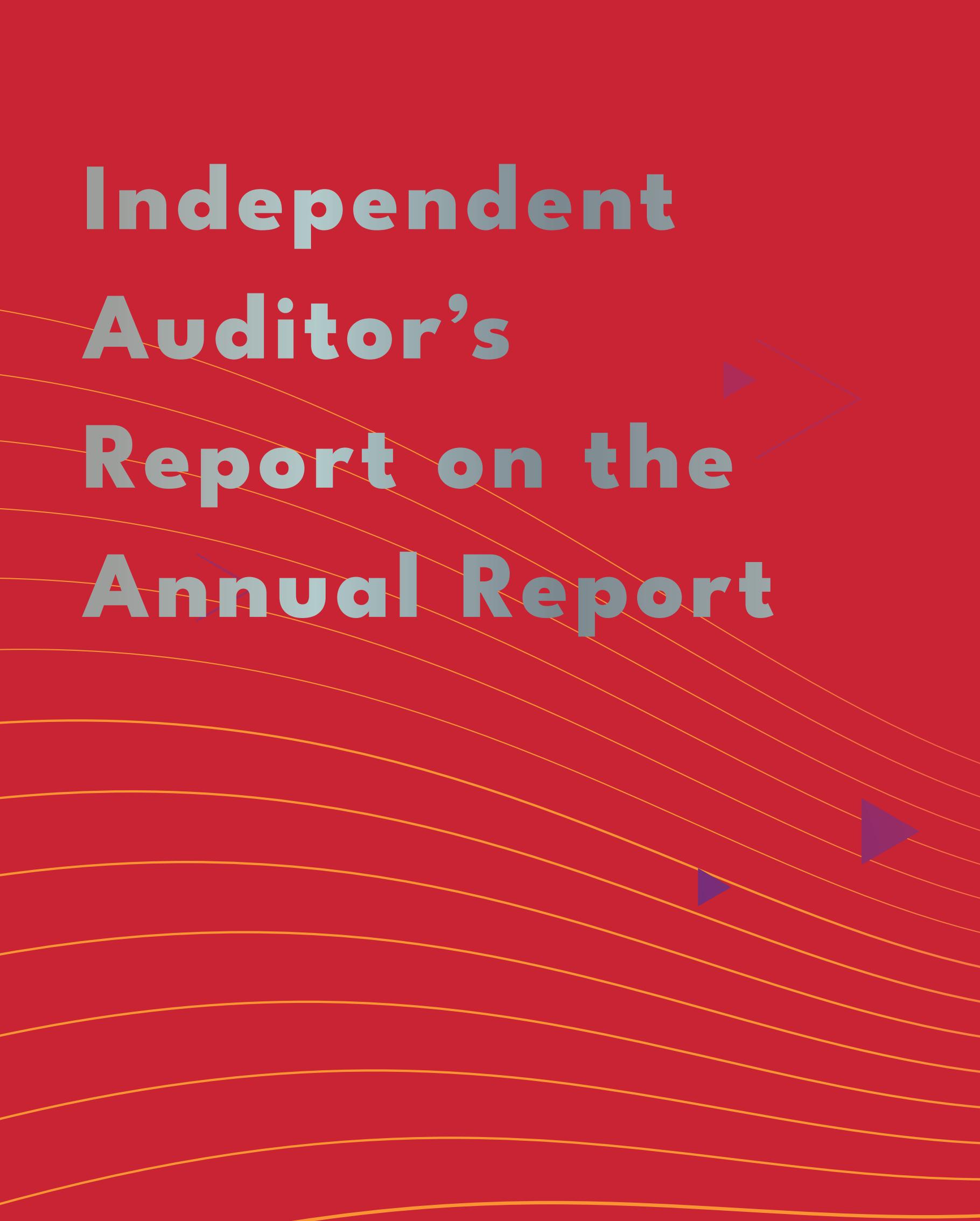
Additional Disclosures as per the Legislation

VESTEL TİCARET AŞ	74%
VESTEL CIS LTD.	74%
VESTEL IBERIA SL	74%
VESTEL HOLLAND B.V.	74%
VESTEL GERMANY GMBH	74%
VESTEL BENELUX B.V.	74%
VESTEL UK LTD.	74%
VESTEL TRADE LTD.	74%
OY VESTEL SCANDINAVIA AB	74%
VESTEL ELEKTRONICA SRL	74%
VESTEL VENTURES AR-GE AŞ	74%
VESTEL POLAND SP. Z.O.O.	74%
VESTEL CENTRAL ASIA LLP	74%
VESTEL ELECTRONICS SHANGHAI TRADING CO. LTD.	74%
ABH TURİZM TEMSİLCİLİK VE TİCARET AŞ	75%
GAZDAŞ GAZİANTEP DOĞALGAZ DAĞITIM AŞ	76%
ZORLUTEKS D.O.O.	83%
ZORLU RENEWABLE PAKISTAN (PRIVATE) LTD.	84%
ZORLU WIND PAKISTAN (PRIVATE) LTD.	84%
ZORLU SOLAR PAKISTAN (PRIVATE) LTD.	84%
ZORLU ENERJİ ASIA HOLDING LTD.	84%
ZES DİJİTAL TİCARET AŞ	84%
ZORLU ENERJİ PAKISTAN LIMITED	84%
OSMANGAZİ ELEKTRİK PERAKENDE SATIŞ AŞ	84%
OSMANGAZİ ELEKTRİK DAĞITIM AŞ	84%
ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ	84%
ZORLU DOĞAL ELEKTRİK ENERJİ ÜRETİMİ AŞ	84%
ROTOR ELEKTRİK ÜRETİM AŞ	84%
ZORLU RÜZGAR ENERJİSİ ELEKTRİK ÜRETİMİ AŞ*	84%

ZORLU JEOTERMAL ENERJİ ELEKTRİK ÜRETİMİ AŞ	84%
ZORLU ENERJİ İSRAİL LTD.	84%
ZORLU SOLAR PAKİSTAN (PRIVATE) LTD.	84%
ZORLU ELEKTRİK ENERJİ İTHALAT İHRACAT VE TOPTAN TİCARET AŞ	84%
ZORLU SOLAR ENERJİ TEDARİK VE TİCARET AŞ	84%
ZORLU OSMANGAZİ ENERJİ SANAYİ VE TİCARET AŞ	84%
ZORLU ENERJİ DAĞITIM AŞ	84%
TRAKYA BÖLGESİ DOĞALGAZ DAĞITIM AŞ	86%
META NİKEL KOBALT MADENCİLİK SANAYİ AŞ	87%
ZORLU DOĞAL GAZ TEDARİK TİCARET AŞ	95%
ZORLU FAKTÖRİNG AŞ	98%
ZORLU EAST CO. TRADING COMPANY	99%
ZORLU DOĞALGAZ İTHALAT İHRACAT AŞ	99%
ZORLU YAPI YATIRIM AŞ	99%
ZORLU INDUSTRIAL PAKİSTAN (PRIVATE) LİMİTED	100%
ROSMİKS INTERNATIONAL B.V.	100%
ZORLU ENERJİ VE İNŞAAT SANAYİ VE TİCARET AŞ	100%
ZORLU ENDÜSTRİYEL VE ENERJİ TESİSLERİ İNŞAAT TİC. AŞ	100%
ZORLU O/M ENERJİ TESİSLERİ İŞLETME VE BAKIM HİZMETLERİ AŞ	100%
ROSMİKS LLC	100%
ZORLU DOĞAL GAZ, PETROKİMYA ÜRÜNLERİ PETROL İNŞAAT SANAYİ VE TİCARET AŞ	100%
KORTEKS MENSUCAT SANAYİ VE TİCARET AŞ	100%
ZORLUTEKS TEKSTİL SANAYİ VE TİCARET AŞ	100%
ZORLU DIŞ TİCARET AŞ	100%
ZORLU TEKSTİL ÜRÜNLERİ PAZARLAMA AŞ	100%
ZORLUTEKS SNG	100%
ZORLU UK LTD.	100%
ZORLU AİR HAVACILIK AŞ	100%
LİNENS TEKSTİL ÜRÜNLERİ PAZARLAMA AŞ	100%
ZORLU INTERNATIONAL INVESTMENTS LTD.	100%
ZORLU USA INC.	100%
ZORLU FINANCIAL SERVICES	100%
ZORLU HOMETEKS AŞ	100%
ZORLU O&M PAKİSTAN LTD.	100%
ZORLU VENTURES USD INC.	100%
ZORLU TRADE ELEKTRİK TOPTAN SATIŞ AŞ	100%

* Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ's shares were transferred to İmbat Enerji AŞ, a wholly-owned subsidiary of Akfen Yenilenebilir Enerji AŞ, with the sale transaction completed on February 5, 2020.

Independent Auditor's Report on the Annual Report

The background features a solid red color with several thin, wavy, light-colored lines that create a sense of movement. Three blue arrows are positioned on the right side, pointing towards the left, with the top arrow being the largest and the two below it being smaller.





YÖNETİM KURULUNUN YILLIK FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU

**Engin Bağımsız Denetim ve
Serbest Muhasebecilik Mali
Müşavirlik A.Ş.**

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**Zorlu Holding A.Ş.
Genel Kurulu'na**

1) Görüş

Zorlu Holding A.Ş.'nin ("Şirket") ve bağlı ortaklıklarının (hep birlikte "Grup" olarak anılacaktır) 01.01.2019-31.12.2019 hesap dönemine ilişkin yıllık faaliyet raporunu denetlemiş bulunuyoruz.

Görüşümüze göre, Yönetim Kurulu'nun yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulu'nun Grup'un durumu hakkında denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemeler, tüm önemli yönleriyle, denetlenen tam set konsolide finansal tablolarla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlıdır ve gerçeği yansıtmaktadır.

2) Görüşün Dayanağı

Yaptığımız bağımsız denetim, Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGGK") tarafından yayımlanan Türkiye Denetim Standartlarının bir parçası olan Bağımsız Denetim Standartları'na ("BDS") uygun olarak yürütülmüştür. Bu standartlar kapsamındaki sorumluluklarımız, raporumuzun Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumlulukları bölümünde ayrıntılı bir şekilde açıklanmıştır. KGGK tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar ("Etik Kurallar") ve bağımsız denetimle ilgili mevzuatta yer alan etik hükümlere uygun olarak Grup'tan bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

3) Tam Set Finansal Tablolara İlişkin Denetçi Görüşümüz

Şirket'in 01.01.2019-31.12.2019 hesap dönemine ilişkin tam set konsolide finansal tabloları hakkında 01.06.2020 tarihli denetçi raporumuzda olumlu görüş bildirmiş bulunuyoruz.



4) Yönetim Kurulunun Yıllık Faaliyet Raporuna İlişkin Sorumluluğu

Grup yönetimi, 6102 sayılı Türk Ticaret Kanunu'nun (TTK) 514 ve 516'ncı maddelerine göre yıllık faaliyet raporuyla ilgili olarak aşağıdakilerden sorumludur:

- a) Yıllık faaliyet raporunu bilanço gününü izleyen ilk üç ay içinde hazırlar ve genel kurula sunar.
- b) Yıllık faaliyet raporunu; Grup'un o yıla ait faaliyetlerinin akışı ile her yönüyle finansal durumunu doğru, eksiksiz, dolambaçsız, gerçeğe uygun ve dürüst bir şekilde yansıtacak şekilde hazırlar. Bu raporda finansal durum, finansal tablolara göre değerlendirilir. Raporda ayrıca, şirketin gelişmesine ve karşılaşması muhtemel risklere de açıkça işaret olunur. Bu konulara ilişkin yönetim kurulunun değerlendirmesi de raporda yer alır.
- c) Faaliyet raporu ayrıca aşağıdaki hususları da içerir:
 - Faaliyet yılının sona ermesinden sonra Şirket'te meydana gelen ve özel önem taşıyan olaylar,
 - Şirket'in araştırma ve geliştirme çalışmaları,
 - Yönetim kurulu üyeleri ile üst düzey yöneticilere ödenen ücret, prim, ikramiye gibi mali menfaatler, ödenekler, yolculuk, konaklama ve temsil giderleri, ayni ve nakdî imkânlar, sigortalar ve benzeri teminatlar.

Yönetim kurulu, faaliyet raporunu hazırlarken Gümrük ve Ticaret Bakanlığının ve ilgili kurumların yaptığı ikincil mevzuat düzenlemelerini de dikkate alır.

5) Bağımsız Denetçinin Yıllık Faaliyet Raporunun Bağımsız Denetimine İlişkin Sorumluluğu

Amacımız, TTK ve Tebliğ hükümleri çerçevesinde yıllık faaliyet raporu içinde yer alan finansal bilgiler ile Yönetim Kurulu'nun denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemelerin, Grup'un denetlenen konsolide finansal tablolarıyla ve bağımsız denetim sırasında elde ettiğimiz bilgilerle tutarlı olup olmadığı ve gerçeği yansıtıp yansıtmadığı hakkında görüş vermek ve bu görüşümüzü içeren bir rapor düzenlemektir.

Yaptığımız bağımsız denetim, BDS'lere uygun olarak yürütülmüştür. Bu standartlar, etik hükümlere uygunluk sağlanması ile bağımsız denetimin, faaliyet raporunda yer alan finansal bilgiler ve Yönetim Kurulu'nun denetlenmiş olan finansal tablolarda yer alan bilgileri kullanarak yaptığı irdelemelerin konsolide finansal tablolarla ve denetim sırasında elde edilen bilgilerle tutarlı olup olmadığına ve gerçeği yansıtıp yansıtmadığına dair makul güvence elde etmek üzere planlanarak yürütülmesini gerektirir.

