



20

Annual Report

Arçelik



I live and prosper with my country.
As long as democracy exists and thrives, so do we.

We shall do our utmost to strengthen our economy.
As our economy prospers, so will democracy and
our standing in the world.

Vehbi KOÇ



Arçelik Group's vision of "Respecting The World, Respected Worldwide" aims to achieve profitable and sustainable growth; to increase market share in its target market; the globe; to reach more consumers in a fast-changing world with innovative products and services; to safeguard the future with corporate responsibility; and to integrate and optimize the components of the global organization while becoming a global group.

Sustainable Growth

Vision 2
 Almanac 2018 4
 Report of the Board of Directors and Message from the Chairman 6
 Message from the General Manager 8
 Auditor's Report on Annual Report 12
 Financial Statement Summary 2018 16
 Financial Indicators 17
 Five-Year Consolidated Financial Review 18
 Shareholders 19
 Dividends Paid 20
 Share Performance 21
 Risk Management 22

The Target Market; the Globe

Brands 28
 Global Operational Network 29
 International Markets 30
 Turkish Market 40

Innovation

Innovative and Superior Technology 48
 Innovative Products 54
 Innovative Applications 60

Corporate Responsibility

Environmental Approach to Products and Production 70
 Environment-Friendly Applications 73
 Environment-Friendly Products 74
 Social Responsibility 76
 Awards and Achievements in 86

Corporate Governance

Corporate Governance Principles Compliance Report 90
 Statement of Compliance with Corporate Governance Principles 90

Global Organization

Global Organization 118
 Business Excellence 125

Consolidated Financial Statements and Independent Auditors' Report

Board of Directors 2018 128
 Management 2018 130
 Independent Auditor's Report and Consolidated Financial Statements 139



January | February | March

- Arçelik continued its next-generation retailing concept that prioritizes customer experience with a new store in Istanbul Akmerkez along with one new store in İzmir and five new stores in Ankara.
- Arçelik-LG produced Turkey's first domestic commercial air-conditioner, a VRF air-conditioner with 4 HP capacity.
- Beko introduced to consumers its voice-command smart television, designed and produced in Turkey.
- Arçelik Group initiated the 'Fresh Start' internship program for undergraduate students.
- Arçelik Group employees participated with the motto 'Take A Step, Make A Difference' in the Runatolia Marathon organized for the 13th time in Antalya.
- Viorica Dancila, the Prime Minister of Romania and the accompanying senior delegation visited the Arctic Industry 4.0 Factory.
- Arçelik Group climbed to the top of Mount Kilimanjaro, the highest mountain of Africa with a team of 11 people consisting of three assistant general managers from its senior management in order to draw attention to global warming.
- Arçelik Group launched the Equal Dictionary on International Women's Day on March 8 with the objective of gender equality in language.
- Smart Assistant Asista achieved a first by offering smart hotel experience to the guests of Divan Istanbul as part of the new collaboration between the Divan Group and Arçelik.
- Beko extended its FC Barcelona sponsorship for three more seasons after the 2018-2019 season. Beko became one of FC Barcelona's three main global sponsors with the new expanded agreement.

April | May | June

- Arçelik Group established two new companies, WAT Motor Sanayi ve Ticaret A.Ş. for activities related to industrial motors and Token Finansal Teknolojiler for its payment systems.
- Beko promoted its built-in products at the EuroCucina Fair in Milan, Italy.
- Arçelik Retail Academy gave its first graduates.
- In cooperation with FC Barcelona as one of its main sponsors, Beko started a global donation campaign as part of its global 'Eat Like a Pro' initiative to encourage children to eat healthy nutrition.
- Arçelik Group developed the "A Ticket For Your Future" program with the objective of attracting Turkish students studying abroad.
- The 6th meeting was held of the Arçelik R&D Consultancy Committee consisting of 12 academicians who are leaders in their field from the most distinguished universities throughout the world.
- As part of the collaboration between Arçelik and Tchibo, the Arçelik Selamlique Capsule Turkish Coffee Machine and the Grundig Turkish Coffee Machines were offered for sale at Tchibo stores and the Tchibo Cafissimo Coffee Machine at Arçelik stores.
- The New York Series was launched, designed by Arçelik with inspiration from the magnificent lifestyle of New York.

July | August | September

- Arçelik Group signed a 68-million-Euro credit agreement with the European Investment Bank for the Washing Machine factory being constructed in Romania under Artic.
- Arçelik performed a first in the world and produced a refrigerator from carbon fiber, which is 4.5 times lighter and 3 times stronger than steel.
- Beko and Grundig exhibited their newest product technologies at the IFA Fair held in Berlin, Germany.
- The "Feed Your Soul" video series conducted in collaboration with Grundig-Mehmet Gürs was continued with the motto "All we want is respect for food".
- Voltbek Home Appliances, founded by the partnership of Arçelik Group and Voltas offered the products branded Voltas Beko in the Indian market. And the foundation was laid for the refrigerator factory at Gujarat.
- At the 'Invention Day' held for the 20th time this year, Arçelik Group, Turkey's R&D leader awarded 600 inventors who made the lives of consumers easier and created value with the products and technologies they developed.
- Arçelik Group became the only industrial company in the Developing Markets category of the Dow Jones Sustainability Index from Turkey for the second time.
- The Arçelik Group Supplier Innovation Program Workshop was held at the Arçelik Garage.

October | November | December

- Arçelik Group and TÜBİTAK collaborated to launch TÜBİTAK's 'Support Program for Increasing Innovation and Entrepreneurship Capacity – BIGG'.
- Collaborating with the "KızCode Platform", Arçelik Group initiated a coding training program for the daughters of its employees.
- Arçelik Group performed a first in the field of human resources and realized its Specialization-Based Organization project.
- Arçelik Group was listed for the 5th time in the BIST Sustainability Index which is the index of Borsa Istanbul companies with high sustainability performance.
- Arçelik-LG commissioned Turkey's first domestic commercial air-conditioner production line at its Gebze factory.
- Arçelik opened the Arçelik Corporate Solutions store which gathers the products and services required by corporate customers under a single roof.
- Beko became the naming partner of the Fenerbahçe Man's Basketball Team.
- Arçelik Garage launched the "Markers Wanted" program which supports new initiatives for future home solutions.
- The senior management and employees of Arçelik Group climbed the Aconcagua Mountain in Argentina to raise awareness on global warming and to draw attention to melting glaciers.
- Arçelik Group opened its next-generation factory at Çerkezköy to produce the televisions of the future.

REPORT OF THE BOARD OF DIRECTORS AND MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I greet you with respect and affection. I hope our meeting to evaluate the results of the previous year will be productive.

2018 has been a tough year for the global economy and our country for several reasons: the trade showdown between the USA and China together with the resulting protective policies; Brexit uncertainty; the Iran sanctions; FED's decisions to increase interest rates; fluctuating foreign exchange rates and various other geopolitical risks. All these factors contributed to the negative impact on global economies, including our country.

While the US economy recovered its growth rate and lowered unemployment, China's economic growth decelerated to the lowest level in the last 10 years. Europe continued its pursuit of leverage for economic growth, whereas the developing countries experienced a slowdown. After increasing rapidly as a result of sanctions on Iran, oil prices decreased to 50-dollar levels. Meanwhile, commodity prices maintained their high levels despite not showing any significant changes.

We can see that trade wars, low demand in Europe, Brexit uncertainty and the growth problems faced by the developing countries will continue to be the biggest risks in 2019. It is highly likely that all these will add pressure to the economic situation.

All these developments have led to one of the most difficult times our national economy has experienced in recent years. We have observed a decrease in production in all areas, but especially in industry, due to an increase in interest rates, a decline in domestic demand and fluctuating foreign exchange rates that have increased costs and inflation.

We anticipate that the impact of contraction will continue in the first half of this year, followed by a recovery towards better growth in the second half. We will also closely monitor the local elections due to take place in the first quarter.

Arçelik has been creating added value for the national economy for 63 years. To overcome the challenges in 2019 and beyond, we aim to maintain our stable growth trajectory by working harder and effectively balancing risks. I strongly believe that we will achieve another productive and stable year by continuing to closely follow economic and geopolitical factors.