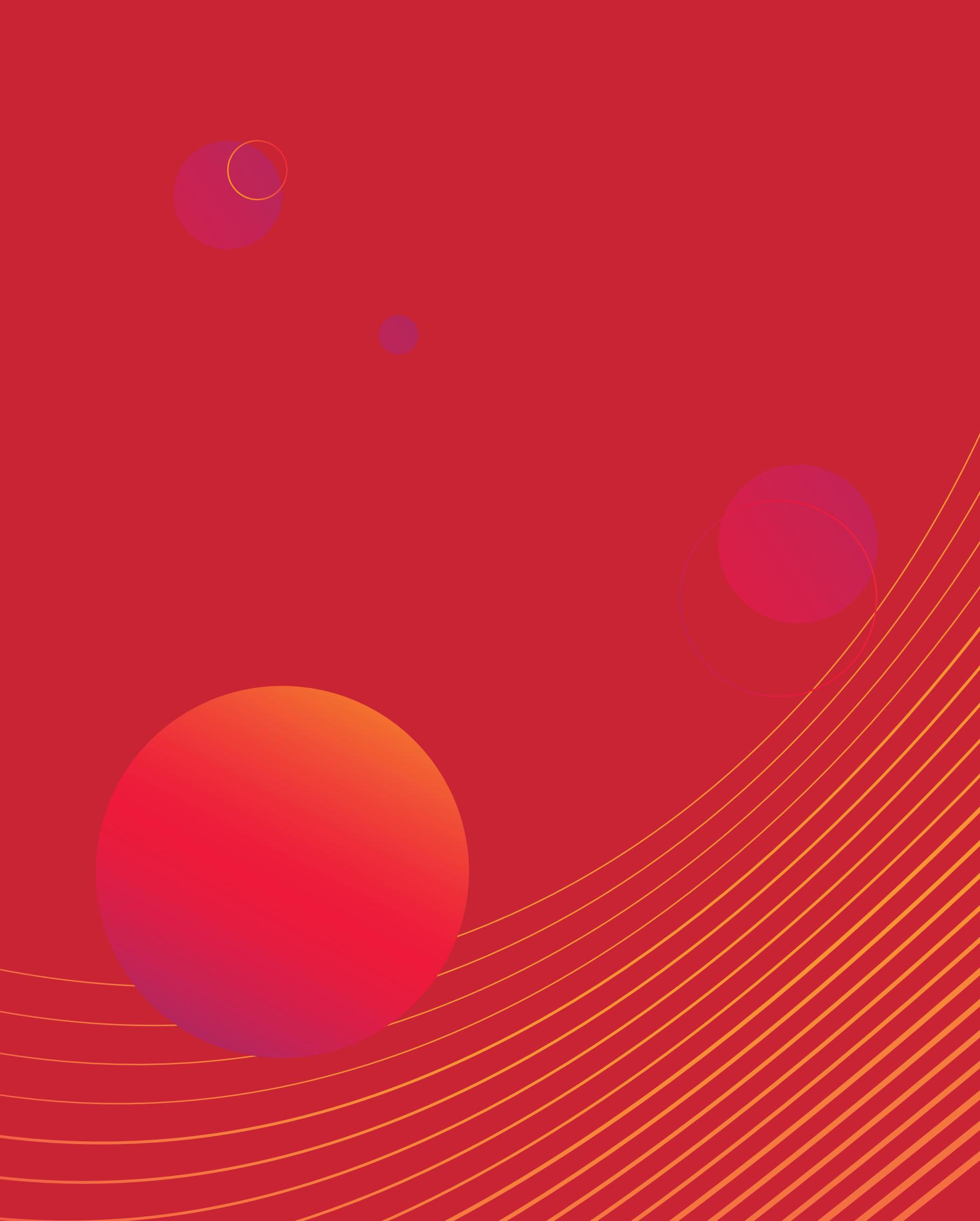
Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International



İstanbul, 01.06.2020

**Consolidated
Financial
Statements and
Independent
Auditor's
Report**





**To the General Assembly 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 2019, and the consolidated statement of profit and loss and consolidated statement of other 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 2019, 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 2019, the consolidated short term assets of the Group amounted to TL 17.730.900 thousand (31.12.2018 – TL 16.891.925 thousand) and the consolidated current liabilities to TL 39.678.231 thousand (31.12.2018 – TL 34.620.527 thousand); the consolidated net loss for the year ending as of the same date was TL 4.005.466 thousand (31.12.2018 – loss TL 6.877.351 thousand). The net loss of TL 4.005.466 thousand resulted entirely from net losses on foreign exchange amounting to TL 2.607.896 thousand approximately most of which consisted of unrealised losses on foreign exchange.

The consolidated shareholders’ equity of the Group as of 31 December 2019 gave a positive balance of TL 2.665.192 thousand (31.12.2018 – TL 6.155.850 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.

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, 01.06.2020

Consolidated Statements of Financial Position at 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Assets	Note	31.12.2019	31.12.2018
Current assets			
Cash and cash equivalents	5	4.453.518	4.296.325
Investment securities	7	297.791	412.626
Trade receivables			
-Related parties	34	308.288	399.517
-Third parties	8	4.554.644	4.585.787
Receivables from finance sector operations			
-Other trade receivables from finance sector operations	9	180.863	199.118
Other receivables			
-Related parties	34	261.692	383.975
-Third parties	12	560.457	477.711
Receivables from service concession arrangements	13	258.074	158.453
Inventories	16	5.345.134	4.410.138
Prepaid expenses			
-Related parties	34	15	15
-Third parties	10	195.635	225.446
Current income tax assets		138.346	92.051
Derivative financial instruments	11	45.487	93.252
Other current assets			
-Third parties	14	505.674	553.194
Subtotal		17.105.618	16.287.608
Assets held for sale	15	625.282	604.317
Total current assets		17.730.900	16.891.925
Non-current assets			
Trade receivables			
-Third parties	8	86.794	15.743
Other receivables			
-Related parties	34	3.073.061	1.602.356
-Third parties		12.124	5.716
Investment in associate	6	545.322	388.023
Investment securities	7	8.455.470	7.616.772
Receivables from service concession arrangements	13	2.050.771	1.167.479
Mining assets		99.539	88.691
Property, plant and equipment	17	26.362.188	26.253.452
Intangible assets	18	2.694.391	2.685.059
Right of assets	19	262.631	--
Prepaid expenses			
-Third parties	10	343.376	286.603
Other non-current assets			
-Third parties	14	262.335	200.200
Deferred tax asset	25.b	1.250.698	947.327
Total non-current assets		45.498.700	41.257.421
Total assets		63.229.600	58.149.346

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

Consolidated Statements of Financial Position at 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Liabilities and equity	Note	31.12.2019	31.12.2018
Current liabilities			
Financial liabilities	20	25.500.177	21.469.914
Trade payables			
-Related parties	34	73.279	136.505
-Third parties	22	8.845.153	8.085.667
Payables from finance sector operations			
-Other trade payables from finance sector operations	21	199.018	244.175
Employee benefit obligations		228.571	126.442
Other payables			
-Related parties	34	1.789.247	1.360.123
-Third parties		846.678	869.348
Deferred income			
-Related parties	34	99	5
-Third parties	10	353.636	409.947
Derivative financial instruments	11	138.919	400.428
Taxation on income	25	194.688	106.802
Short term provisions			
-Provision for employee benefits	24	49.118	44.087
-Other provisions	24	701.110	625.050
Other liabilities			
-Third parties	23	353.575	336.681
Subtotal		39.273.268	34.215.174
Liabilities related to the assets held for sale	15	404.963	405.353
Total current liabilities		39.678.231	34.620.527
Non-current liabilities			
Financial liabilities	20	18.644.134	15.643.272
Trade payables			
-Third parties	22	6.747	14.631
Other payables			
-Related parties	34	28.701	4.666
-Third parties		222.164	20.031
Deferred income			
-Third parties		43.026	125.686
Derivative financial instruments	11	273.623	33.076
Long term provisions			
-Provision for employee benefits	26	299.235	223.595
-Other provisions	24	61.318	66.291
Other non-current liabilities			
-Third parties	23	1.094	43
Deferred tax liability	25	1.306.135	1.241.678
Total non-current liabilities		20.886.177	17.372.969
Equity			
Share capital	27.a	3.325.000	3.325.000
Adjustments to share capital	27.b	446.109	446.109
Share premium		13.568	17.594
Other comprehensive income/(expense) not to be reclassified to profit or loss			
-Revaluation reserves	27.c	6.876.145	7.564.145
-Actuarial gain/loss arising from defined benefit plans		(46.595)	(14.076)
Other comprehensive income/(expense) to be reclassified to profit or loss			
-Cash flow hedge fund	27.d	(2.186.829)	(1.405.894)
-Translation reserve		7.259.733	5.324.646
Restricted reserves	27.e	286.986	189.656
General reserves		(10.546.092)	(3.552.231)
Net loss for the year		(4.018.090)	(6.897.669)
Equity attributable to owners of the parent		1.409.935	4.997.280
Non-controlling interests		1.255.257	1.158.570
Total equity		2.665.192	6.155.850
Commitments and contingencies	29	--	--
Total liabilities and equity		63.229.600	58.149.346

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

Consolidated Statements of Profit or Loss for the Years Ended 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2019	01.01.- 31.12.2018
Revenue	4	30.723.245	27.071.872
Cost of sales (-)	4	(23.867.533)	(20.071.075)
Gross profit		6.855.712	7.000.797
Marketing and selling expenses (-)		(2.220.832)	(2.176.875)
General and administrative expenses (-)		(1.185.208)	(1.028.989)
Other income		409.804	398.427
Other expense (-)	31	(378.549)	(1.532.857)
Share of gain of associates		48.722	44.925
Operating profit		3.529.649	2.705.428
Financing income	32	3.989.518	5.921.003
Financing expense (-)	33	(11.368.247)	(15.827.764)
Loss before taxation		(3.849.080)	(7.201.333)
Current tax charge		(150.402)	(93.394)
Deferred tax income/(expense)	25.b	(5.984)	417.376
Taxation on income/(expense)		(156.386)	323.982
Net loss for the year		(4.005.466)	(6.877.351)
Profit/(loss) attributable to:			
Equity holders of the Parent		(4.018.090)	(6.897.669)
Non-controlling interests		12.624	20.318

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

Consolidated Statements of Comprehensive Income for the Years Ended 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	01.01.- 31.12.2019	01.01.- 31.12.2018
Net loss for the year	(4.005.466)	(6.877.351)
Other comprehensive income/(expense) not to be reclassified to profit/(loss)		
- Actuarial losses	26 (52.503)	(10.645)
- Revaluation of property, plant and equipment	--	9.369.438
- Tax effect	25.b 11.551	(789.052)
	(40.952)	8.569.741
Other comprehensive income/(expense) to be reclassified to profit/(loss)		
- Cumulative losses on cash flow hedging	(826.468)	(1.122.065)
- Translation differences	1.996.360	2.493.333
- Tax effect	25.b 181.823	246.856
	1.351.715	1.618.124
Total comprehensive income/(loss) for the year	(2.694.703)	3.310.514
Net profit/(loss) attributable to:		
Equity holders of the Parent	(2.648.811)	2.437.389
Non-controlling interests	(45.892)	873.125

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

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Paid in capital	Adjustments to share capital	Share premium	Other comprehensive income/(expense) not to be reclassified to profit or loss			Cash flow hedge fund	Currency translation difference	Retained earnings		Non-controlling interests	Total equity
				Revaluation reserve	Actuarial gain/less arising from defined benefit plans	Other comprehensive income/(expense) not to be reclassified to profit or loss			General reserves	Net loss for the year of the parent		
Balance at 01.01.2018	3.325.000	446.109	21.932	--	(6.930)	(730.979)	2.851.090	181.068	(2.274.776)	3.383.045	415.330	3.798.375
Transfer to accumulated deficit subsidiary under group control	--	--	--	--	--	--	--	--	(429.469)	--	--	--
Dividend paid to minority interest	--	--	--	--	(59)	--	20.158	--	(544.986)	(524.887)	(90.955)	(615.842)
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	--	--	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)
Balance at 31.12.2018	3.325.000	446.109	17.594	7.564.145	(14.076)	(1.405.894)	5.324.646	189.656	(3.552.231)	4.997.280	1.158.570	6.155.850
Transfer to accumulated deficit Consolidation of IlkimResidans	--	--	--	(614.927)	--	(239.133)	--	--	(6.050.122)	(6.513)	--	(6.513)
Dividend paid to minority interest	--	--	--	--	--	--	--	--	(871.931)	(871.931)	(6.801)	(878.732)
Merger effect of Z Gurme Restoran	--	--	--	--	--	--	--	--	--	--	(28.948)	(28.948)
Gıda Sanayi ve Ticaret A.Ş.	--	--	--	--	--	--	--	--	(33.531)	(33.531)	(262)	(33.793)
Transfer to restricted reserves	--	--	--	--	--	--	99.936	--	(99.936)	--	--	--
Total comprehensive income	--	--	--	(33.877)	(541.621)	(541.621)	1.946.251	--	(1.474)	(2.648.811)	(45.892)	(2.694.703)
Transactions with non-controlling interests	--	--	(4.026)	(73.073)	1.358	(181)	(11.164)	(2.606)	63.133	(26.559)	178.590	152.031
Balance at 31.12.2019	3.325.000	446.109	13.568	6.876.145	(46.595)	(2.186.829)	7.259.733	286.986	(10.546.092)	1.409.935	1.255.257	2.665.192

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

Consolidated Statements of Cash Flows for the Years Ended 31.12.2019 and 31.12.2018

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2019	01.01.- 31.12.2018
Net loss for the year		(4.005.466)	(6.877.351)
Depreciation of property, plant and equipment		1.601.021	949.696
Amortization of intangible assets	18	214.514	202.580
Profit on sale of property, plant and equipment		(16.889)	(9.506)
Loss on sale of property, plant and equipment	31	17.293	349
Provision for employee termination benefits	26	42.737	38.167
Provision for doubtful receivables, net	8	83.671	57.207
Provision for (release from) diminution of inventories, net	16	19.066	2.532
Other provisions, net	24	76.118	139.731
Losses (gains) on derivative financial instruments, net		419.580	(474.858)
Interest expense	33	4.769.368	3.691.103
Interest income	32	(785.291)	(918.112)
Unearned interest on receivables	33	20.329	21.199
Unearned interest on payables	32	(5.189)	(18.774)
Other adjustments		--	(240.570)
Pooling of interests		--	(662.505)
Adjustments to the tax expense/income		156.386	(323.982)
Net cash generated from operating activities before changes in operating assets and liabilities		2.607.248	(4.423.094)
Changes in trade receivables		(42.672)	(164.448)
Changes in inventories		(957.665)	(242.072)
Changes in other receivables		(89.154)	(69.046)
Changes in other assets		(860.761)	(1.058.444)
Changes in trade payables		693.565	881.444
Changes in other payables		134.306	490.179
Changes in other liabilities		120.074	(267.625)
Changes in deferred income		(138.877)	(10.186)
Changes in prepaid expenses		(26.962)	101.360
Employee termination paid	26	(45.347)	(41.974)
Taxes paid		(114.070)	(82.072)
Net cash generated from operating activities		1.279.685	(4.885.978)
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(844.949)	(1.667.947)
Purchases of intangible assets	18	(230.213)	(206.558)
Purchases of mining assets		(3.141)	(159)
Proceeds from sale of property, plant and equipments		83.001	596.004
Proceeds from sale of intangible assets		1.480	--
Transactions with non-controlling interests		152.031	(5.617)
Net cash used in investing activities		(841.791)	(1.284.277)
Cash flows from financing activities			
Proceeds from borrowings		33.634.280	30.855.569
Repayments of borrowings		(27.015.455)	(20.439.339)
Changes in investment securities		(881.162)	(2.262.812)
Payment of settlement of derivatives		(1.219.245)	(415.878)
Changes in other receivables from related parties		(1.348.422)	528.883
Changes in other payables to related parties		453.159	1.114.554
Payments of lease liabilities		(93.754)	--
Interest received		785.291	918.112
Interest paid		(4.751.906)	(3.666.371)
Dividend paid to non-controlling interests		(28.948)	(15.753)
Net cash generated from financing activities		(466.162)	6.616.965
Translation differences		40.278	822.174
Net change in cash and cash equivalents		12.010	1.268.884
Cash and cash equivalents at beginning of year		4.130.826	2.861.942
Cash and cash equivalents at end of year	5	4.142.836	4.130.826

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

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

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

The purpose of the investment in this sector is to meet the electricity requirement of Zorlu Group facilities and other industrial companies common to the autoproducer group.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

This division is established to meet the energy requirements of Zorlu Group and other industrial companies.

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. ⁽¹⁾	Electricity production	Turkey
Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş.	Electricity production	Turkey
Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş. ⁽²⁾	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. ⁽³⁾	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 Israil Ltd.	Electricity production	Israel
ZJ Strong Energy for Renewable Energy Ltd. Co. ⁽⁴⁾	Electricity production	Palestine
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. ⁽⁵⁾	Natural gas distribution	Turkey
Zorlu Enerji Asia Holding Ltd.	Energy investment	Dubai
ZES Dijital Ticaret A.Ş. ⁽⁶⁾	Electricity sale, renting of electric vehicle and other	Turkey
Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş.	Energy facility construction 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	Electricity production	Russia
Zorlu Doğal Gaz Tedarik Ticaret A.Ş.	Wholesale natural gas purchase and sale	Turkey
Zorlu Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Purchase and sale of natural gas	Turkey
Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş.	Purchase and sale of petroleum and petrochemical products	Turkey
Zorlu Trade Elektrik Toptan Satış A.Ş. ⁽⁷⁾	Electricity trading, whole sales	Turkey

⁽¹⁾ As per the material event statement dated 6 December 2019, the registration of the facilitated merger of Zorlu Hidroelektrik with Zorlu Enerji is announced in Turkey Trade Register Gazette.

⁽²⁾ 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". As per material event disclosure dated 5 February 2020, the sales transaction of all the shares of Zorlu Rüzgar Enerjisi Üretimi A.Ş. which is 100% subsidiary of the Zorlu Enerji, to İmbat Enerji A.Ş., which is 100% subsidiary of Akfen Yenilenebilir Enerji A.Ş., had been completed.

⁽³⁾ Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş. has 100% shares of Osmangazi Elektrik Dağıtım A.Ş. ("OEDAŞ") and Osmangazi Elektrik Satış Perakende A.Ş. ("OEPSAŞ").

⁽⁴⁾ Zorlu Enerji joined the foundation of the company named "ZES Dijital Ticaret Anonim Şirketi", established to operate electricity sale, electric vehicle leasing, electric vehicle charging station installation and energy management system development, with 100% share, and ZJ Strong Energy for Renewable Energy Ltd Co, established to build solar energy plants in various regions of Palestine in order to meet Palestine's electricity need with solar energy and to operate in renewable energy and other energy areas, with 75% share.

⁽⁵⁾ Zorlu Enerji Dağıtım, which is 100% owned by Zorlu Enerji, has 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım A.Ş. ("Trakya") and Gazdaş Gaziantep Doğal Gaz Dağıtım A.Ş. ("Gazdaş").

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

The subsidiaries in textile division; their field of activities and countries of operation are listed below:

Company	Nature of business	Country
Production		
Korteks Mensucat Sanayi ve Ticaret A.Ş.	Production of textile goods	Turkey
Zorluteks Tekstil Sanayi ve Ticaret A.Ş.	Production of textile goods	Turkey
Marketing		
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 Ltd.	Textile marketing	U.K.
Linens Tekstil Ürünleri Pazarlama A.Ş.	Textile marketing	Turkey

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:

Company	Nature of business	Country
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 Ltd.	Sales	Russia
Vestel Iberia SL	Sales	Spain
Vestel France SA	Sales	France
Vestel Holland BV	Sales	Holland
Vestel Germany GmbH	Sales	Germany
Cabot Communications Ltd.	Software	UK
Vestel Benelux BV	Sales	Holland
Vestel UK Ltd.	Sales	UK
Vestek Elektronik Araştırma Geliştirme A.Ş.	Software	Turkey
Vestel Trade Ltd.	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 Electronics Shangai Trading Co. Ltd	Service	China
Vestel Electronics Gulf DMC	Sales	UAE
Vest Batarya Sistemleri A.Ş.	Production	Turkey

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

1.4 Real estate division

Company	Nature of business	Country
Zorlu Yapı Yatırım A.Ş.	Real estate	Turkey

1.5 Other activities

Other group operations mainly comprise the sale of services.

Company	Nature of business	Country
Zorlu Air Havacılık A.Ş.	Aviation	Turkey
Zorlu International Investments Ltd.	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

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.

2.2 Measurement currency and reporting currency

These consolidated financial statements are presented in TL. Turkish Lira (“TL”) is the Group’s functional currency.

2.3 Amendments in International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“IAS”)/IFRS and IFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

Standards, amendments and interpretations applicable as at 31 December 2019:

Amendment to IFRS 9, “Financial instruments”

Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) 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. This change does not have any impact on the Group’s financial performance.

Amendment to IAS 28, “Investments in associates and joint venture”

Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. This change does not have any impact on the Group’s financial performance.

IFRS 16, “Leases”

Effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact on the Group’s performance is explained detail in Note 2.4.

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. This change does not have any impact on the Group’s financial performance.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Annual improvements 2015-2017;

Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes. These improvements does not have any impact on the Group's financial performance.:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'

Effective from annual periods beginning on or after 1 January 2019. These amendments require an entity. These improvements does not have any impact on the Group's financial performance:

- 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.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material

Effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- 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.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

Effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The Group will evaluate the effects of the changes above to its operations and apply them as of the effective date. It is anticipated that these changes will not have a significant impact on the financial position and performance of the Group in general.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

2.4 Comparable financial information and reclassification of prior period financial statements

The financial position with the accompanying notes as of 31.12.2019 and 31.12.2018 and statement of comprehensive income, cash flow and changes in equity with the accompanying notes as of 31.12.2019 and 31.12.2018 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 31.12.2018, the framework of Turkey’s Automobile Project, amounting to TL 9.500, which was accounted under “investment securities” was reclassified to “investment in associate”.

As of 31.12.2018, investment inventories amounts to TL 33.605 which was accounted under property, plant and equipment in the consolidated financial statements are reclassified to “inventories”.

As of 31.12.2018, investment inventories amounting to TL 67.842 which was accounted under other non-current assets in the consolidated financial statements are reclassified to “property, plant and equipment”.

Cost of energy purchases within the scope of unlicensed electricity production amounting to TL 657.788 and other cost of sales element amounting to TL 101.704 which was accounted under consolidated statement of profit or loss for year ended 31 December 2018, are netted off with “revenue”.

Transition to IFRS 16 “Leases”:

The Group has applied IFRS 16 “Leases” standard as of 1 January 2019. The Group has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated. With this approach, all right of use assets have been measured by lease liabilities amount (adjusted by the amount of prepaid or accrued lease payments) as of transition date.

The Group has recognised lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has measured that lease liability at the present value of the remaining lease payments, discounted using incremental borrowing rate at the date of initial application.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Impact of IFRS 16 application on balance sheet and profit or loss statement for the nine months period ended 31 December 2019 is as follows:

	Effects Excluded		31.12.2019
	31.12.2019	IFRS-16 effects	
Assets			
Total current assets	17.730.900	--	17.730.900
Non-current assets			
Right of use assets	--	262.631	262.631
Property, plant and equipment	26.362.188	--	26.362.188
Intangible assets	2.694.391	--	2.694.391
Deferred tax asset	1.247.992	2.706	1.250.698
Non-current assets other than above	14.928.792	--	14.928.792
Total non-current assets	45.233.363	265.337	45.498.700
Total assets	62.964.263	265.337	63.229.600
Liabilities			
Current liabilities			
Lease liabilities	155.521	93.573	249.094
Current liabilities other than above	39.429.137	--	39.429.137
Total current liabilities	39.584.658	93.573	39.678.231
Non-current liabilities			
Lease liabilities	274.071	181.897	455.968
Deferred tax liability	1.306.135	--	1.306.135
Non-current liabilities other than above	19.124.074	--	19.124.074
Total non-current liabilities	20.704.280	181.897	20.886.177
Total Liabilities	60.288.938	275.470	60.564.408

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

Equity			
Net loss for the year	(4.007.957)	(10.133)	(4.018.090)
Equity other than above	5.428.025	--	5.428.025
	1.420.068	(10.133)	1.409.935
Non-controlling interests	1.255.257	--	1.255.257
Total equity	2.675.325	(10.133)	2.665.192
Commitments and contingencies	--	--	--
Total liabilities and equity	62.964.263	265.337	63.229.600

2.5 Restatement and errors in the accounting estimates

Major changes in accounting policies are applied retrospectively and any major accounting errors that have been detected are corrected and the financial statements of the previous period are restated. Changes in accounting policies resulting from the initial implementation of a new standard, if any, are implemented retrospectively or prospectively in accordance with the transition provisions. If the changes in accounting estimates only apply to one period, then they are applied in the current period in which the change occurred; if the changes also apply to future periods, they are applied in both the period of change and in the future periods, prospectively.

2.6 Critical accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are set out below:

- Deferred tax asset is recognized to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable deferred tax asset is recognized for all temporary differences. For the year ended 31.12.2019, since the assumptions related to the Group’s future taxable profit generation are considered reliable, adequate, deferred tax asset is recognized.
- When setting aside the provision for legal claims the probability of losing the related case and the results expected to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision required.
- Property, plant and equipment (except for land, land improvements, buildings and machinery and equipment, plant and equipment) and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group estimates that the useful lives of tangible and intangible assets.
- The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency’s prevailed market interest rate, and comparing it to reporting date forward exchange rate. All derivatives are carried as assets when the fair value of the forward foreign exchange contracts are recognized in income statement. The effective portion of changes in the fair value of derivative financial instruments such as interest rate swaps, is recognized in other comprehensive income.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

- Allowance for doubtful debts reflect the amount set aside for the losses in the future related to receivables which exist at the financial position date but which, in the opinion of the management, carry the risk of collection due to current economic conditions. When evaluating whether receivables have suffered a loss in value the past performance of the debtors, their credibility in the market and their performance between the financial position date and report date together with changed circumstances are taken into consideration. In addition, the collaterals existing as at the financial position date together with new collaterals obtained between the financial position date and report date are also taken into consideration. The allowance for doubtful receivables as of the financial position dates are explained under note 8.
- As for the diminution in value of stocks, all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Calculation of net realizable values of stocks is based on selling prices as disclosed by selling price lists after deduction for average discounts given during the year and selling expenses to be incurred for the realization of stocks. If the net realizable value of any stock falls under its cost price appropriate provisions are therefore set aside (note 16).

2.7 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.

2.8 Basis of consolidation

The consolidated financial statements include the accounts of the parent, Group, and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with International Financial Reporting Standards by applying uniform accounting policies and presentation.

a) Subsidiaries

The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. On the other hand, the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales/purchase transactions are eliminated. The carrying value of the investment held by Zorlu Holding and its subsidiaries is eliminated against the related shareholders' equity.

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated statements of comprehensive income and the consolidated statements of changes in shareholders' equity.

As of the balance sheet date, consolidated companies and the proportion of ownership interest of Zorlu Holding in these subsidiaries are disclosed in below.

Financial assets in which the Group has direct or indirect voting rights equal to or above 50% which are immaterial to the Group financial results or over which a significant influence is not exercised by the Group are carried at cost less any provisions for impairment.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

b) Investments in associates

Investments in associates are accounted for by the equity method and are initially recognized at cost. These are entities in which the Group has an interest which is more than 20% and less than 50% of the voting rights or over which a significant influence is exercised. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates, whereas unrealized losses are eliminated unless they do not address any impairment of the asset transferred. Net increase or decrease in the net asset of associates is included in the consolidated statements of comprehensive income in regards with the Group's share.

The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group's interest in the associates becomes nil, additional losses are provided for, and a liability recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognized.

Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2019 and 31 December 2018, carrying value of those investment in associates accounted for by equity method is resulted as nil in the consolidated financial statements.

The carrying amounts of the investments accounted for using the equity method are reviewed whether there is any indication of impairment at each reporting date. If such an indicator exists, the recoverable amount of the asset is estimated.

The recoverable amount of the investments accounted for using the equity method refers to the higher of value-in-use or fair value less cost to sell. Value-in-use is the present value of future cash flows expected to be generated from an asset or cash generating unit.