Dear Shareholders,

As a crucial element in helping our Holding to reach its targets in national and international markets, our company reinforced its pioneering position in Turkey as a result of steady and healthy growth throughout the year. We succeeded in increasing our turnover by 29% to reach TRY 26.9 billion by increasing our share in all our markets, receiving foreign exchange income from international markets and investing in new regions.

With approximately 30,000 employees worldwide, our company offers products and services in 146 countries with 12 brands and 21 production sites located in Turkey, China, Pakistan, South Africa, Romania, Russia, India and Thailand. After many years as a leading company in Turkey, Arçelik also continues to strengthen its standing in international markets, especially in Europe. Our company successfully achieved its strategic targets in 2018, continuing to expand its global field of activity and undersigning important operations in new regions and different areas of business.

As you will remember, in 2017 we started a very important partnership in India, which with a population of 1.3 billion has a great potential in many fields. We reached an agreement for a joint venture with Voltas, a company owned by Tata Group, one of the leading groups in India. After naming our joint venture 'Voltbek', in 2018 we introduced "Voltas Beko" branded products to India, a very important market for us.

We aim to become one of the biggest players in this tough market by harnessing our vast knowledge, advanced R&D and technological prowess. This year, with the start of production at the refrigerator plant we broke ground in Gujarat in September 2018, we hope to make the best of the opportunities offered by the fastest growing economy in the world.

Our Washing Machine plant in Romania has also gone into operation. Equipped with the most advanced practices of the new industrial revolution, it will further reinforce our strong presence in Europe. We will gradually increase production in our washing machine plant, significantly increasing our competitiveness in the field of white goods. Focusing on automation and data, our plant will transform data - today's most precious asset - into a meaningful and valuable integral whole. I consider this step a very important one for the digital transformation journey of our Holding and company, and one which will help us learn new skills.

“

While reinforcing our presence in core markets, we also supported growth through investments in new regions and business segments in line with our strategic targets, increasing our turnover by 29% to TRY 26.9 billion.

”



As the pride of both our Holding and the country, our company continues to make investments that add value to the national economy. To this end, our Çerkezköy Electronics Plant has reinforced Turkey's position as an important hub of TV manufacturing. Exports made from this plant are a valuable source of foreign exchange for the national economy. We are proud to demonstrate our confidence in the country once again through our investment.

As I have always said, the most important factors in Arçelik's past success are also key to the future. These are: an experienced and competent workforce, superior quality products, respected brands, strong financial structure, wide sales and service networks, technology and the skills to do business with different cultures.

In addition to these valuable investments, we continue to honor our principle of respecting the world and the environment. As a result of our endeavors to fulfill these priorities, we continued to achieve important successes in 2018, making our mark on global platforms. These important and reputable achievements have reinforced our commitment to the company's vision of "Respecting the World, Respected Worldwide".

The core principles of Arçelik are profitable and sustainable growth, creating jobs, payment of taxes, creating value for shareholders, pioneering R&D and respecting nature, the environment and society. In the period ahead, I am absolutely confident that our company will show growth in its current markets and further strengthen its position by entering new regions.

I would like to express my gratitude to all those who have contributed to the countless achievements of Arçelik, the flagship of Koç Holding; firstly, I would like to thank our late founder Vehbi Koç, our executives, employees, partners, workers and labor unions, dealers, the consumers that made us who we are and you, our esteemed shareholders.

I extend my sincere affection and respect to all of you.

Rahmi M. Koç
Chairman of the Board
Arçelik A.Ş.

MESSAGE FROM THE GENERAL MANAGER

Dear Shareholders, Business Partners and Employees,

We have left behind a tough year shaped by global geopolitical developments, global and national economic fluctuations. The global economy grew as expected in 2018, a year which passed in the shadow of trade wars, protective policies, Brexit uncertainty, reinstated sanctions against Iran, the FED's interest rate increases and fluctuating foreign exchange rates. The International Monetary Fund (IMF) estimates global growth of 3.7% in 2018. Having grown by 3.4% on average in the last seven years, the global economy is expected to grow by 3.5% in 2019. Trade wars, pressure on the European manufacturing sector and the fragile outlook of developing countries are considered as the risk factors facing the global economy this year.

The global white goods market continues to grow

It is estimated that in 2018 the global white goods market grew by 1.5% in terms of units, totaling 535 million units, and by 8% in terms of turnover, which reached USD 213 billion. The TV market was forecast to grow by 2.7% to reach 240 million units and a turnover of USD 113 billion. The global white goods market is expected to grow by 4% in 2019.

The Western Europe white goods market shrank by 1% in 2018 due to contractions in the UK, Germany, France and Italy. The Eastern European market, on the other hand, showed a positive performance and grew by 8%.

The Turkish market fluctuated in this period. While the market was put under pressure due to exchange rates and price increases in August, a slight recovery took place due to sales campaigns, the Total Fight Against Inflation program, the replacement campaign and special consumption tax (SCT) reduction in November. Nevertheless, the domestic market, which includes six major product categories, narrowed by 17% over the year.

We expect to see positive results from the extension of SCT reduction in the first three months of 2019. We also believe that increasing the number of installment payments for electronics should have a positive impact. In 2019, Arçelik will continue to be a leader in Turkey with strong brands, more new generation stores and greater product variety.

We continued to reinforce our leading position

While the global economy and our industry faced all the developments of 2018, at Arçelik we continued to reinforce our leading position with strong brands in Turkey, the UK, Romania, Poland, South Africa and Pakistan. With Beko, we continued to strengthen our presence in all our markets, leading in the freestanding segment of the highly competitive European white goods market. We increased our market share and profitability in Europe and the MENA region, our biggest markets. We established the Beko Gulf FZE sales company in the United Arab Emirates, increasing the number of our global sales and marketing offices to 34.

Thanks to our heavy investments in recent years, we continued to grow in the Asia-Pacific region, increasing our year-on-year turnover by 30% based on USD. We started sales of Voltas Beko products in the high-potential India market.

Defy helped us become an important player in Sub-Saharan Africa, elevating us to a strong position in 34 African countries with annual sales of 1.5 million white goods. As the only European white goods manufacturer with extensive operations in this region, we are continually increasing the amount of resources allocated to it.

“

In 2019, Arçelik aims to strengthen its position in built-in and premium white goods ranges, continue to grow in the small home appliances segment and seize organic and inorganic growth opportunities in **new markets.**”

”



We have increased our turnover

Despite the challenging macro-economic conditions that prevailed in our core markets, Arçelik managed to close 2018 with a significant growth in turnover. Consolidated turnover increased by 29% to TRY 26.9 billion. International markets accounted for 69% of our sales income and net profit reached TRY 856 million. Our EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) margin rose to 10.4%.

Turnover increased due to organic growth resulting from strong performance in the Europe, Asia-Pacific and Middle East/North Africa regions, coupled with the impact of the devaluation of the Turkish Lira on exchange rates in our markets. The increase in financing costs arising from high interest rates has been the major negative influence on our profitability.

Despite the challenging financial conditions, the health of our balance sheet was once again validated by credit rating agencies S&P and Fitch Ratings; our International Long-Term Credit Rating was confirmed as “BB+”.

With the ever-increasing contribution of our productivity projects, digital transformation processes and operations in new regions and business fields, we aim to further increase our performance and profitability in 2019. While we aim to increase our consolidated turnover by 25% on a Turkish Lira basis in 2019, we estimate our EBITDA margin will be around 10.5%.

MESSAGE FROM THE GENERAL MANAGER

We maintained the pace of our investments

Enjoying a wide sphere of influence from the USA to Taiwan, Russia to South Africa, and the UK to Australia, our company continued to reinforce its global growth with investments in 2018. Voltbek, our joint venture with Voltas, which is owned by Tata Group, one of India's most established companies, is due to start trial production at the refrigerator plant in Gujarat this year and it is hoped that a capacity of 3 million units will be achieved.

We have signed a credit agreement of EUR 68 million with the European Investment Bank for our next generation smart washing machine plant in Romania. We now have another important manufacturing plant in the heart of Europe with an annual capacity of 2.2 million washing machines. This plant will enable more flawless manufacture due to the simulation of engineering processes with digital models.

The Çerkezköy Electronics Plant, which represents our next generation manufacturing technology in Turkey, has now gone into operation. We have built this smart plant with a total investment of TRY 500 million and 65% of its production is exported to 48 countries. Manufacturing takes place on a single integrated line, equipped with 107 robots that support human resources with digital technologies. We employ 700 people from the region and support an ecosystem of 15,000 people with sub industry investments.

In the second term of the Arçelik-LG Electronics partnership, we continued our investment in the commercial air conditioning market. With Turkey's first commercial air conditioner production line at the Arçelik-LG air conditioner plant, we aim to increase our share of domestic production to 25% within three years.

While we focus on strengthening our core business, we also continue to invest in creating new, sustainable and recurring sources of income. For this, we have established two new companies, consolidating our industrial motor activities under WAT Motor Sanayi and our financial technology and payment systems under Token Finansal Teknolojiler. Our aim with these two new companies is to keep up with market dynamics and accelerate our entry into new business fields through strategic cooperation.

Major achievements in R&D, innovation and sustainability

Thanks to our R&D, pioneering practices and innovative solutions, we continue to develop products with high added value for our customers. With the recent commissioning of our new R&D center at Wuxi, China, the number of our global R&D and design centers reached 19.

This also strengthened our ranking in global indices that reflect our leading position. We have climbed three steps to rank 71st on the list of "Companies That Filed the Most International Patent Applications", issued by the World Intellectual Property Organization (WIPO).

We also achieved important successes in the sustainability field in line with our "Respecting the World, Respected Worldwide" vision. By focusing on effective use of resources and circular economy solutions, for the second time since 2017 our company entered the Dow Jones Sustainability Index Developing Markets category, a platform that globally monitors the sustainability performances of companies.

We have become the first Turkish company to ever receive the top prize in the "Management" category of the European Business Awards for the Environment (EBAE). Since 2015, our company has been rated AAA - the highest rating - by the MSCI Sustainability Index, and since 2016 it has also been listed in the FTSE4Good Developing Markets Index, which is managed by FTSE Russel in the London Stock Exchange and rates companies with a high performance in environment, social and governance.

In Turkey, we have been listed for the fifth time in the BIST Sustainability Index, which covers publicly-traded companies with a high corporate sustainability performance. A washing machine tub that we developed by using recycled plastic bottles was awarded the top prize in the "Innovative Eco-Friendly Product" category at the Istanbul Chamber of Industry Environmental Awards.

In 2018, we created 1635 ideas and developed 88 prototypes and 11 concepts at the Arçelik Garage, which was established to encourage creativity and entrepreneurship within the company and enable transformation from idea to product within days. Within Atölye 4.0, we continue to improve our competencies in the new industrial revolution through application models developed for agile manufacturing system design, process modeling and optimization, smart automation systems and data-based decision-making systems.

New investments in sports

Our company continues its investments in this field, believing in the power of sports to stimulate people and affect our lives. We have had a sponsorship agreement with FC Barcelona since 2014 and extended it for three seasons more in February 2018. Within the scope of the renewed agreement, the Beko logo will continue to be featured on the left shoulder of the FC Barcelona top, while Beko has also become the Official Home Appliances and Training Partner of the team, which has more than 300 million supporters worldwide. Beko and FCB instigated the global social initiative "Eat Like a Pro", and this continued to be at the center of communication in the new sponsorship term. The project encourages children to eat healthy food and make sports a part of their lives through inspiration from their idols. As part of this, we signed up to a global partnership with FC Barcelona, the FC Barcelona Foundation and UNICEF to fight against childhood obesity, raising EUR 1 million in donations. With this fund, we aim to educate more than 500,000 elementary school children in Latin America on the importance of having a healthy diet.

Another of our important partnerships is sponsorship of the Fenerbahçe Men's Basketball Team, which successfully represents our country in Europe. We believe that Beko brand awareness in target markets will gain significantly from the partnership with Fenerbahçe, one of the most successful teams of the Euroleague, a popular sporting event with live broadcasts in five continents. This partnership will also help us communicate our "Eat Like a Pro" project to wider audiences with Fenerbahçe players assuming the important role of brand ambassadors for the initiative both in Turkey and abroad.

We are leading the way in the fight against food waste and instigating important projects to raise public awareness by embracing the philosophy of "Respect Food" with our Grundig brand. As part of this philosophy, we continued to support the "Food For Soul" initiative led by Massimo Bottura, the famous chef that creates solutions to prevent food waste. Together with the Chef Mehmet Gürs, we used the "Feed your Soul" platform to spread awareness and increase understanding of the issue in Turkey.

Dear shareholders,

We aim to strengthen our core market activities, especially in the built-in and premium white goods segments, but also in small home appliances. We will seize opportunities for organic and inorganic growth in new markets and expand our product portfolio with smart and connected solutions without compromising on quality. We plan to implement digital transformation projects and make new investments in every field, taking our global impact to higher levels.

I would like to take this opportunity to express my gratitude and respect to our shareholders who have always supported us in reaching these goals, to our partners who share our common vision and goals, to our employees who rapidly adapt to changing conditions and add value to our company, and to our customers who show us their appreciation.

Hakan H. Bulgurlu
General Manager
Arçelik A.Ş.



MESSAGE FROM THE GENERAL MANAGER



CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Arçelik A.Ş.

1. Opinion

We have audited the annual report of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 30 January 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;



b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

Cihan Harman, SMMM
Partner

Istanbul, 21 February 2019



Sustainable Growth

“

Arçelik has achieved a net profit of TRY 856 million in 2018 thanks to its sustainability-focused corporate culture supported by a strong financial structure, driven by technology, quality and social purpose.

”

FINANCIAL STATEMENT SUMMARY 2018

- Consolidated net sales revenue of **2018** has reached TRY **26,904** million, corresponding to an increase of **29.1%** as compared to 2017.
- Consolidated activity profit of the year **2018** has been TRY **2,107** million, and net profit has been TRY **856** million.
- 69%** of consolidated sales in **2018** were generated by international sales.
- The consolidated capacity utilization ratio for **2018** was **73.4%**.

Operating Profit (*)