If the carrying amount of the investments accounted for using the equity method exceeds the recoverable amount, the impairment is accounted for. Impairments are recognized in profit and loss accounts. Impairments are recorded in the statement of profit or loss and other comprehensive income.

In investments accounted for using the equity method, impairments allocated in previous periods are re-evaluated in each reporting period in the event that impairment decreases or there are indicators that impairment is not valid. Impairment is reversed in case of changes in the estimates used when determining recoverable amount. The increase in the carrying amount of the investments due to the reversal of the impairment loss is accounted in such a way that it does not exceed the carrying amount determined if the impairment loss has not been included in the consolidated financial statements in the previous years.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Consolidated company	31.12.2019		31.12.2018	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Zorlu Enerji Elektrik Üretim A.Ş.	84,1%	84,1%	84,1%	84,1%
Rotor Elektrik Üretim A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Hidroelektrik Enerji Üretim A.Ş.	--	--	100,0%	84,1%
Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Enerji Pakistan Limited	100,0%	84,1%	100,0%	84,1%
Zorlu Wind Pakistan (Private) Limited	99,7%	83,8%	99,7%	83,8%
Zorlu Solar Pakistan (Private) Ltd.	99,7%	83,8%	99,7%	83,8%
Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Doğal Elektrik Enerji Üretimi A.Ş.	100,0%	84,1%	100,0%	84,1%
Nemrut Jeotermal Elektrik Üretimi A.Ş.	75,0%	63,1%	75,0%	63,1%
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Osmangazi Enerji Sanayi ve Ticaret A.Ş.	100,0%	84,1%	100,0%	84,1%
Osmangazi Elektrik Dağıtım A.Ş.	100,0%	84,1%	100,0%	84,1%
Osmangazi Elektrik Perakende Satış A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Enerji İsrail Ltd.	100,0%	84,1%	100,0%	84,1%
ZJ Strong Energy for Renewable Energy Ltd. Co.	75,0%	63,1%	--	--
Zorlu Renewable Pakistan (Private) Ltd.	99,7%	83,8%	99,7%	83,8%
Zorlu Sun Power (Private) Ltd.	99,7%	83,8%	99,7%	83,8%
Zorlu Enerji Dağıtım A.Ş.	100,0%	84,1%	100,0%	84,1%
Zorlu Enerji Asia Holding Ltd.	100,0%	84,1%	100,0%	84,1%
ZES Dijital Ticaret A.Ş.	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%	99,7%	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%	100,0%	85,6%
Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş.	90,0%	75,6%	90,0%	75,6%
Zorlu Doğalgaz İthalat İhracat ve 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 ve 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%
Zorlu Trade Elektrik Toptan Satış A.Ş.	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%

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Consolidated company	31.12.2019		31.12.2018	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Vestel Elektronik Sanayi ve Ticaret A.Ş.	73,7%	73,7%	77,5%	77,5%
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	95,2%	69,7%	95,2%	73,8%
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100,0%	73,7%	100,0%	77,5%
Vestel Ticaret A.Ş.	100,0%	73,7%	100,0%	77,5%
Vestel CIS Limited	100,0%	73,7%	100,0%	77,5%
Vestel Iberia SL	100,0%	73,7%	100,0%	77,5%
Vestel France SA	100,0%	73,7%	100,0%	77,5%
Vestel Holland BV	100,0%	73,7%	100,0%	77,5%
Vestel Germany GmbH	100,0%	73,7%	100,0%	77,5%
Cabot Communications Limited	90,8%	66,9%	90,8%	70,4%
Vestel Benelux BV	100,0%	73,7%	100,0%	77,5%
Vestel UK Limited	100,0%	73,7%	100,0%	77,5%
Vestek Elektronik Araştırma Geliştirme A.Ş.	100,0%	73,7%	100,0%	77,5%
Vestel Trade Limited	100,0%	73,7%	100,0%	77,5%
OY Vestel Scandinavia AB	100,0%	73,7%	100,0%	77,5%
Intertechnika LLC	99,9%	73,6%	99,9%	77,4%
Vestel Poland sp. z.o.o.	100,0%	73,7%	100,0%	77,5%
Vestel Central Asia LLP	100,0%	73,7%	100,0%	77,5%
Vestel Polska Technology Center sp. z o.o.	100,0%	73,7%	100,0%	77,5%
Vestel Electronics Shangai Trading Co. Ltd	100,0%	73,7%	100,0%	77,5%
Vestel Electronics Gulf DMC	100,0%	73,7%	100,0%	77,5%
Vest Batarya Sistemleri A.Ş.	100,0%	73,7%	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.	100,0%	86,9%	100,0%	88,8%

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(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 2019 and 31 December 2018:

Associates	31.12.2019	31.12.2018
Dorad Energy Ltd.	25,00	25,00
Ezotech Ltd. ^(*)	42,15	42,15
Solad Energy Ltd.	42,15	42,15
Adnit Real Estate Limited ^(**)	42,15	--
Vestel Savunma Sanayi A.Ş. ^(*)	35,00	35,00
Aydın Yazılım Elektronik ve Sanayi A.Ş. ^(*)	21,00	21,00
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş. ^(***)	19,00	19,00

^(*) Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2019, 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").

^(***) Zorlu Enerji joined the Company named "Adnit Real Estate Ltd" with 42.15% share, owned by Edeltech Ltd a related party of Zorlu Enerji, which is won the tender for a 13 MW solar power plant organized by the Israel Electricity Authority.

^(****) Within the framework of Turkey's Automobile Project, following the work undertaken by the Joint Initiative Group, to which Group's controlling shareholder, Zorlu Holding 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 Groups completed on 28 June 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Group recognizes revenue in accordance with IFRS 15 "Revenue from contracts with customers" standard by applying the following five step model:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- 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 2019

(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

i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are prepared and presented in Turkish Lira (“TL”), which is the functional currency of the parent company.

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gains or losses arising from the settlement and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow and net investment which are included under shareholders’ equity.

iii) Translation of financial statements of subsidiaries operating in foreign countries

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction). Exchange differences arising from using average and balance sheet date rates are included in “currency translation differences” under the shareholders’ equity.

The foreign exchange rates used by the Group are as follows:

	2019	2018
USD	5,9402	5,2609
EUR	6,6506	6,0280
GBP	7,7765	6,6528
CHF	6,0932	5,3352

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

Property, plant and equipment except for land, land improvements, buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any.

Any revaluation increase arising on the revaluation of such land, land improvements, buildings and machinery and equipment are credited in equity to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land, land improvements and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued land improvements and buildings is charged to profit or loss.

Each period, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of comprehensive income) and the depreciation based on the asset's original cost is transferred from revaluation reserves to the retained earnings.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Subsequent costs such as repairs and maintenance or part replacement of plant and equipment are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company. All other costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line basis over the following years stated below:

	Year
Land and buildings	25-50
Leasehold improvements	3-10
Machinery and equipment	2-27
Furniture and fixtures	5-27
Motor vehicles	5-20

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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).

Right of use asset

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising. The Group re-measure the right of use asset after netting-off depreciation and reducing impairment losses from right of use asset and adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies IAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) the exercise price under a purchase option that the Group is reasonably certain to exercise,
- d) lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) increasing the carrying amount to reflect interest on lease liability
- b) reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

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.

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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory. Group uses moving weighted average method for costing.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income in the period the write-down or loss occurred.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Impairment

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the consolidated statement of comprehensive income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Related parties

A related party is a person or entity that is related to reporting entity, the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity,

(ii) has significant influence over the reporting entity,

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

Deposits received

Accounting policy for deposit received from electricity distribution segment

The Group receives deposits from the customers on behalf of the Turkish Electricity Distribution Corporation (“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 time 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 Market”, the Group updates the deposits 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 the deposits received from the subscribers and the refunded deposits and to pay the net balance to TEDAŞ in the year of 2036 that is the end of the license period. The Group reflects the net of deposits received from and refunded to the subscribers in its consolidated financial statements (note 31).

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Accounting policy for deposit received from gas distribution segment

In order to guarantee the receivables arising from the sale of gas, the Group collects deposits from the subscribers using the mechanical meter for a one-time period or receives a letter of guarantee. The deposits paid by a subscriber whose subscription is ending is refunded to the subscriber or their authorised representative within five days following a request on the condition that all debts are paid, and the deposit received in cash is updated within the framework of the relevant legislation.

The indexation of the deposits received is recognised under other operating expenses in the consolidated statement of income (note31).

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 the customers. Based on estimations using past statistical information, warranty expense provision is recognized for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

Based on estimations using past statistical information, assembly expenses provision is recognized for products sold during the period but not yet installed in the sites of the end customers, against the cost of free of charge installments.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Financial instruments

Financial assets

The Group classifies its financial assets into the following specified categories: financial assets as at fair value through profit or loss, loans, receivables and financial assets measured at fair value through other comprehensive income.. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group's financial assets carried at amortized cost comprise "trade receivables", "other assets" and "cash and cash equivalents" in the statement of financial position.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the Group for collection of contractual cash flows and for selling the financial assets are measured at their fair value. Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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 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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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. 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 2019, the consolidated short term assets of the Group amounted to TL 17.730.900 thousand (31.12.2018 – TL 16.891.925 thousand) and the consolidated current liabilities to TL 39.678.231 thousand (31.12.2018 – TL 34.620.527 thousand); the consolidated net loss for the year ending as of the same date was TL 4.005.466 thousand (31.12.2018 – loss TL 6.877.351 thousand). The net loss of TL 4.005.466 thousand resulted entirely from net losses on foreign exchange amounting to TL 2.607.896 thousand approximately most of which consisted of unrealised losses on foreign exchange.

The consolidated shareholders' equity of the Group as of 31 December 2019 gave a positive balance of TL 2.665.192 thousand (31.12.2018 – TL 6.155.850 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 2019

(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 31.12.2019 and 31.12.2018 are as follows:

	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Intersegment elimination	Total
01.01.-								
31.12.2019								
External revenue	8.720.216	3.500.646	256.155	17.166.677	862.334	217.217	--	30.723.245
Intersegment revenue	215.480	8.083	94.423	7.446	7.288	187.822	(520.542)	--
	8.935.696	3.508.729	350.578	17.174.123	869.622	405.039	(520.542)	30.723.245
Cost of sales (-)	(7.174.418)	(2.510.093)	(88.530)	(12.938.263)	(559.241)	(596.988)	--	(23.867.533)
Gross profit	1.761.278	998.636	262.048	4.235.860	310.381	(191.949)	(520.542)	6.855.712

Other segment items included in the income statement:

Depreciation expense	536.009	257.518	5.696	585.714	86.779	129.305	--	1.601.021
Amortization charge	75.807	5.645	2.868	127.255	1.770	1.169	--	214.514
	611.816	263.163	8.564	712.969	88.549	130.474	--	1.815.535

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Intersegment elimination	Total
01.01.- 31.12.2018								
External revenue	6.795.266	3.399.110	227.746	15.841.295	641.002	167.453	--	27.071.872
Intersegment revenue	181.541	3.801	64.252	11.006	5.968	435.700	(702.268)	--
	6.976.807	3.402.911	291.998	15.852.301	646.970	603.153	(702.268)	27.071.872
Cost of sales (-)	(5.388.835)	(2.064.656)	(48.690)	(11.543.600)	(385.741)	(639.553)	--	(20.071.075)
Gross profit	1.587.972	1.338.255	243.308	4.308.701	261.229	(36.400)	(702.268)	7.000.797
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
	467.711	52.359	7.052	435.556	84.190	105.408	--	1.152.276

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(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:

31.12.2019	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Total
Current assets							
Cash and cash equivalents	855.746	28.712	973.455	2.394.334	191.182	10.089	4.453.518
Investment securities	25.942	--	271.849	--	--	--	297.791
Trade receivables	991.612	445.011	1.060	3.353.479	50.166	21.604	4.862.932
Receivables from finance sector operations	--	--	--	--	--	180.863	180.863
Other receivables	279.791	95.977	5.479	424.370	1.059	15.473	822.149
Receivables from service concession arrangements	258.074	--	--	--	--	--	258.074
Inventories	102.900	696.050	3	2.833.115	1.528.068	184.998	5.345.134
Prepaid expenses	35.647	23.122	7.571	86.086	23.086	20.138	195.650
Current income tax assets	24.361	39	106.413	7.259	73	201	138.346
Derivative financial instruments	--	--	--	45.487	--	--	45.487
Other current assets	228.553	16.702	109.517	68.217	80.903	1.782	505.674
Subtotal	2.802.626	1.305.613	1.475.347	9.212.347	1.874.537	435.148	17.105.618
Assets held-for sale	625.282	--	--	--	--	--	625.282
Total current assets	3.427.908	1.305.613	1.475.347	9.212.347	1.874.537	435.148	17.730.900
Trade receivables	--	19.199	--	67.595	--	--	86.794
Other receivables	304.320	111	1.298.130	1.476.269	3.821	2.534	3.085.185
Investment in associate	532.402	--	--	12.920	--	--	545.322
Investment securities	5.253	3.576	8.390.087	56.554	--	--	8.455.470
Receivables from service concession arrangements	2.050.771	--	--	--	--	--	2.050.771
Mining assets	--	--	--	--	--	99.539	99.539
Property, plant and equipment	11.359.440	2.235.022	273.422	4.298.324	6.136.283	2.059.697	26.362.188
Intangible assets	1.643.551	77.863	147.251	815.521	7.279	2.926	2.694.391
Prepaid expenses	258.221	3.604	5.767	73.496	41	2.247	343.376
Right of assets	48.534	48.117	--	163.776	--	2.204	262.631
Other non-current assets	116.526	--	--	9.925	--	135.884	262.335
Deferred tax assets	438.793	4.508	--	256.582	--	550.815	1.250.698
Total non-current assets	16.757.811	2.392.000	10.114.657	7.230.962	6.147.424	2.855.846	45.498.700
Total assets	20.185.719	3.697.613	11.590.004	16.443.309	8.021.961	3.290.994	63.229.600