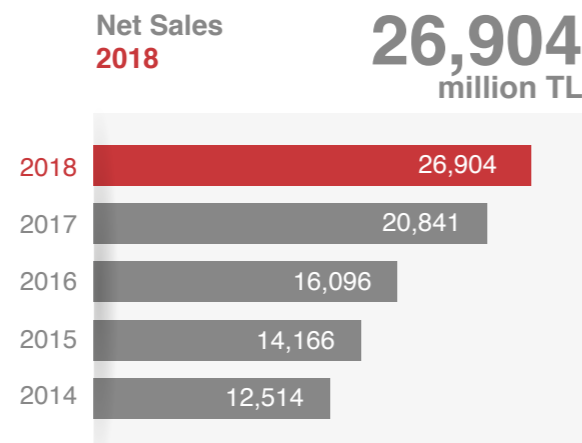
2,107
million TL

Net Profit

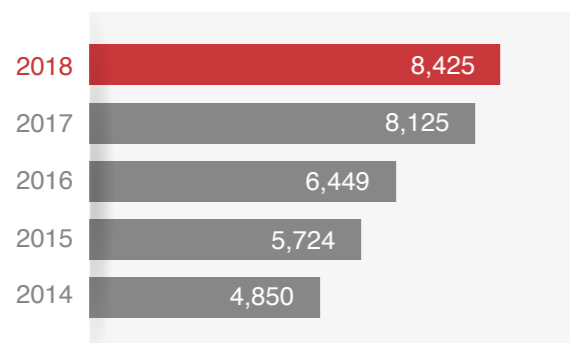
856
million TL

Net Sales

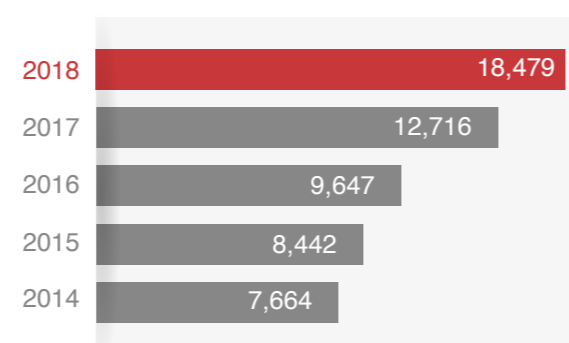
26,904
million TL



Net Sales - Turkey 2018



Net Sales - International 2018

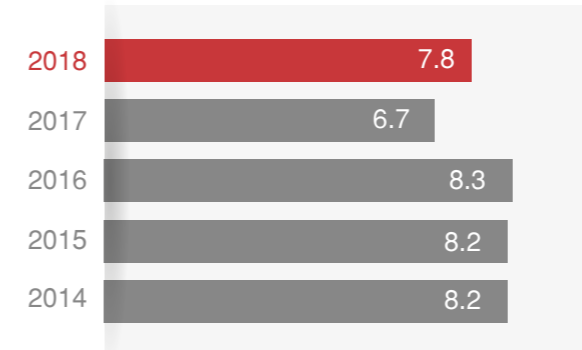


FINANCIAL INDICATORS

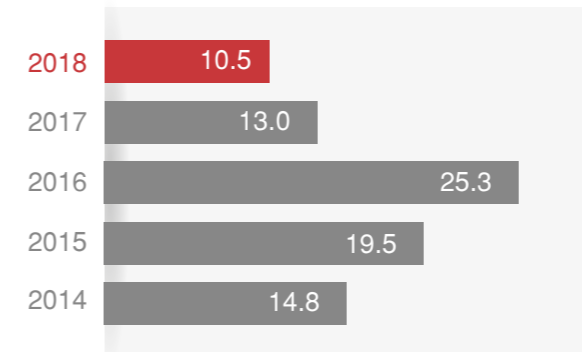
Gross Profit Margin* (%)



Operating Profit Margin* (%)



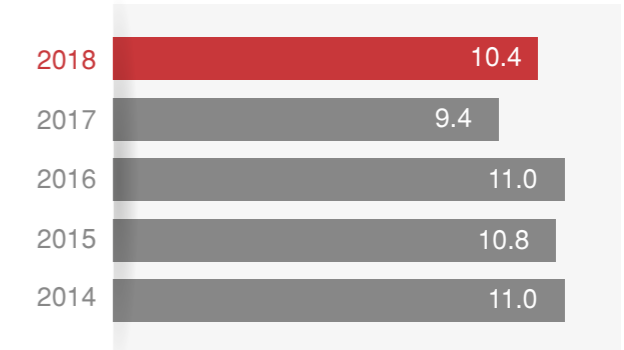
Return on Equity



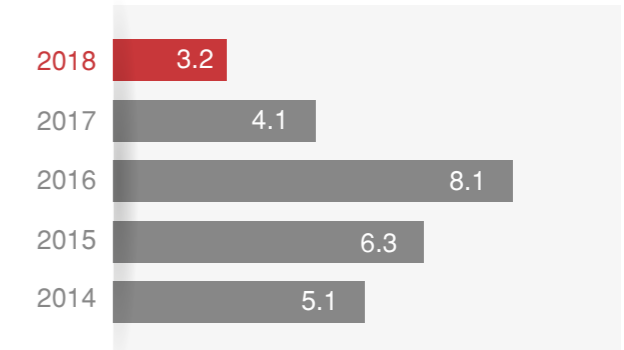
Net Sales by Product Group EUR Million



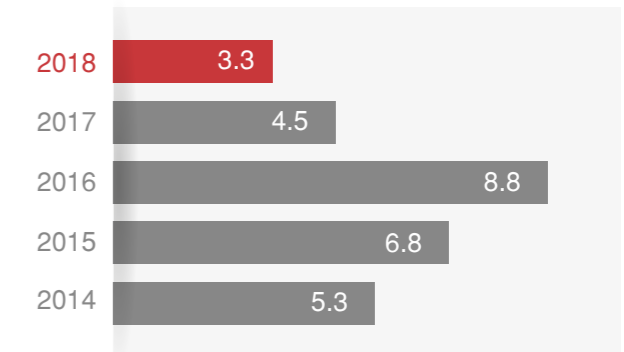
Earnings Before Interest, Tax, Depreciation and Amortization* (%)



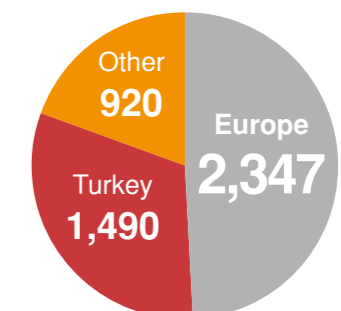
Net Profit Margin



Return on Assets



Regional Distribution of Net Sales EUR Million



(*) Operating profit was calculated by deducting the impact of dividend income from foreign exchange rate incomes and expenses resulting from trade receivables and payables, delay interest incomes and expenses and advance payment discount, affiliate sales profits and financial assets ready to sell; and adding incomes and expenses from fixed asset sales in order to maintain consistency with the presentation of previous term.

(*) Operating profit margin and EBITDA margin were calculated by deducting the impact of dividend income from foreign exchange rate incomes and expenses resulting from trade receivables and payables, delay interest incomes and expenses and advance payment discount, affiliate sales profits and financial assets ready to sell; and adding incomes and expenses from fixed asset sales in order to maintain consistency with the presentation of previous term.

FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW

EUR Million	2018	2017	2016	2015	2014
INCOME STATEMENT					
Net sales	4,757	5,063	4,819	4,692	4,307
Gross profit	1,511	1,581	1,599	1,502	1,369
Operating profit	373	341	398	383	352
Profit before tax	168	199	360	260	252
Net profit	151	205	390	296	220
Depreciation and redemption	122	133	131	122	119
BALANCE SHEET					
Year-end cash and cash equivalent	886	572	658	682	575
Inventory	844	837	744	673	753
Current assets	3,184	2,990	2,961	2,960	3,003
Tangible assets	752	723	741	647	643
Total assets	4,706	4,526	4,558	4,324	4,394
Total short-term liabilities	2,073	1,861	1,781	1,648	1,571
Total liabilities	3,343	2,994	2,939	2,852	2,835
Minority interest	6	8	7	6	15
Equities	1,363	1,531	1,619	1,471	1,559
CASH FLOW					
Net cash flow from operating activities	297	143	619	571	345
Net cash flow from investment activities	-315	-260	-299	-198	-145
Net cash flow before financial activities	-18	-117	320	372	200
Dividends paid	77	103	78	116	122
Capital expenditures	320	242	251	217	159
SHARE-BASED DATA					
Dividends (Euro)	0	0.156	0.188	0.128	0.178
Year-end share price (Euro)	2.62	4.73	5.74	4.40	5.32
Price-earning ratio	12.52	17.26	11.02	10.59	16.43
Dividends/net profit (%)	0	51.6	32.7	29.4	56.7
Year-end market value	1,770	3,198	3,861	2,971	3,593
PERSONNEL INFORMATION					
Number of employees	29,530	28,103	29,551	26,337	24,876
Blue collar	22,658	21,447	24,048	21,760	20,517
White collar	6,872	6,656	5,503	4,577	4,359

SHAREHOLDERS

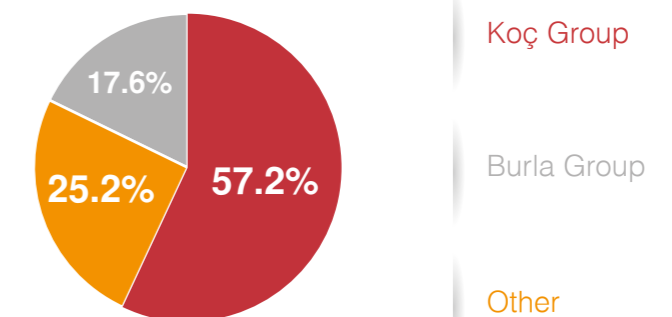
According to the financial statements for the term 01.01.2017 – 31.12.2017, dividend distribution started as of 26.03.2018 pursuant to decision of the Ordinary General Assembly of Shareholders convened on 19.03.2018. The cash dividends totaling to TRY 435,000,000 are allocated from current year incomes and extraordinary reserves.

As of 2018, the fully paid-up issued capital of the Company was TRY 675,728,205, which is divided into 67,572,820,500 registered shares, each with a nominal value of 1 Kuruş. The registered capital of the company is TRY 1,500,000,000.

There are no preference shares. Each share with a nominal value of 1 Kuruş is entitled to one vote in the General Assembly.

Shareholders	Amount of shares (TL)	Share percentage (%)
Koç Holding A.Ş.	273,742,027	40.5
Koç Group, Other	113,026,127	16.7
Koç Group, Total	386,768,154	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428,337	12.0
Burla Ticaret ve Yatırım A.Ş.	37,571,663	5.6
Other Shareholders	169,960,051	25.2
TOTAL	675,728,205	100.0

Shareholders have not made any transactions through non-public shares in 2018.



(*) Operating profit was calculated by deducting the impact of foreign exchange rate gains and losses from trade receivables and payables, credit finance income and charges, and cash discount expense, and adding incomes and expenses from fixed asset sales in order to maintain consistency with the presentation of previous term.

DIVIDENDS PAID

The amount of dividends paid over the revenues from 2013 to 2017, the distributable profit as of the concerning years and their ratio to the capital are as follows.

Dividend Payment Year	Issued Capital (TRY Thousand)	Dividends Paid (TRY Thousand)	Gross Dividend of per Nominal Share of TRY 1 (TRY)	Dividend Ratio (%)	Earnings per Nominal Share of TRY 1 (TRY)
2013	675,728	300,000	0.44396	44.4	0.885
2014	675,728	350,000	0.51796	51.8	0.913
2015	675,728	262,000	0.38773	38.8	1.319
2016	675,728	425,000	0.62895	62.9	1.924
2017	675,728	435,000	0.64375	64.4	1.247

Ratio of Dividend to Capital Over the Years

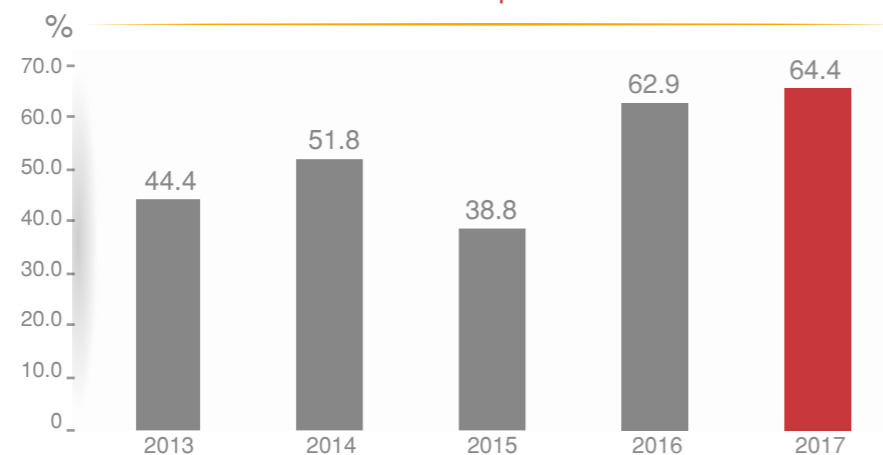
Dividend Distribution Policy for 2013 and following years: "Our Company exercises dividend distribution pursuant to the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations as well as the provisions of our Articles of Association related to distribution of dividends. The distribution of dividends is based on a balanced and consistent policy between shareholders and corporate interests in accordance with Corporate Governance Principles.

As a principle, 50% of the distributable term profit (calculated as per the Capital Market Regulations) is distributed in the form of cash and/or bonus shares to the extent allowed by the relevant regulations and financial facilities as long as they have provisions in the existing resources specified in our legal records on the basis of market expectations, long-term Corporate strategy, investment and finance policies, profitability and cash position.

The purpose is to distribute dividends within maximum one month after the General Assembly meeting, which also decides on the date of distribution of dividends. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations.

The Articles of Association of the Company states that "The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations".

Ratio of Dividend to Capital Over the Years



SHARE PERFORMANCE

Company shares are traded in IMKB and Borsa Istanbul since January 1986. The last 5-year performance of shares in the stock exchange is summarized in the following table.

Share Data	2018	2017	2016	2015	2014
Lowest price (TRY) (*)	11.83	18.61	12.60	12.18	9.27
Highest price (TRY) (*)	21.04	26.27	20.89	15.35	13.80
End-of-year price (TRY) (*)	15.79	20.77	19.89	12.84	13.31
End-of-year price (TRY)	15.79	21.52	21.20	13.97	15.00
Issued capital (TRY thousand)	675,728	675,728	675,728	675,728	675,728
Market Value (TRY thousand)	10,669,748	14,541,671	14,325,438	9,439,923	10,135,923
Market Value (USD thousand)	2,020,403	3,816,311	4,056,129	3,246,637	4,371,005

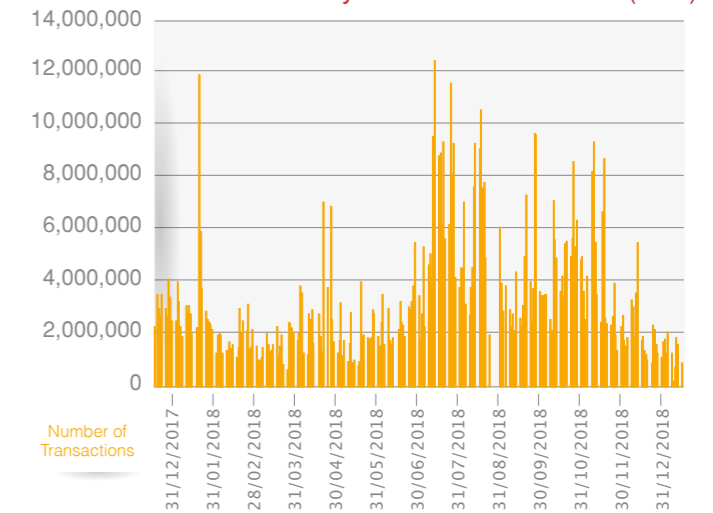
(*) Corrected to capital.

The following graphic shows the share performance from 01.01.2018 to 31.12.2018. Accordingly, the share price of the Company decreased by 24% with respect to the end of the previous year and the BIST 100 Index decreased by 21%.

Relative Performance (Start =1)



Number of Daily Transactions in 2018 (Lots)



The daily average transaction volume of company shares in 2018 was 3,308 lots. As of the end of 2018, approximately 69.8% of the shares of the Company that are traded at Borsa Istanbul are retained by foreign investors.

Following is the list of Borsa Istanbul indexes that feature the Company as of the end of 2018. For the purposes of index calculations, the retainment rate is 25% and share weight in BIST 100 is 1,2889%.

Arçelik A.Ş. is listed in BIST Star, BIST 30, BIST 50, BIST 100, BIST All, BIST Corporate Governance, BIST Sustainability, BIST Dividends, BIST Industrial, BIST Metal Goods, Machinery, BIST Istanbul Indexes.

As a result of the revision made by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., the first corporate governance rating of our company, which was made public through the disclosure of material events as of 30.07.2009, was increased

from 8.21 out of 10 (82.09%) on 30.07.2009, to 8.55 out of 10 (85.53%) on 30.07.2010, to 8.59 out of 10 (85.91%) on 01.08.2011, to 9.11 out of 10 (91.07%) on 30.07.2012, to 9.28 out of 10 (92.80%) on 29.07.2013, to 9.41 out of 10 (94.11%) on 23.07.2014, to 9.48 out of 10 (94.80%) on 22.07.2015, to 9.52 out of 10 (95.23%) on 22.07.2016, to 9.52 out of 10 (95.23%) on 21.07.2017 and to 9.53 out of 10 (95.35%) on 22.07.2018.

The Company has been included in İMKB Corporate Governance Index since 31.07.2009.

"BIST Sustainability Index" features companies that are traded in Borsa Istanbul and that demonstrate top performance in terms of corporate sustainability and the index has been calculated since 04.11.2014 and now includes Arçelik A.Ş.

RISK MANAGEMENT

Risk Management and Risk Management Committee Activities

The Board of Directors establishes and in certain periods, reviews the risk management and internal control systems regarding the identification and minimization of the impacts and probabilities of risks that may affect the Company's stakeholders, especially those of the shareholders.