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2019	Energy	Textile	Holding	White goods and electronics	Real estate	Other	Total
Current liabilities							
Short term financial liabilities	5.459.619	4.597.757	4.413.452	7.242.195	3.276.444	510.710	25.500.177
Trade payables	2.185.893	393.623	11.707	6.123.269	44.669	159.271	8.918.432
Payables from finance sector operations	--	--	--	--	--	199.018	199.018
Employee benefit obligations	16.073	25.260	4.153	168.716	8.998	5.371	228.571
Other payables	851.609	1.290	1.605.118	56.799	120.848	261	2.635.925
Deferred income	64.190	141.401	--	113.470	33.111	1.563	353.735
Derivative financial instruments	33.170	--	--	52.592	53.157	--	138.919
Taxation on income	36.177	--	157.851	--	--	660	194.688
Provision for expenses	13.110	12.111	3.749	696.047	16.198	9.013	750.228
Other liabilities	123.124	10.561	13.642	194.946	8.219	3.083	353.575
Subtotal	8.782.965	5.182.003	6.209.672	14.648.034	3.561.644	888.950	39.273.268
Liabilities related to asset held for sale	404.963	--	--	--	--	--	404.963
Total current liabilities	9.187.928	5.182.003	6.209.672	14.648.034	3.561.644	888.950	39.678.231
Non-current liabilities							
Long term financial liabilities	8.208.147	612.952	2.244.841	568.081	5.650.759	1.359.354	18.644.134
Trade payables	--	--	--	6.747	--	--	6.747
Other payables	15.936	--	211.628	--	--	23.301	250.865
Derivative financial instruments	111.849	--	--	--	161.774	--	273.623
Deferred income	868	32.009	--	9.649	500	--	43.026
Long term provisions	34.775	90.767	6.577	201.953	4.908	21.573	360.553
Other non-current liabilities	1.094	--	--	--	--	--	1.094
Deferred tax liability	518.412	235.277	50.226	415.400	86.820	--	1.306.135
Total non-current liabilities	8.891.081	971.005	2.513.272	1.201.830	5.904.761	1.404.228	20.886.177
Total liabilities	18.079.009	6.153.008	8.722.944	15.849.864	9.466.405	2.293.178	60.564.408
01.01.- 31.12.2019							
Capital expenditure	306.806	49.955	1.225	685.358	21.985	12.974	1.078.303

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(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
Current assets							
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
Subtotal	2.337.313	1.335.130	1.327.636	10.010.240	759.251	484.433	16.254.003
Assets held-for sale	604.317	--	--	--	--	--	604.317
Total current assets	2.941.630	1.335.130	1.327.636	10.010.240	759.251	484.433	16.858.320
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	--	--	9.500	--	--	388.023
Investment securities	797	4.564	7.572.647	38.764	--	--	7.616.772
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
Total non-current assets	15.421.411	2.520.007	8.690.851	5.922.993	6.112.419	2.623.345	41.291.026
Total assets	18.363.041	3.855.137	10.018.487	15.933.233	6.871.670	3.107.778	58.149.346

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(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
Current liabilities							
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
Subtotal	6.955.179	4.047.775	4.802.707	13.554.319	3.659.934	1.195.260	34.215.174
Liabilities related to asset held for sale	405.353	--	--	--	--	--	405.353
Total current liabilities	7.360.532	4.047.775	4.802.707	13.554.319	3.659.934	1.195.260	34.620.527
Non-current liabilities							
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
Total non-current liabilities	9.030.359	727.286	2.746.691	1.249.150	2.671.586	947.897	17.372.969
Total liabilities	16.390.891	4.775.061	7.549.398	14.803.469	6.331.520	2.143.157	51.993.496
01.01.- 31.12.2018							
Capital expenditure	730.097	81.873	3.744	926.794	32.851	99.305	1.874.664

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Geographical Segments	01.01.- 31.12.2019	01.01.- 31.12.2018
Revenue		
Turkey	14.979.444	12.918.440
Europe	13.965.467	12.599.201
Other countries	1.778.334	1.554.231
	30.723.245	27.071.872
Capital expenditure		
Turkey	1.010.501	1.869.220
Asia	67.802	5.444
	1.078.303	1.874.664
Depreciation and amortization expenses		
Turkey	1.728.604	1.080.463
Asia	86.931	71.813
	1.815.535	1.152.276
5. CASH AND CASH EQUIVALENTS		
	31.12.2019	31.12.2018
Cash in hand	2.403	2.099
Demand deposit at banks	2.587.141	1.614.903
Time deposit at banks	1.603.191	1.716.785
Blocked deposit	122.485	822.592
Other	138.298	139.946
Cash and cash equivalents	4.453.518	4.296.325
Bank overdrafts (-)	(310.682)	(165.499)
Cash and cash equivalents presented in cash flow statement	4.142.836	4.130.826

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(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, Adnit Real Estate Ltd. ("Adnit), 42,15% voting and equity interest Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş..These investments are accounted for under the equity method.

	01.01.- 31.12.2019	01.01.- 31.12.2018
Cost	545.322	388.023

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

	31.12.2019	31.12.2018
Current		
Investment securities held to maturity	297.614	395.144
Other	177	17.482
	297.791	412.626

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	8.377.765	7.556.907
Unconsolidated investments	65.947	48.107
Other investments	11.758	11.758
	8.455.470	7.616.772

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Financial investments that have no fair value or whose fair value cannot be measured reliably are not included in the consolidation because of their lack of importance.

Company	Country	Shareholding %		Amount	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Non-consolidated subsidiaries on the grounds of materiality					
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%	54.115	36.275
Diğer				3.832	3.832
				67.725	49.885
Vestel Elektronica SRL	Romania			(1.778)	(1.778)
				65.947	48.107
Financial assets measured at fair value through other comprehensive income:					
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
Diğer				1.233	1.233
				11.758	11.758
Financial assets held to maturity				8.377.765	7.556.907
				8.455.470	7.616.772

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

8. TRADE RECEIVABLES

	31.12.2019	31.12.2018
Current		
Trade receivables		
- Third parties	4.715.458	4.678.292
- Related parties, note 34	308.288	399.644
Notes receivable		
- Third parties	322.586	299.721
	5.346.332	5.377.657
Unearned interest on receivables (-)		
- Third parties	(10.966)	(11.711)
- Related parties, note 34	--	(127)
Allowance for doubtful receivables (-)	(472.434)	(380.515)
	4.862.932	4.985.304
Non-current		
Notes receivable		
- Third parties	96.726	17.360
	96.726	17.360
Unearned interest on receivables (-)		
- Third parties	(9.932)	(1.617)
	86.794	15.743

Movement in the allowance for doubtful receivables is as follows:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Opening balance, 01.01	380.515	316.885
Charge for the year	107.528	87.159
Doubtful receivables written-off	(4.729)	(13.363)
Amounts utilized during the year (-)	(19.128)	(16.589)
Translation differences	8.248	6.423
Ending balance, 31.12	472.434	380.515

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

9. RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2019	31.12.2018
Current		
Domestic factoring receivable	180.871	199.228
Unearned interest (-)	(8)	(110)
	180.863	199.118

The Group had received cheques and notes receivable amounting to TL 88.018 (2018: TL 90.411) in exchange of factoring receivables

The Group had received guarantees amounting to TL 2.733.320 (2018: TL 2.719.157) as collateral for receivables from sector operations.

10. PREPAID EXPENSES AND DEFERRED INCOME

Current		
Prepaid expenses	104.369	109.407
Advances given to third parties	91.266	116.039
Advances given to related parties, note 34	15	15
	195.650	225.461
Non-current		
Prepaid expenses	275.572	233.565
Advances given	67.804	53.038
	343.376	286.603
Deferred income		
Advances received from third parties	235.753	341.778
Advances received from related parties, note 34	99	5
Other	117.883	68.169
	353.735	409.952

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

11. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2019			31.12.2018		
	Contract amount	Fair values		Contract amount	Fair values	
Asset		Liability	Asset		Liability	
Held for hedging						
Interest rate swaps	5.534.895	--	219.139	5.207.603	--	103.921
Currency forwards	1.612.069	3.196	130.976	1.585.537	16.635	14.364
Foreign currency swaps	--	--	--	195.193	--	3.650
Cross foreign currency swaps	1.029.044	--	17.353	659.575	--	72.591
Held for trading						
Currency forwards	8.052.602	42.291	42.532	6.140.283	68.025	236.513
Cross foreign currency swaps	--	--	--	196.821	--	2.191
Interest rate swaps	412.369	--	2.542	476.262	8.592	274
	16.640.979	45.487	412.542	14.461.274	93.252	433.504

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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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 consolidated statement of income. 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 the consolidated statement of other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

As of 31 December 2019, The Group has forward foreign currency purchase contract that amounts to 741.423 thousand EUR, 1.032.332 thousand USD, 52.928 thousand GBP, 40.850 thousand PLN, 4.270 thousand RON, 30.750 thousand RUB and 1.676.514 TL against forward foreign currency sales contract that amounts to 769.379 thousand EUR, 653.719 thousand USD, 249.707 thousand CHF, 118.911 thousand GBP, 1.381.929 thousand RUB, 8.699 thousand RON, 133.695 thousand PLN, 9.447 thousand SEK and 1.622.882 TL.

12. OTHER RECEIVABLES

	31.12.2019	31.12.2018
Current		
Due from related parties, note 34	261.692	383.975
VAT receivables	219.851	240.313
Deposits and guarantees given	100.265	136.306
Due from personnel	3.783	4.653
Other receivables	236.558	96.439
	822.149	861.686

13. RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

Short-term	258.074	158.453
Long-term	2.050.771	1.167.479
	2.308.845	1.325.932

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:

Up to 1 year	258.074	158.453
Up to 1-3 year	516.148	316.906
Up to 3-5 year	516.148	316.906
More than 5 years	1.018.475	533.667
	2.308.845	1.325.932

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

14. OTHER ASSETS

	31.12.2019	31.12.2018
Current		
VAT receivable	272.624	290.844
Income accruals ⁽¹⁾	172.237	220.981
Other	60.813	41.369
	505.674	553.194
Non-current		
VAT receivable	191.273	141.507
Tangible fixed assets and stocks on resale	9.925	6.248
Investment inventory ⁽²⁾	95	210
Other income accruals	61.042	52.235
	262.335	200.200

⁽¹⁾The amount of accruals for electricity remaining in OEPSAŞ is TL 29.782 (31.12.2018: TL 8.943) . The amount of natural gas sales revenue accruals belonging to Gazdaş and Trakya are TL 83.091. (31.12.2018: TL 71.521), income accruals for non-controlling quality indicator related to OEPSAŞ are TL 9.103 (31.12.2018: TL 9.180). The amount of insurance income accruals is TL 8.353 (31.12.2018: TL 38.231). Other income accruals are TL 41.908 (31.12.2018: TL 93.106).

⁽²⁾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.

15. ASSETS AND LIABILITIES HELD FOR SALE

Negotiations for the sale of Zorlu Rüzgar, assessed in the scope of the IFRS 5 “Assets Held-for-Sale and Discontinued Operations”, were announced to the public with the 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 as held for sale”. In addition to the assets of Zorlu Rüzgar, the gas turbines at the Lüleburgaz and Bursa power plants, whose sales are expected to be completed in 2020, were classified as “assets held for sale”.

a) Assets held for sale:

	31.12.2019	31.12.2018
Cash and cash equivalents	37.399	31.138
Trade receivables	6.662	4.216
Other current assets	2.975	3.678
Other receivables	1.538	136
Property, plant and equipment and intangible assets	576.708	565.149
	625.282	604.317

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

b) Liabilities related to assets held for sale:

Derivative financial instruments	11.925	6.764
Financial liabilities	363.182	372.574
Trade payables	2.553	839
Other payables	--	46
Other long-term provisions	--	34
Other current liabilities	424	1.480
Deferred tax liabilities	26.879	23.616
	404.963	405.353

16. INVENTORIES

	31.12.2019	31.12.2018
Raw and auxiliary materials	1.433.185	1.509.264
Work in process	235.919	298.223
Finished goods and merchandise	3.670.913	2.564.838
Other	72.755	82.782
	5.412.772	4.455.107
Provision for diminution in value of inventories (-)	(67.638)	(44.969)
	5.345.134	4.410.138

Movement in the diminution in value of inventories is as follows:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Opening balance, 01.01	44.969	37.109
Charge for the year	36.092	17.620
Amounts utilized during the year (-)	(17.026)	(15.088)
Translation difference	3.603	5.328
Ending balance, 31.12	67.638	44.969

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

17. PROPERTY, PLANT AND EQUIPMENT

	31.12.2018	Additions	Disposals	Translation differences	Unconsolidated subsidiary	Transfer	31.12.2019
Cost							
Land and buildings	10.406.161	40.734	(6.757)	309.687	--	12.404	10.762.229
Machinery and equipment	13.070.011	411.097	(123.127)	529.655	(93.740)	141.503	13.935.399
Motor vehicles	34.048	1.377	(2.148)	1.230	--	12.569	47.076
Leasehold improvements	217.492	9.416	(2.751)	495	--	2.249	226.901
Furniture and fixtures	906.296	36.535	(17.980)	26.725	--	2.960	954.536
Construction in progress	2.409.060	345.790	(2.323)	410.680	--	(344.788)	2.818.419
	27.043.068	844.949	(155.086)	1.278.472	(93.740)	(173.103)	28.744.560
Accumulated depreciation (-)							
Land and buildings	--	181.242	(4.297)	31.979	--	(1.457)	207.467
Machinery and equipment	--	1.175.674	(50.555)	181.824	(66.479)	(208)	1.240.256
Motor vehicles	24.499	13.676	(1.815)	1.109	--	5.209	42.678
Leasehold improvements	171.913	27.071	(1.224)	289	--	--	198.049
Furniture and fixtures	593.204	93.134	(13.790)	22.492	--	(1.118)	693.922
	789.616	1.490.797	(71.681)	237.693	(66.479)	2.426	2.382.372
Net book value	26.253.452						26.362.188

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	31.12.2017	Additions	Disposals	Transfers to non-current assets held for sale	Translation differences	Revaluation of fixed assets	Transfer	31.12.2018
Cost								
Land and buildings	9.024.891	24.056	(436.977)	(9.399)	305.682	1.932.243	(434.335)	10.406.161
Machinery and equipment	9.913.286	478.838	(94.263)	(598.315)	903.665	6.703.780	(4.236.980)	13.070.011
Motor vehicles	34.278	2.680	(5.225)	(77)	2.392	--	--	34.048
Leasehold improvements	196.380	20.388	(3.501)	--	1.127	--	3.098	217.492
Furniture and fixtures	825.034	67.082	(3.090)	(423)	9.134	--	8.559	906.296
Construction in progress	2.247.377	1.074.903	--	(10)	218.070	--	(1.131.280)	2.409.060
	22.241.246	1.667.947	(543.056)	(608.224)	1.440.070	8.636.023	(5.790.938)	27.043.068
Accumulated depreciation (-)								
Land and buildings	427.840	108.732	(2.191)	(284)	31.551	--	(565.648)	--
Machinery and equipment	4.441.543	717.843	(33.194)	(42.459)	170.188	--	(5.253.921)	--
Motor vehicles	20.102	6.180	(3.844)	(26)	2.087	--	--	24.499
Leasehold improvements	148.702	24.701	(1.986)	(80)	576	--	--	171.913
Furniture and fixtures	498.608	89.355	(2.576)	(225)	7.407	--	635	593.204
	5.536.795	946.811	(43.791)	(43.074)	211.809	--	(5.818.934)	789.616
Net book value	16.704.451							26.253.452

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

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 31.12.2019 “Construction in Progress” account for new investments in tangible fixed assets amounted to TL 2.818.419 (2018: TL 2.409.060) which was broken down as follows:

	31.12.2019	31.12.2018
Energy segment	2.596.873	2.124.767
Textile segment	2.317	18.488
Holding segment	94.853	96.791
White goods segment	54.295	39.874
Other segment	70.081	129.140
	2.818.419	2.409.060

Energy segment

- Construction of one 340 MW energy power plants by Rosmiks LLC in Russia amounting to TL 1.975.469 (2018: TL 1.508.743).
- Investments in progress amounted to TL 8.650 by Zorlu Endüstriyel (2018: TL 8.668) in Kızıldere for increasing capacity of power stations and other investments amounting to TL 612.754 (2018: TL 607.356).

Textile segment

- Investments by Korteks and Zorluteks for modernization of textile factories in Lüleburgaz and Bursa totalling TL 2.317 (2018: TL 18.488).

Holding bölümü

- Investments by Zorlu Holding in Zincirlikuyu/Istanbul relates to construction of building amounting to TL 94.853 (2018: TL 96.791).

Beyaz eşya bölümü

- Investments by Vestel Group of companies relate to modernization of white goods production facilities in Manisa amounting to TL 54.295 (2018: TL 39.874).

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 139.757 (2018: TL 155.550) net of accumulated depreciation.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

18. INTANGIBLE ASSET

	31.12.2018	Additions	Disposals	Consolidated subsidiary	Translation differences	Transfer	31.12.2019
Cost							
Goodwill	825.516	--	--	--	--	--	825.516
Wind energy production rights	90.472	--	--	--	--	--	90.472
Development cost	996.139	207.982	(814)	--	228	--	1.203.535
Concessional service agreements	918.126	--	--	--	--	--	918.126
Customer service Rights	348.812	--	--	--	--	--	348.812
	202.210	11.960	(1.210)	18	1.458	(11.704)	202.732
Other intangible assets	190.931	10.271	(455)	2.487	4.783	420	208.437
	3.572.206	230.213	(2.479)	2.505	6.469	(11.284)	3.797.630
Accumulated depreciation (-)							
Development cost	539.387	117.924	--	--	230	--	657.541
Concessional service agreements	89.489	46.863	--	--	--	--	136.352
Customer service Rights	33.998	17.804	--	--	--	--	51.802
	117.206	17.158	(908)	6	1.065	(3.751)	130.776
Other intangible assets	107.067	14.765	(91)	1.448	3.579	--	126.768
	887.147	214.514	(999)	1.454	4.874	(3.751)	1.103.239
Net book value	2.685.059						2.694.391

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	31.12.2017	Additions	Disposals	Consolidated subsidiary	Translation differences	Transfer	31.12.2018
Cost							
Goodwill	825.516	--	--	--	--	--	825.516
Wind energy production rights	90.472	--	--	--	--	--	90.472
Development cost	832.094	164.824	(616)	--	499	(662)	996.139
Concessional service agreements	918.126	--	--	--	--	--	918.126
Customer service	348.812	--	--	--	--	--	348.812
Rights	224.318	22.625	(16.064)	--	2.126	(30.795)	202.210
Other intangible assets	164.811	19.109	(2.876)	--	9.298	589	190.931
	3.404.149	206.558	(19.556)	--	11.923	(30.868)	3.572.206
Accumulated depreciation (-)							
Development cost	435.967	103.729	--	--	353	(662)	539.387
Concessional service agreements	42.626	46.863	--	--	--	--	89.489
Customer service	16.194	17.804	--	--	--	--	33.998
Rights	93.214	24.358	(239)	--	2.108	(2.235)	117.206
Other intangible assets	92.525	9.826	(2.831)	--	7.522	25	107.067
	680.526	202.580	(3.070)	--	9.983	(2.872)	887.147
Net book value	2.723.623						2.685.059

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

19. RIGHT OF USE ASSETS

	01.01.2019	Effect of change in accounting policies	Addition	31.12.2019
Cost				
Buildings	--	251.199	--	251.199
Machinery and equipment	--	66.316	--	66.316
Motor vehicles	--	51.709	--	51.709
	--	369.224	--	369.224
Accumulated depreciation (-)				
Buildings	--	--	66.518	66.518
Machinery and equipment	--	--	15.765	15.765
Motor vehicles	--	--	24.310	24.310
	--	--	106.593	106.593
Net book value	--	--		262.631

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

20. BORROWINGS

	Foreign currency		TL equivalent	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Current				
-USD ('000)	2.142.286	2.320.704	12.725.609	12.208.992
-EUR ('000)	492.488	651.059	3.275.341	3.924.584
-TL	6.665.725	4.398.812	6.665.725	4.398.812
-CHF ('000)	238.727	--	1.454.611	--
-PKR ('000)	213.237	425.481	8.131	15.909
Issued bonds				
-TL	810.900	617.317	810.900	617.317
Other securities				
-TL	310.678	164.184	310.678	164.184
Finance leases				
-TL	96.698	4.884	96.698	4.884
-USD ('000)	21.695	21.932	128.873	115.382
-EUR ('000)	3.537	3.293	23.523	19.850
-PKR ('000)	2.296	--	88	--
			25.500.177	21.469.914
Non-current				
-USD ('000)	2.431.612	2.236.223	14.444.263	11.764.544
-EUR ('000)	337.057	321.821	2.241.631	1.939.937
-TL	1.420.939	1.358.391	1.420.939	1.358.391
-PKR ('000)	490.458	625.992	18.701	23.406
Issued bonds				
-TL	61.988	--	61.988	--
Other securities				
-TL	--	255.118	--	255.118
Finance leases				
-TL	209.020	23.097	209.020	23.097
-USD ('000)	31.477	39.579	186.980	208.221
-EUR ('000)	9.017	11.705	59.968	70.558
-PKR ('000)	16.879	--	644	--
			18.644.134	15.643.272

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Korteks Mensucat Sanayi ve Ticaret A.Ş., including fixed interest and principal payment at maturity; With a nominal value of TL 80.000 with a maturity of 153 days on 29 August 2019, fixed interest as of 14 November 2019, principal payment at the end of maturity; With a nominal value of TL 20.250 with a maturity of 183 days, fixed interest as of 26 December 2019, principal payment at the end of maturity; With a nominal value of TL 45.370 with 141 days maturity, variable bonds as of 30 January 2019, coupons every 3 months and principal and interest payments at maturity; With a nominal value of TL 25.860 with a maturity of 364 days, with variable interest rates as of 25 March 2019, quarterly coupons and principal and interest payments at maturity; With a nominal value of TL 6.870 with a maturity of 364 days, with variable interest as of 19 April 2019, quarterly coupon and principal and interest payment at maturity; With a nominal value of TL 14.340 with a maturity of 339 days, with variable interest rates as of 20 May 2019, quarterly coupons and principal and interest payments at maturity; With a nominal value of TL 23.250 with a maturity of 361 days, as of 26 July 2019, fixed interest rate, monthly coupon and principal and interest payment at maturity date, with a nominal value of TL 25.070 with a maturity of 210 days, as of 29 August 2019, fixed interest rate, quarterly coupon and principal and interest payment at maturity date; With a nominal value of TL 22.140 with a maturity of 364 days, with variable interest as of 26 December 2019, monthly coupons and principal and interest payments at maturity; issued 326 days term financing bills with a nominal value of TL 38.110.

Korteks Mensucat Sanayi ve Ticaret A.Ş. includes variable interest rates, every 6 month coupons, and principal and interest payments at the end of maturity from 20 May 2019, with a nominal value of TL 8.180 with a maturity of 546 days, with variable interest rates from 1 July 2019, coupons every 6 months and principal and interest payments at maturity; with a nominal value of TL 2.100 with a maturity of 504 days, between 26 July 2019, with variable interest rates, quarterly coupons and principal and interest payments at maturity; with a nominal value of TL 9.320 with a maturity of 544 days, with variable interest from 29 August 2019, quarterly coupons and principal and interest payments at maturity; with a nominal value of TL 5.320 with a maturity of 552 days, fixed interest for 14 November 2019, with a monthly coupon and principal and interest payments at maturity; with a nominal value of TL 26.480 with a maturity of 368 days and a floating interest rate of 14 November 2019, a quarterly coupon and principal and interest payments at maturity; A nominal value of TL 11.240 with 540 days maturity is issued.

Zorlu Enerji Elektrik Üretim A.Ş. has completed sale transaction of the floating rate bonds, with coupon-paid every 3 months and the principal-paid at maturity, with a due date of 488 days and a nominal value of TL 12.180 on 20 September 2019, with a due date of 364 days and a nominal value of TL 17.620 on 20 September 2019, with a due date of 210 days and a nominal value of TL 55.850 on 20 September 2019, and with a due date of 546 days and a nominal value of TL 24.310 on 24 July 2019, with a due date of 212 days and a nominal value of TL 80.160 on 24 July 2019, with a due date of 308 days and a nominal value of TL 5.270 on 14 Jun 2019, with a due date of 322 days and a nominal value of TL 9.430 on 31 May 2019, with a due date of 364 days and nominal value of TL 5.090 on 22 February 2019. Zorlu Enerji Elektrik Üretim A.Ş. has also completed sale transaction of the floating rate bonds, with coupon-paid every 6 months and the principal-paid at maturity, with a due date of 565 days and a nominal value of TL 5.650 on 31 May 2019, and with a due date of 551 days and a nominal value of TL 1.800 on 14 Jun 2019.

Zorlu Enerji Elektrik Üretim A.Ş. has completed sale transaction of the fixed rate bonds, with the principal-paid at maturity, with a due date of 132 days and a nominal value of TL 68.810 on 31 October 2019, with a due date of 169 days and a nominal value of TL 25.850 on 31 October 2019, and with a due date of 224 days and a nominal value of TL 17.670 on 31 October 2019, with a due date of 358 days and a nominal value of TL 54.680 on 31 October 2019, with a due date of 206 days and a nominal value of TL 43.530 on 18 November 2019, with a due date of 189 days and a nominal value of TL 94.330 on 5 December 2019, with a due date of 377 days and a nominal value of TL 24.040 on 5 December 2019 and with a due date of 546 days and a nominal value of TL 14.600 on 5 December 2019.

Zorlu Faktoring A.Ş. has completed sale transaction of the floating rate bonds, with coupon-paid every 3 months and the principal-paid at maturity, with a due date of 224 days and a nominal value of TL 13.150 on 27 November 2019, with a due date of 224 days and a nominal value of TL 35.000 on 12 November 2019, and with a due date of 336 days and a nominal value of TL 11.002 on 6 February 2019, with a due date of 197 days and a nominal value of TL 30.000 on 17 July 2019, and with a due date of 196 days and a nominal value of TL 20.000 on 21 August 2019, with a due date of 224 days and a nominal value of TL 36.000 on 30 September 2019.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

There are some financial and non-financial covenants that must be met according to some of the Group’s loan agreements, and the Group management evaluates whether these conditions are met by each calculation period. If the conditions in the loan agreement cannot be met, the long-term portions of the related loan payables are classified as short-term in the consolidated financial statements. Accordingly, the Group has reclassified its borrowings amounting to 43.549 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.

Summary maturity schedule of total borrowings is given below:

	USD (‘000)	EUR (‘000)	PKR (‘000)	CHF (‘000)	TL	TL eşdeğeri
31.12.2019						
Due in one year	2.142.286	492.488	213.237	238.727	7.787.303	25.250.995
One to two years	677.707	93.526	490.458	--	283.104	4.949.526
Two to three years	851.874	83.940	--	--	275.916	5.894.469
Three to four years	492.189	40.332	--	--	196.140	3.388.073
Four to five years	98.997	39.544	--	--	122.360	973.413
Over five years	310.845	79.715	--	--	605.407	2.982.041
	4.573.898	829.545	703.695	238.727	9.270.230	43.438.517
31.12.2018						
Due in one year		2.320.704	651.059	425.481	5.180.310	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
		4.556.927	972.880	1.051.473	6.793.819	36.671.194

21. PAYABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2019	31.12.2018
Current		
Borrowings received	146.832	193.850
Finance bonds	52.186	50.325
	199.018	244.175

The interest rates of the spot TL loans vary between 15,50% and 26,00% (2018: 23,50% and 32,50%).

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Faktoring has completed sale transaction of six floating rate finance bonds, which have a due date of 224 days and nominal value of TL 35.000 on 12 November 2019, with a due date of 336 days and nominal value of TL 11.002 on 6 February 2019, with a due date of 197 days and nominal value of TL 30.000 on 17 July 2019, with a due date of 196 days and nominal value of TL 20.000 on 21 August 2019, with a due date of 224 days and nominal value of TL 36.000 on 30 September 2019 and with a due date of 224 days and nominal value of TL 13.150 on 27 November 2019.