With the decision taken by Arçelik A.Ş. Board of Directors at the meeting on 16.07.2010 for the purpose of ensuring efficient operation of committees within the body of Board of Directors in accordance with Article 378 of Turkish Trade Law number 6102 ad Corporate Governance Communiqué of Capital Market Board; a Risk Management Committee was formed in order to carry out activities for early identification of risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. This committee is chaired by K. Kaynak Küçükpınar, Independent Member of the Board of Directors. Other member of the committee is Fatih K. Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of risks which may affect the company, determination of their impacts and probabilities, managing and reporting these risks in accordance with the company's risk appetite, taking actions for mitigating the impacts and probabilities of risks and establishing effective internal control systems. In this context, the Risk Management Committee held 6 meetings in 2018. Enterprise Risk Management Directorate under the Assistant General Manager of Finance and Accounting uses the risk management systems to manage, coordinate and supervise the financial, strategic, operational, compliance and external risks which may affect the Company and reports them to the Risk Management Committee. Enterprise Risk Management Directorate reports to Risk Management Committee. Internal Audit Department provides information to Audit Committee. Therefore, both units are functionally independent.

Internal Control System and Internal Audit

Internal Audit Department, which is formed under the Assistant General Manager of Finance and Accounting for the purpose of healthy execution of internal control mechanism, reports information to the Audit Committee at the meetings held during the year. The committee constantly supervises the execution and effectiveness of the system and presents issues and suggested solutions regarding the risk management and internal control mechanism to Board of Directors when required.

Enterprise Risk Management

Arçelik A.Ş. Enterprise Risk Management operates on the framework of ensuring harmonization between company risks and corporate goals and strategies; and matches strategies and goals with risks. In this process, the best global practices are taken into consideration, such as the ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management - Integrated Framework. All the identified risks are prioritized and the risks to be focused on are determined, and then risk management is applied on every level of functions and operations. Risk awareness of all employees is increased within the scope of risk management activities that impact the performance evaluation process of risk owners, and they are encouraged to suggest on potential risk topics through risk proposal system. In consideration of environmental, social and governance risks, Enterprise Risk Management looks after climate change, occupational health and safety and spreading the company culture to all employees and participates in projects by regularly exchanging information with the relevant units of the Company for the follow-up of the said risks. Enterprise Risk Management develops practices that create new values for the Company and stakeholders; consider opportunities as well as risks; carry out gap analysis on the basis of risk appetite of the Board and Senior Management. Enterprise Risk Management process is implemented in integration with all business processes in all production facilities, headquarters units and foreign subsidiaries of the Company.

Risk Coordination and Supervision

Global risk coordination and supervision of Arçelik A.Ş. and group companies are carried out by Enterprise Risk Management Directorate under the Assistant General Manager of Finance and Accounting.

Arçelik A.Ş. risk management organization is displayed in the table below:



Functional Risk Management

Senior Management level directors and country managers are responsible for the management of risks associated with their organizations or execution of tasks assigned to their organizations for the mitigation of risks associated with other organizations.

Training

Senior Management level directors, country managers of group companies and risk owners in all organizations are trained in terms of enterprise risk management in order to generalize risk culture and awareness within the organization.

Enterprise Risk Management Systems

Risks at Arçelik A.Ş. are defined and prioritized in 5 main categories: financial, strategic, operational, compliance and external. Using the risk management software, the root-causes are identified of risks that are matched with the Company strategies and objectives, their impact and probability analysis are conducted and actions mitigating the impact and probability of the risks are determined and reviewed in accordance with such analysis. All activities related to risks and risk management are reported periodically to Risk Management Committee. Senior Management monitors evaluations on prioritized risks and important actions taken. Risks that are specially monitored within the scope of Enterprise Risk Management Program and actions taken in 2018 are summarized below:

RISK MANAGEMENT

Global Prominent Risks

Emerging risks are monitored proactively, their potential long-term impact on the Company is evaluated, and Senior Management and Risk Management Committee are informed on the subject. In this context, climate-change risks stand out in terms of both impact and probability. Also, the introduction of new technologies in production with the spread of Industry 4.0 and IOT and the cyber-attack and information-security risks caused by increase in the number of connected devices stand out as globally emerging risks. Energy effectiveness, nanotechnology and emission plan programs are developed in order to manage climate change risks, which are among the emerging global risks. In addition, we actively participate in international organizations and events related to climate change. To prevent loss of reputation, income, market share or brand value due to risks of cyber-attacks and information security; measures are taken at all levels of information technologies and operational processes, projects are carried out, strategic cyber security collaborations are established, information security awareness trainings are organized and periodical tests/checks are implemented.

Cyber Risk Management

The cyber risk profile of Arçelik A.Ş. is determined to continue studies on broadening the scope of the cyber risk insurance and global developments are tracked accordingly under the current risk control strategies and the project being carried out to transfer/mitigate cyber risk.

Personal Data Protection

The necessary studies were performed with the participation of both Headquarter and all the relevant business units in the affiliates for compliance with the General Data Protection Regulation (GDPR) enacted in the European Economic Area (EEA). As part of the project, taking into account the local regulations it was ensured that all the obligations imposed by the legislation were fulfilled, particularly on processing, storage and security of personal data throughout the company.

Business Continuity Management

Studies were continued to spread the Business Continuity Management Project in accordance with ISO 22301 standard, which is conducted to ensure that Headquarter and initially selected production facilities and affiliate locations can maintain their products and services at an acceptable level following an interruption. In this context, it was ensured that Crisis Management and Business Recovery Plans were established at other locations and the Emergency Action Plans were revised. Project is aimed at swift and effective management of unexpected business interruptions and crises; and ensuring business continuity by eliminating impacts of real events on Company production facilities, operations, finances, reputation and stakeholders. In this context, we aim at using resources effectively and timely in addition to effective internal and external stakeholder communications in the event of a crisis.

Insurance Management

Insurance Management is responsible for evaluating and managing potential operational risks exposed/to be exposed. Insurance management process basically consists of the processes for detecting operational risks, measuring, evaluating, monitoring, mitigating by controlling and reporting them. The Group's insurance and operational activities are monitored as per the predefined rules and transferable risks are transferred to local and international insurance companies. Insurance Policies are in place in various lines in insurance to cover any losses to be incurred in case risks are realized. Modeling studies are taking place to ensure that the best risk transfer methods applicable as per local and international regulations are used and to obtain policies that offer the best possible coverage for operational risks. Insurance perils and coverages are revised based on changing and developing conditions of Arçelik A.Ş. and more effective use of the company resources is ensured. As part of the operational risk management, commercial contracts signed by the Group (such as sales & distributorship and purchase) are revised on the basis of liabilities and indemnification conditions in order to obtain the necessary insurance coverage. Digital transformation project is being implemented and various trainings are delivered with regards to risks and insurance processes in order to monitor and report operational risks.

Risks on Receivables

Risks on consolidated receivables at Arçelik A.Ş. and group companies are managed in the context of the Global Risk Management Policies and reported to committees formed by the top management of the company, and evaluated and approved in accordance with the relevant methodology within the scope of Management of Risks on International Receivables.

Receivables on local sales are monitored through coverage sufficiency, periodical risk monitoring reports and intelligence unit reports, and regularly evaluated by committees.

Trade Receivables Insurances are used to prevent potential damages from provisions of international and local receivables and furthermore, other security instruments are also utilized such as letters of credit, liens and letters of guarantee. Risks scores are calculated on a customer basis and can be tracked on a consolidated basis in the Company's ERP system to support comprehensive analysis of risks on outstanding receivables.

Product Safety Risk

Products are regularly reviewed by the Product Safety Department in order to eliminate risks associated with product life cycle before they occur prior to introduction of products. Design, quality, production and supply processes are evaluated and inspected with regards to product safety. The purpose of this is to trigger improvement on products and processes.

Financial Risks

Following principles are applied to the management of financial risks that are divided into three categories, namely Liquidity Risk, Interest Risk and Foreign Exchange Risk.

Liquidity Risk

At Arçelik A.Ş. liquidity management is based on coherence between the balance sheet and cash flow. Short-term liquidity management is performed by ensuring coherence between the duration of receivables and payables and by effective stock management, and it is ensured that The Company maintains a calculated level of cash on its balance sheet to mitigate any nonpayment risk that may occur. For mid- and long-term liquidity, the duration of the debt portfolio is kept above a certain term through various financial resources based on market and industry dynamics. Liquidity management is performed centrally and the cash of the Group is utilized in the most suitable manner within the Group's international cash pooling system. This pool also serves as an instrument to meet the short-term cash needs of the subsidiaries.