22. TRADE PAYABLES

	31.12.2019	31.12.2018
Current		
Trade payables		
- Third parties	8.718.469	7.884.069
- Related parties, note 34	73.279	136.508
Notes payables		
- Third parties	105.532	188.027
Other	21.819	13.850
	8.919.099	8.222.454
Unearned interest on payables (-)		
- Third parties	(667)	(279)
- Related parties, note 34	--	(3)
	8.918.432	8.222.172
Non-current		
Third parties	6.747	14.631

23. OTHER LIABILITIES

	31.12.2019	31.12.2018
Current		
Taxes payable	229.143	226.498
Other	124.432	110.183
	353.575	336.681
Non-current		
Deposits and guarantees received	1.094	43

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

24. PROVISION FOR EXPENSES

	31.12.2019	31.12.2018
Current		
Legal claims	54.972	71.849
Warranty provisions	266.042	246.198
Provision for employee benefits	49.118	44.087
Other provisions	380.096	307.003
	750.228	669.137
Non-current		
Warranty provisions	42.878	51.128
Other provisions	18.440	15.163
	61.318	66.291

Movement of provisions is as follows:

	01.01.-31.12.2019	01.01.-31.12.2018
Opening balance, 01.01		
Consolidated subsidiary under group control	--	12.717
Additions	82.234	205.562
Disposals (-)	(6.116)	(65.831)
Ending balance, 31.12	811.546	735.428

25. 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 17th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

A reconciliation of the Group's tax provision on the financial position is as follows:

	31.12.2019	31.12.2018
Corporation tax payable	201.956	131.894
Prepaid tax (-)	(7.268)	(25.092)
	194.688	106.802
Deferred tax assets	(1.250.698)	(947.327)
Deferred tax liabilities	1.306.135	1.241.678
	55.437	294.351

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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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:

	Deferred tax assets		Deferred tax liabilities		Net	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Temporary differences arising from restating non-monetary assets	300.699	273.969	1.555.120	1.697.905	(1.254.421)	(1.423.936)
Receivables from service concession arrangements	--	--	495.996	280.267	(495.996)	(280.267)
Employee termination benefits	61.607	61.294	49	--	61.558	61.294
Provision for diminution in value of inventories	15.731	18.300	33.314	35.880	(17.583)	(17.580)
Provision for doubtful receivables	44.752	36.965	792	597	43.960	36.368
Taxable losses carried forward	701.610	571.003	--	--	701.610	571.003
Unearned interests, net	4.640	3.709	913	350	3.727	3.359
Interest swaps	20.683	31.307	--	--	20.683	31.307
Forward expense accruals	57.162	43.907	--	676	57.162	43.231
Warranty expense	23.925	28.282	--	--	23.925	28.282
Investment incentives ⁽¹⁾	563.304	466.514	--	--	563.304	466.514
Other	316.419	285.210	79.785	99.136	236.634	186.074
	2.110.532	1.820.460	2.165.969	2.114.811	(55.437)	(294.351)
Net-off (-)	(859.834)	(873.133)	(859.834)	(873.133)	--	--
Net deferred tax assets/(liabilities)	1.250.698	947.327	1.306.135	1.241.678	(55.437)	(294.351)

⁽¹⁾ The Group has 2 investment incentive certificates based on its investments in Manisa Gördes. As of 31 December 2019, the incentive investment expenditures that can be used within the scope of these incentive documents amounting to TL 830.691 and TL 79.802 respectively (31 December 2018: TL 830.691 and TL 79.802 respectively). As of 31 December 2019, the incentive amount that can be benefited from is TL 524.103 and TL 39.201, respectively (31 December 2018: TL 427.560 and TL 38.954 respectively). Since it is highly likely to benefit from the taxable profits determined according to the strategic planning model made by the Group, all of the incentives in question are reflected in the financial statements as deferred tax assets.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

26. 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 6.379,86 as of 31.12.2019 (2018: TL 5.434,42) on historical cost basis.

The Group has no other obligation for employee termination other than the retirement pay above.

Movement of reserve for retirement pay is given below:

	31.12.2019	31.12.2018
Opening balance, 01.01	223.595	187.857
Consolidated subsidiary under group control	--	3.826
Service cost	42.737	38.167
Actuarial gain/loss	52.503	10.645
Interest expense	25.815	24.732
Repayments (-)	(45.347)	(41.974)
Translation difference	(68)	376
Transfer to liabilities related to asset held for sale	--	(34)
Ending balance, 31.12	299.235	223.595
Number of personnel employed at years end:		
White goods and electronics	16.775	16.125
Textile	5.695	5.733
Energy	2.352	2.377
Holding	307	333
Other	888	676
	26.017	25.244

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

27. EQUITY

a) Share capital

As of 31.12.2019, the paid-in capital of the Company is TL 3.325.000 consisting of 3.325.000.000 ordinary shares of per value TL 1 each.

The shareholders of the Company and their percentage shareholdings are as follows:

	Shareholding percentage		Shareholding amount	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Zorlu Family	100%	100%	3.325.000	3.325.000

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.

	31.12.2019	31.12.2018
Adjustment to share capital	446.109	446.109

c) Revaluation reserve

Increases of carrying amounts as a result of revaluations recognized directly in the equity are followed in the headings below;

	6.876.145	7.564.145
Revaluation gains		

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.

	(2.186.829)	(1.405.894)
Hedging reserve		

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.

	286.986	189.656
Legal reserves		

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

28. 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.

29. COMMITMENTS AND CONTINGENCIES

Contingent assets

	31.12.2019	31.12.2018
a. Obtained from customers and suppliers		
Letters of guarantee	5.263.876	3.292.468
Checks and notes	453.774	623.807
Mortgaged and guarantees received	1.429.135	2.398.858

Contingent liabilities

a. Letters of guarantee, checks and notes given

On behalf of incorporated body	5.460.215	5.463.518
On behalf of consolidated subsidiaries	45.992.520	36.756.271
On behalf of other Zorlu Group of companies	238.444	433.382
On behalf of third parties	133.361	120.386
	51.824.540	42.773.557

As of 31 December 2019, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD 497,58 million, EUR 243,32 million and TL 507.900 between Zorlu Yapı Yatırım A.Ş. and Akbank A.Ş.

As of 31 December 2019, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD 233,45 million between Zorlu Yapı Yatırım A.Ş. and Akbank A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Holding vouched for a loan amounting to USD 88,1 million, TL 170 million and EUR 330 million, signed by Zorlu Yapı Yatırım A.Ş. with Akbank A.Ş. In addition, the Company mortgaged the apartments, performance arts center, hotels and shops owned by Zorlu Yapı in return for these loans: USD 1.287,5 billion in first degree, USD 250 million in second degree, USD 87,5 million in third degree, EUR 412,5 million in fourth degree, TL 235 million in fifth degree, TL 39,3 million in first degree and TL 765 million in sixth degree.

Zorlu Energy and Zorlu Holding became the guarantor of TFKB Varlık Kiralama A.Ş. before the export, in the issuance of the lease certificate worth TL 100 million issued on 24 March 2015 due to the issuer company TFKB Varlık Kiralama AŞ and the fund user is Zorlu Energy. Zorlu Energy and Zorlu Holding became the guarantor of Katılım Varlık Kiralama A.Ş. before the export, in the issuance of the lease certificate worth TL 200 million issued on 20 April 2018 and 3 October 2017 due to the issuer company Katılım Varlık Kiralama AŞ and the fund user is Zorlu Energy.

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 A.Ş. 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 Ticaret ve Sanayi A.Ş. ("Zorluteks") were transferred to Şeker Finansal Kiralama A.Ş. in the scope of financial leasing transactions.

Zorlu Holding is guarantor for Zorlu Enerji's loan obtained from Export Development Canada amounts to USD 100 million and loan obtained from Kuwait Investment Authority amounts to USD 250 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 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 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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

OEDAŞ, the European Bank for Reconstruction and Development ("EBRD"), the International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") and Denizbank AŞ signed project financing agreements. 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 AŞ. ("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 shares pledge agreements were signed for OEPSAŞ and Zorlu Osmangazi, respectively.

Rotor has signed a long-term loan agreement with the consortium of a group of financial institutions amounts to EUR 130 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 EUR 130 million has placed on the property of the Company. As per commercial pledge agreement, a commercial pledge amounts to TL 501.725 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 EUR 235 million. Zorlu Holding and Zorlu Enerji are guarantor for Rotor's loan obtained from the consortium of several financial institutions amounting EUR 130 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 USD111million 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 agreement signed between Zorlu Enerji Pakistan and the Bank, a pledge amounts to USD 118 million and PKR 1.875 million has placed on the property of the Company.

On 27 October 2015, a loan agreement amounts to USD815 million (USD 785 million in cash and USD 30 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 Kızıldere 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 Kızıldere 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 TL 9.500.000. 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 975 million.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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 USD 113 million 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 TL 1.060.800 thousand was granted. As per the transfer of receivables agreement, the cap for the receivable transfer amount of EPIAŞ was determined to be TL 2.155.000 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 is guarantor for Zorlu Jeotermal's loan obtained from Yapı ve Kredi AŞ amounting USD 148 million.

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 EUR 41,3 million with Bayerische Landesbank as a part of ECA financing with German Trade Finance Agency (Euler Hermes) contribution, in order to finance Saritepe 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 TL 193 thousand has placed on Company's fixed assets. As per the transfer of receivables agreement, the cap for the EPIAŞ receivable transfer amount is TL 870.000 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 EUR 80,6 million loan obtained from Türkiye Sınai Kalkınma Bankası and Bayerische Landesbank.

As of the balance sheet date the Group has committed to realize exports amounting to 1.041.140 thousand USD (31 December 2018: 761.758 thousand USD) due to the export and investment incentive certificates obtained.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Electricity buying and selling commitments

Zorlu Elektrik Toptan

As of 2020, there are sales commitments of 218.400 MWh related to first six months of 2020. As of 31 December 2019, within the scope of electricity energy purchase agreements with energy companies, within 2019, it has committed to take 651.600 MWh energy and all of the energy undertaken has been taken. In 2020, Zorlu Elektrik Toptan has no committed to purchase. In relation to electricity purchase and sale operations and in the scope of the risk sharing agreements signed with energy firms as of 31 December 2019, it carried out 87.600 MWh of transactions in 2019 and committed to carry out 43.920 MWh of transactions in 2020.

OEPSAŞ

OEPSAŞ has no any energy selling commitment regarding other energy companies for the years 2019 and 2020. Within scope of buying commitment among energy companies, the Company committed to buy 550.800 MWh energy for 2019 and fulfilled all energy buying commitment as at 31 December 2019. The Company committed to buy 1.317.600 MWh energy for the year 2020.

30. NATURE OF EXPENSES

Nature of expenses consists of cost of sales, selling, general and administrative expenses.

	01.01.- 31.12.2019	01.01.- 31.12.2018
Direct materials and merchandise expenses	19.704.415	16.652.119
Changes in inventories	(70.666)	(164.426)
Personnel expenses	2.194.855	1.798.678
Depreciation and amortisation expense	1.755.340	1.092.249
Warranty expenses	368.894	345.911
Freight and freight insurance	513.412	479.857
Energy expenses	267.060	237.787
Energy transmission line distribution expenses	172.892	133.702
Advertising expenses	186.062	143.986
Direct materials and merchandise expenses	196.834	188.852
Repair and maintenance expenses	207.883	266.834
Export commissions	171.185	177.511
Office expenses	183.450	128.591
Exhibition expenses	76.604	73.982
Other	1.345.353	1.721.306
	27.273.573	23.276.939

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

31. OTHER EXPENSE

	01.01.- 31.12.2019	01.01.- 31.12.2018
Impairment of revalued tangible assets	--	1.151.828
Provision expense	120.358	101.721
Loss on sale of property, plant and equipment	17.293	349
Indexation of deposits received	63.079	102.793
Idle capacity depreciation expenses	13.332	12.047
Depreciation of service concession arrangements	46.863	47.980
Other	117.624	116.139
Other expense	378.549	1.532.857

32. FINANCING INCOME

Foreign exchange gain	3.132.245	4.438.976
Profit on derivative financial instruments	61.132	544.835
Interest income	785.291	918.112
Unearned interest on payables	5.334	18.774
Dividend income	5.516	306
Financing income	3.989.518	5.921.003

33. FINANCING EXPENSE

Foreign exchange loss	5.740.141	11.649.284
Interest expense	4.769.368	3.691.103
Loss on derivative financial instruments	480.712	69.977
Bank commission expenses	120.073	110.081
Unearned interest on receivables	20.329	21.199
Other financial expenses	237.624	286.120
Financing expense	11.368.247	15.827.764

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

34. RELATED PARTY DISCLOSURE

The significant balances with related parties at period end are shown below:

31.12.2019	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
Current						
Ezom Ltd.	95.291	--	--	--	--	--
Zorlu Usa Inc.	110.160	--	--	--	--	--
Zorlu Tesis Yönetim A.Ş.	1.806	--	--	25.290	--	--
Zorlu O/M Pakistan Ltd.	7.489	49.679	--	--	--	21.650
Zorlu Ailesi	6	2	--	--	--	651.006
Vestel Savunma Sanayi A.Ş.	3.749	--	--	1	--	964.341
Vestel Ventures Ar-Ge A.Ş.	55	148.579	--	--	--	142.630
Other	89.732	63.432	15	47.988	99	9.620
	308.288	261.692	15	73.279	99	1.789.247
Non-current						
Zorlu Gayrimenkul Otelcilik İnşaat Taahhüt ve Turizm A.Ş.	--	395.339	--	--	--	--
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	--	741.194	--	--	--	--
Vestel Savunma Sanayi A.Ş.	--	1.470.762	--	--	--	--
Ezotech Electric Ltd.	--	184.291	--	--	--	--
Zorlu Grand Hotel İşletmeleri A.Ş.	--	46.827	--	--	--	--
Edeltech Ltd.	--	100.371	--	--	--	--
Pastel Gıda ve İhtiyaç Maddeleri Pazarlama İnşaat Mühendislik Turizm Sanayi ve Ticaret A.Ş.	--	99.287	--	--	--	--
Meta Madencilik Enerji Turizm Danışmanlık Sanayi ve Ticaret A.Ş.	--	12.638	--	--	--	22.932
Other	--	22.352	--	--	--	5.769
	--	3.073.061	--	--	--	28.701

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2018	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
Current						
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
	399.644	383.975	15	136.508	5	1.360.123
Unearned interest (-)	(127)	--	--	(3)	--	--
	399.517	383.975	15	136.505	5	1.360.123
31.12.2018	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
Non-current						
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
	--	1.602.356	--	--	--	4.666

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

35. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group focuses on managing various financial risks, including the effects of changes in debt and capital market prices, exchange rates and interest rates, due to its activities. The Group aimed to minimize the potential negative effects of fluctuations in the markets with the risk management program.