Interest Risk

Fluctuations in the interest rates constitute a significant risk in terms of financial results due to the interest-bearing assets and liabilities on the Company balance sheet. This risk is managed by establishing a balance between the quantities and terms of fixed and variable interest rate- items or by using financial interest rate derivative tools when necessary.

In this context, we attach importance to ensuring coherence between not only the final maturities of receivables and payables but also the relevant interest rate periods.

Foreign Exchange Risk

Arçelik A.Ş. is subject to a significant foreign exchange risk due to its production and sales activities through various currencies across many countries. Trade relations within the Group are based on the functional currencies of the subsidiaries in order to minimize the exchange risk at subsidiary level.

Exchange risk is managed centrally. The main principle of the Company's foreign currency risk management is to maintain a near-zero exposure so as minimize the impact from the fluctuations in foreign exchange rates. Foreign exchange position estimates for upcoming periods are reported by the subsidiaries on a monthly basis and the expected risk on the balance sheet is hedged by the central Treasury Management using both on-balance sheet and derivative instruments.

Credit Rating

Arçelik A.Ş. has been rated by Fitch Ratings since 2006, and S&P Global Ratings since 2013. In 2018, following the annual review meetings and some stress tests applied due to the cut in the country rating of Republic of Turkey within the year, both institutions confirmed the credit rating of our Company as BB+ due to its well diversified geographical and operational risks and its strong cash structure.



The Target Market; the Globe

“

Arçelik, empowered by its experience and know-how of many years, develops outstanding products and services that meet consumer expectations, considering the principle of continuous development. Arçelik, with the responsibility of being a global company, continues its sustainable growth and contributes to Turkey's goal of producing value-added products.

”

BRANDS



As the leading brand of home technologies in Turkey, Arçelik offers innovative products and services for customers by combining latest technology with the best designs. With the widest service and sales network of Turkey, Arçelik is also proud to be selected as the Lovemark for the last 11 years in addition to being the most preferred brand by the consumers.



Operating in more than 140 countries, Beko offers comfort to consumers since 1955 with its innovative products and understanding of perfect service. As the leader of the solo white goods market in Europe and the leader of the overall white goods market in the UK and Poland, Beko is a global brand that facilitates life through its solo and built-in white goods, small home appliances, air-conditioning and electronic products in Turkey.



Altus, is the brand of those who wish to meet their durable consuming requirements in an economic way.



Blomberg is a 135-year-old long-established brand with a range of solo products and built-in white goods. Bringing technology, ease of use and environment-friendly features with an aesthetic understanding of design; the brand offers its products to its consumers with the slogan of "In Harmony with You".



Leisure, the traditional brand of the British freestanding cookers market, offers gas and/or electrical range cookers and built-in appliances with traditional and contemporary designs.



Elektrabregenz is a well-established brand of Austria with a history dating back to 126 years.



Being the oldest and most recognized brand of Romania, Arctic is also the leader of white goods market. Arctic has succeeded to be the first choice of consumers in Romania for generations, and has a very successful history.



Flavel, one of the best-known white goods brand of Britain and Ireland, has a low-cost portfolio of solo and built-in products.



Grundig has been manufacturing high quality, innovative, aesthetic and sustainable products for the purpose of improving the pleasure of consumers since 1945. Grundig offers an excellent product and service experience to consumers through a wide product portfolio from white goods to consumer electronics, small home appliances to personal care products and sound systems.



Defy, is the leading brand of home appliances market in South Africa.

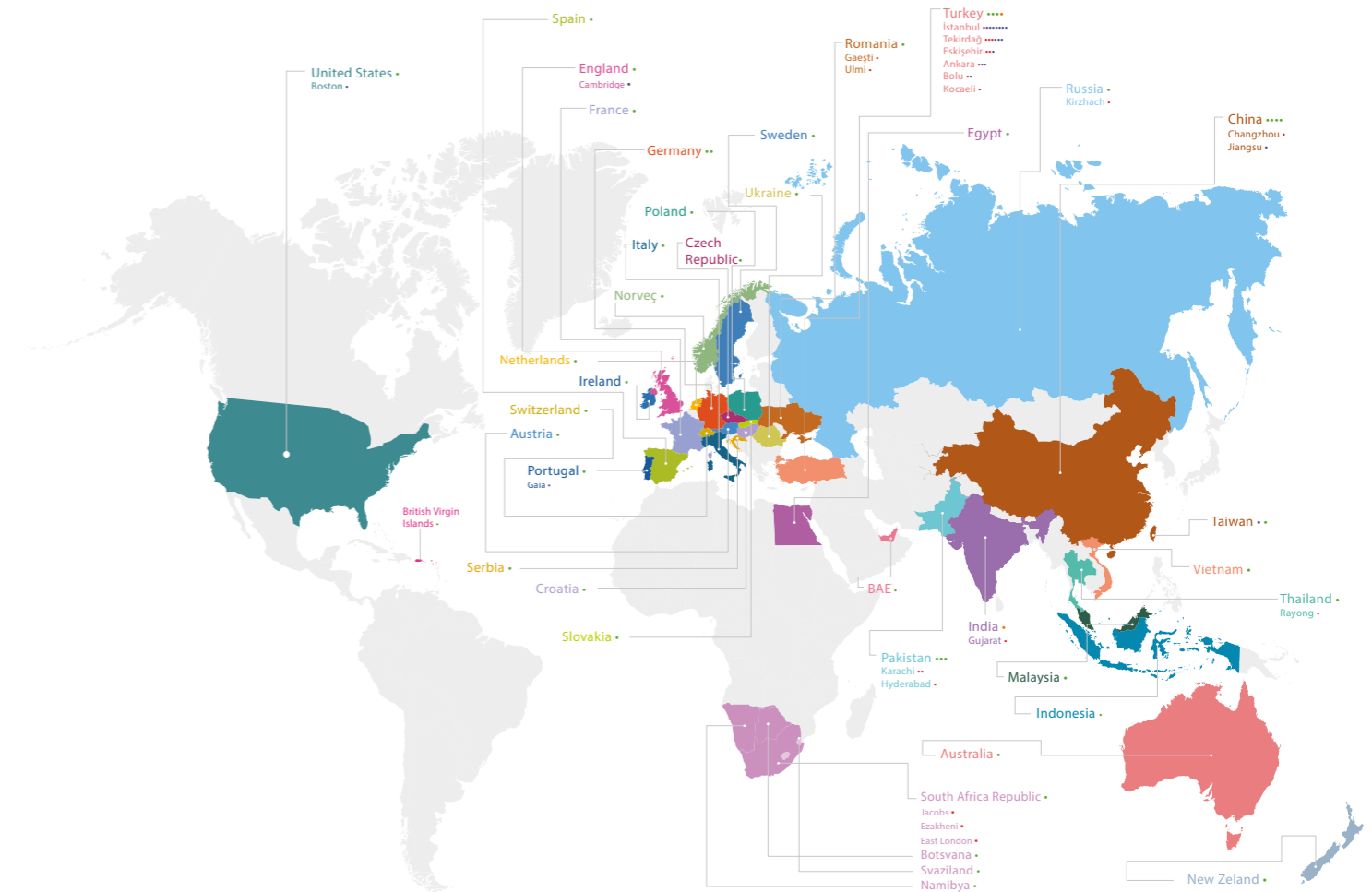


Being the leader brand of Pakistan home appliances market, Dawlance focuses on providing "reliable" solutions to consumers since day one.



Voltbek Home Appliances, established in partnership with Voltas, of which India's largest group of companies Tata is the principal shareholder, offers a wide range of home appliances under the Voltas Beko brand in the Indian market, from refrigerators to washing machines, microwave ovens to dishwashers.