The Group has determined the policies summarized below for the management of risks arising from 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.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

As of financial position dates, the Group's exposure to credit risk is as summarised below:

31.12.2019	Receivables				Factoring receivables	Bank amounts	Derivative instruments	Other
	Trade receivables		Other receivables					
	Related Parties	Third parties	Related parties	Third parties				
Secured portion of the maximum credit risk by guarantees, etc.	--	(2.863.727)	--	--	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	308.288	3.680.760	3.334.753	572.581	180.863	4.312.817	45.487	140.701
B. Financial assets with renegotiated conditions	--	--	--	--	--	--	--	--
C. Carrying amount of assets that are overdue but not impaired	--	901.049	--	--	--	--	--	--
- Carrying amount secured with collateral	--	(472.568)	--	--	--	--	--	--
D. Carrying amount of assets that are impaired	--	59.629	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	532.063	--	97.654	--	--	--	--
- Impairment	--	(472.434)	--	(97.654)	--	--	--	--
- Carrying amount secured with collateral	--	(59.629)	--	--	--	--	--	--
	308.288	4.641.438	3.334.753	572.581	180.863	4.312.817	45.487	140.701

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2018	Receivables		Other receivables Related parties	Third parties	Factoring receivables	Bank amounts	Derivative instruments	Other
	Trade receivables Related Parties	Third parties						
Secured portion of the maximum credit risk by guarantees, etc.	--	(2.664.356)	--	--	--	--	--	--
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	--	--	--	--	--	--
	399.517	4.601.530	1.986.331	483.427	199.118	4.152.904	93.252	143.421

While measuring the maximum credit risk exposed, guarantees which increase the credibility of the Group are not taken into consideration.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

The net currency position of the Group as of 31.12.2019 and 31.12.2018 are shown below:

2019	USD	EUR	GBP	CHF	Other currencies TL equivalent	Total TL equivalent
Cash and cash equivalents	168.537	39.907	229	249.936	2.370	2.793.610
Investment securities	117.800	4.000	--	--	--	726.358
Trade receivables and other assets	550.425	175.816	20.805	543	652.308	5.256.323
Total foreign currency assets	836.762	219.723	21.034	250.479	654.678	8.776.291
Trade payables and other liabilities	1.147.314	149.873	1.392	645	28.736	7.855.511
Current borrowings	2.163.981	496.025	--	238.727	8.219	17.616.176
Non-current borrowings	2.463.089	346.074	--	--	19.345	16.952.187
Total foreign currency liabilities	5.774.384	991.972	1.392	239.372	56.300	42.423.874
Derivatives						
Assets	1.032.332	741.423	52.928	--	72.692	11.547.453
Liabilities	(653.719)	(769.379)	(118.911)	(249.707)	(358.950)	(11.805.228)
	378.613	(27.956)	(65.983)	(249.707)	(286.258)	(257.775)
Net foreign currency position	(4.559.009)	(800.205)	(46.341)	(238.600)	312.120	(33.905.358)
Import	1.243.548	204.734	91	149	2.217	8.360.882
Export	715.109	1.283.080	7.118	946	1.263.079	15.309.978

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

2018	USD	EUR	GBP	CHF	Other currencies TL equivalent	Total TL equivalent
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
Total foreign currency assets	1.244.159	311.464	987	146	389.538	8.819.784
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
Total foreign currency liabilities	5.772.060	1.134.689	267	4	52.223	37.260.158
Derivatives						
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)
	628.515	(170.240)	(53.501)	--	(221.923)	1.702.491
Net foreign currency position	(3.899.386)	(993.465)	(52.781)	142	115.392	(26.737.883)
Import	1.538.398	222.185	40	5.684	2.033	8.511.246
Export	811.352	1.239.549	6.344	1.128	1.252	13.865.957

On basis of the above an increase of 10% in the foreign exchange rates against the Turkish Lira as of 31 December 2019 will amount to a loss of TL 3.390.536 (31 December 2018: TL 2.673.788) and a decrease will amount to profit of the same amount.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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 it strives to balance off the dates of changes in interest rates related to assets and liabilities.

The Group's interest rate position is as follows:

	31.12.2019	31.12.2018
Fixed interest rate financial instruments		
Financial assets-time deposits		
- <i>Time deposits</i>	1.603.191	1.716.785
Financial liabilities		
- <i>Borrowings</i>	29.701.700	27.154.476
- <i>Finance lease liabilities</i>	705.794	441.992
- <i>Payables of factoring sector operations</i>	199.018	244.175
Variable interest rate financial instruments		
Financial liabilities		
- <i>Borrowings</i>	13.736.817	9.958.710

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

As of balance sheet dates, the Group's annual effective interest rates are as follows:

2019 (%)	USD	EUR	GBP	TL
Assets				
Cash and cash equivalents	3,5%	--	--	9,5%
Liabilities				
Borrowings	6,5%	6,2%	--	21,1%
2018 (%)	USD	EUR	GBP	TL
Assets				
Cash and cash equivalents	3,8%	--	--	21,0%
Liabilities				
Borrowings	6,9%	5,6%	--	23,3%

As of 31.12.2019, 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 138.081 (31.12.2018: TL 72.008) 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 2019

(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:

31.12.2019	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank loans	42.565.629	47.783.891	13.427.960	11.947.011	18.546.191	3.862.729
Bond issued	872.888	879.988	248.387	556.077	75.524	--
Finance sector operations	199.018	199.018	95.228	103.790	--	--
Financial lease liabilities	705.794	946.678	55.294	229.654	540.007	121.723
	44.343.329	49.809.575	13.826.869	12.836.532	19.161.722	3.984.452
Expected maturities						
Trade payables	8.925.179	8.925.179	2.737.038	6.181.434	6.707	--
Other payables	2.886.790	2.886.790	974.157	1.661.768	234.929	15.936
Other liabilities	354.669	354.669	148.531	205.044	1.094	--
	12.166.638	12.166.638	3.859.726	8.048.246	242.730	15.936
Derivative cash inflow		12.596.245	6.228.987	3.237.527	3.129.731	--
Derivative cash outflow		(13.034.463)	(6.265.395)	(3.277.467)	(3.477.274)	(14.327)
Derivative financial liabilities	(367.055)	(438.218)	(36.408)	(39.940)	(347.543)	(14.327)

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2018	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
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	--	--
Finance sector operations	244.175	244.175	140.323	103.852	--	--
Financial lease liabilities	441.992	487.505	30.651	108.694	348.160	--
	37.357.361	44.209.488	7.872.419	14.933.523	16.987.982	4.415.564
Expected maturities						
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	--
	10.827.695	10.834.655	6.293.183	4.499.127	22.331	20.014
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)
Derivative financial liabilities	(340.252)	(224.132)	(215.074)	(2.538)	40.399	(46.919)

The table above provides the analysis of the Group's financial liabilities by making appropriate maturity grouping based on the remaining period of the contract until the maturity date as of the financial position. However expected maturities may differ from contractual liabilities in response to changes in term that may occur in the ordinary course of business.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

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.

The Group’s net debt to overall or financing ratio developed as follows:

	31.12.2019	31.12.2018
Total borrowings, note 20	44.144.311	37.113.186
Less: Cash and cash equivalents, note 5	(4.453.518)	(4.296.325)
Less: Investment securities	(271.800)	(388.430)
Net debt	39.418.993	32.428.431
Total equity	2.665.192	6.155.850
Overall financing	42.084.185	38.584.281
Net debt to overall financing ratio	94%	84%

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:

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

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.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial asset and liabilities according to the source, using the three-level hierarchy, as follows:

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

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

Level 3: Valuation techniques does not contain observable market inputs

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira (“TL”) unless indicated otherwise.)

Fair value hierarchy table as at 31 December 2019 is as follows:

Assets at fair value in the financial position	Level 1	Level 2	Level 3
Investment securities (note 7)	--	77.705	--
Derivative financial instruments (note 11)	--	45.487	--
Land and buildings (note 17)	--	--	10.554.762
Machinery and equipment (note 17)	--	--	12.695.143
Liability at fair value in the financial position	Level 1	Level 2	Level 3
Derivative financial instruments (note 11)	--	412.542	--

Fair value hierarchy table as at 31 December 2018 is as follows:

Assets at fair value in the financial position	Level 1	Level 2	Level 3
Investment securities (note 7)	--	59.865	--
Derivative financial instruments (note 11)	--	93.252	--
Land and buildings (note 17)	--	--	10.406.161
Machinery and equipment (note 17)	--	--	13.070.011
Liability at fair value in the financial position	Level 1	Level 2	Level 3
Derivative financial instruments (note 11)	--	433.504	--

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

36. POST BALANCE SHEET EVENTS

Korteks Mensucat Sanayi ve Ticaret A.Ş. has completed sale transaction of the fixed rate bonds, with couponpaid every 3 months and the principal-paid at maturity, which have a due date of 211 days and a nominal value of TL 53.360 on 29 January 2020, with a due date of 357 days and a nominal value of TL 91.370 on 29 January 2020 and with a due date of 224 days and a nominal value of TL 22.700 on 7 February 2020. The company has also completed sale transaction of the fixed rate bonds, with the principal paid the maturity, which have a due date of 157 days and a nominal value of TL 6.430.

Zorlu Enerji A.Ş. has completed sale transaction of two fixed rate bonds, with the principal paid the maturity, which have a due date of 210 days and a nominal value of TL 44.970 on 21 February 2020, and with a due date of 357 days and a nominal value of TL 102.420 on 21 February 2020, and with a due date of 226 days and a nominal value of TL 39.100 on 11 March 2020, and with a due date of 449 days and a nominal value of TL 9.500 on 11 March 2020, and with a due date of 100 days and a nominal value of TL 9.820 on 8 April 2020, and with a due date of 91 days and a nominal value of TL 83.190 on 17 April 2020, and with a due date of 243 days and a nominal value of TL 9.830 on 17 April 2020.

Vestel Polska Technology Center sp. z o.o., which is 100% owned by Vestel Elektronik Sanayi ve Ticaret A.Ş. 's ("Vestel Elektronik") subsidiary Vestel Ticaret AŞ ("Vestel Ticaret"), transferred its TV assembly facility together with its building and land in Wroclaw Poland to LG Chem Wroclaw Energy Sp. zo.o. for USD 31.4 million on 2 March 2020. The afore-mentioned facility is a TV assembly plant, which is being sold as part of cost optimization.

Carrying amount of related assets is amounting to 114.687 thousand TL as of 31 December 2019 and there is no impairment identified.

Pursuant to company material event disclosure dated 19 December .2019, Vestel Elektronik submitted its applications to the Capital Markets Board and Borsa Istanbul A.Ş. for its planned bond issue as of 17 February 2020.

As per the material disclosure dated 22 January 2020, the Energy Market Regulatory Authority approved a pre-licence application for the Tekkehamam II Geothermal Energy Power Plant Project planned to be built in Sarayköy, Denizli with installed power of 35 MW, and issued a pre-licence valid for 30 months for the project.

As per the material disclosure date 3 February 2020, the Energy Market Regulatory Authority issued a supply licence for Zorlu Trade, a 100% subsidiary of the Company, to trade electric energy and/or capacity trade under the Electricity Market Law and relevant legislation. This licence will be valid for 20 years starting from 23 January 2020.

As per material event disclosure dated 5 February 2020, the sales transaction of all the shares of Zorlu Rüzgar Enerjisi Üretimi A.Ş. which is 100% subsidiary of the Zorlu Enerji, to İmbat Enerji AŞ, which is 100% subsidiary of Akfen Yenilenebilir Enerji AŞ, had been completed.

The sale of plant, machinery and equipment in the Lüleburgaz and Bursa plants amounting to TL 27.261 was completed in February 2020 as per the Turbine Sale Contract between the Company and Proenergy Services LLC.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2019

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Faktoring has completed sale transaction of two fixed rate bonds, which have a nominal value of TL 11.002 and 30.000 respectively on 08 January 2020 and 30 January 2020. As of 30 January 2020, sale transactions are completed and amortised.

Zorlu Faktoring has completed sale transaction of two fixed rate finance bonds, which have a due date of 224 days and nominal value of TL 11.000, with a due date of 280 days and nominal value of TL 31.000 on 8 January 2020 and 30 January 2020, respectively. Interest rates are 16.50% and the maturity of the bonds are 19.08.2020 and 05.11.2020 respectively, and interest payments will be made every 28 days.

Zorlu Holding A.Ş. merged 100% shares of İntermar Ticaret Pazarlama Turizm Sanayi A.Ş. on 30.04.2020, by using simplified merger approach.

As per the material event statement dated 6 May 2020, the registration of the facilitated merger of Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş. and Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş. is announced in Turkey Trade Register Gazette.

As of the report date, due to the COVID-19 outbreak, a "Pandemic" has been declared by the World Health Organization. The aforementioned situation is expected to cause unfavourable results in the economy all over the globe as well as Turkey. Efforts are carried out through control-protection measures and significant support is being given primarily by government authorities to minimize losses. Although the current situation is expected to cause a significant economic contraction, the impact on the operations and going concern of the entities remain uncertain.

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2019 ANNUAL REPORT