GLOBAL OPERATIONAL NETWORK



- Production Plants**
 1. Refrigerator Plant – Eskisehir, Turkey
 2. Compressor Plant – Eskisehir, Turkey
 3. Cooking Appliances Plant – Bolu, Turkey
 4. Dishwasher Plant – Ankara, Turkey
 5. Washing Machine Plant – Istanbul, Turkey
 6. Electronics Plant – Tekirdag, Turkey
 7. Tumble Dryer Plant – Tekirdag, Turkey
 8. Electric Motor Plant – Tekirdag, Turkey
 9. Arctic Refrigerating Appliances Plant – Gaesti, Romania
 10. Washing Machine Plant – Ulmi, Romania
 11. Refrigerator and Washing Machine Plant – Kirzhach, Russia
 12. Refrigerator Plant – East London, S. Africa
 13. Cooking Appliances, Tumble Dryer and Washing Machine Plant – Jacobs, S. Africa
 14. Refrigerating Appliances Plant - Ezakheni, S. Africa
 15. Washing Machine Plant – Changzhou, China
 16. Refrigerator Plant – Rayong, Thailand
 17. Refrigerator Plant – Hyderabad, Pakistan
 18. Washing Machine and Refrigerator Plant – Karachi, Pakistan
 19. Cooking Appliances and A/C Plant – Karachi, Pakistan
 20. Voltbek Refrigerator Plant – Gujarat, India *
 21. Arçelik-LG A/C Plant – Kocaeli, Turkey*
- R&D Centers**
 1. R&D Directorate- Istanbul, Turkey
 2. Refrigerator and Compressor Plant-Eskisehir, Turkey
 3. Washing Machine Plant – Istanbul, Turkey
 4. Tumble Dryer Plant – Tekirdag, Turkey
 5. Cooking Appliances Plant – Bolu, Turkey
 6. Dishwasher Plant – Ankara, Turkey
 7. Electronics Plant – Tekirdag, Turkey
 8. ODTU Teknokent – Ankara, Turkey
 9. ITU Ari Teknokent – Istanbul, Turkey
 10. Design Center – Istanbul, Turkey
 11. Beylikduzu R&D Center – Istanbul, Turkey
 12. Small Home Appliances R&D Center – Istanbul, Turkey
 13. WAT Motor R&D Center - Tekirdag, Turkey
 14. TOKEN Financial Technologies R&D Center – Istanbul, Turkey
 15. Technology Management and Scouting Center – Boston, USA
 16. CoVii Computer Vision Digital Image Processing Application Center-Gaia, Portugal
 17. Smart Product Technologies, Enhanced Materials Advanced Production Center – Cambridge, Britain
 18. Beko Wuxi R&D Center- Jiangsu, China
 19. Electronic and Optic Applications Center – Taiwan
- Subsidiaries and Branches**
 1. Arçelik Pazarlama A.Ş.- Turkey
 2. Wat Motor San. ve Tic. A.Ş.- Turkey
 3. Token Finansal Teknolojiler A.Ş.- Turkey
 4. Ardutch B.V.- Netherlands
 5. Ardutch B.V. Taiwan
 6. Arch R&D Co. Ltd.- China
 7. Beko A&NZ Pty Ltd.- Australia, New Zealand
 8. Beko Appliances Malaysia Sdn. Bhd.- Malesia
 9. Beko Appliances Indonesia, PT- Indonesia
 10. Beko Balkans D.O.O - Serbia
 11. Beko Deutschland GmbH- Germany
 12. Beko Egypt Trading LLC- Egypt
 13. Beko Electronics España S.L.- Spain
 14. Beko France S.A.S.- France
 15. Beko Gulf FZE- United Arab Emirates
 16. Beko Hong Kong Ltd.- Hong Kong, China
 17. Beko Italy SRL- Italy
 18. Beko LLC.- Russia
 19. Beko Plc.- UK, Republic of Ireland
 20. Beko Slovakia S.R.O.- Slovakia
 21. Beko S.A.- Poland, Czechia
 22. Beko Shanghai Trading Company Ltd.- China
 23. Beko Thai Co.- Thailand
 24. Beko Ukraine LLC.- Ukraine
 25. Beko US INC.- USA
 26. Changzhou Beko Electrical Appliances Co. Ltd.- China
 27. Computer Vision Interaction S.A.- Portugal
 28. Dawlance Electronics (Pvt.) Ltd.- Pakistan
 29. Dawlance (Private) Ltd.- Pakistan
 30. Defy Appliances (Proprietary) Ltd.- Republic of South Africa
 31. Defy (Botswana)(Proprietary) Ltd.- Botswana
 32. Defy (Namibia)(Proprietary)Ltd.- Namibia
 33. Defy (Swaziland) (Proprietary)Ltd.- Swaziland
 34. Elektra Bregenz AG- Austria
 35. Grundig Multimedia A.G.- Switzerland
 36. Grundig Multimedia B.V.- Netherlands
 37. Grundig Intermedia GmbH Germany, Croatia
 38. Grundig Nordic No AS- Norway
 39. Grundig Nordic AB- Sweden
 40. SC Arctic SA- Romania
 41. United Refrigeration Industries Ltd.- Pakistan
 42. Pan Asia Private Equity Ltd.- British Virgin Islands
 43. Vietbeko Limited Liability Company- Vietnam
- Associates and Joint Ventures**
 1. Arçelik-LG Klima Sanayi ve Ticaret A.Ş.- Turkey
 2. VoltBek Home Appliances Private Limited- India

* A plant of an associate or joint venture.

INTERNATIONAL MARKETS

THE TARGET MARKET;
THE GLOBE

The **2nd** largest white goods company of **Europe** according to market share ranking based on quantity

Leader in Turkey with a market share of almost **50%** in the white goods market and almost **51%** in the air-conditioner market

2nd largest actor in TV with a market share of approximately **25%**

Recognized as Lovemark again in 2018, Arçelik became the most preferred **white goods brand of Turkey** for the **11th** time

Global brand Beko: **2nd** in the overall white goods market of **Europe**, **1st** in the solo white goods market of the UK and Poland, **1st** in the solo white goods market of France

Market leader in Romania with Arctic, South Africa with Defy and Pakistan with Dawlance brands

White Goods

As of 2018, global white goods market is estimated to have reached 535 million units with a growth of 1.5% on unit basis and USD 213 billion with a growth of 8% on a turnover basis.

For Europe, the white goods market has grown by approximately 1% in terms of units when compared to previous year. The white goods market in Western Europe shrank by approximately 1% with the impact of the shrink in the markets of Britain, Germany and France. The market shrunk by 3% in Britain where the Brexit uncertainty continues and by 2% in Germany, which has the largest market in the region.

In contrast with Western Europe, the Eastern European market achieved a positive performance in 2018 and had a growth of approximately 8%. The growth was higher than 10% in Russia, the largest market of the region and 4% in Poland, the second largest market of the region. Growth was approximately 2% in Romania and reached 13% in Ukraine.

Having given signals of slowdown in the second half of the year, the South African white goods market has grown by approximately 5% on an annual basis.

Arçelik was the number-three white goods manufacturer in Europe, maintained its leading position in Turkey as well as an undisputed market leadership with Arctic in Romania, Defy in South Africa and Dawlance in Pakistan. Beko is the leader in the European solo white goods market, the second biggest brand in overall European white goods market, and the leader in the UK and Poland.

Arçelik achieved a growth of approximately 4% in the European and MENA regions, which are among its largest markets. Profitability also increased in addition to such growth. The number of sales and marketing offices around the globe reached 35 with the Beko Gulf FZE sales company established in the United Arab Emirates.

Arçelik continued its growth in the Asia-Pacific region and the turnover in the region achieved a growth of 30% with respect to the previous year in terms of USD. The turnover in Pakistan achieved a growth of 10% in terms of the local currency with the brand Dawlance. Sales were initiated in the promising Indian market with Voltas Beko brand products.

The Defy brand, which made Arçelik achieve a significant position in Sub-Saharan African markets, continued its successful performance with an annual sale of 1.5 million white goods in 34 African countries. As the sole European white goods producer and the largest Turkish investment operating extensively in the region, Arçelik is continuously increasing its resources allocated to the region.

Grundig, the sole German-origin brand of Arçelik offering high-quality products in all categories of home electronics, achieved a 29% growth in 2018.

Consumer Electronics

The global TV market reached 240 million units with a 2.7% growth in 2018 and reached a turnover of USD 113 billion. New technologies such as Ultra HD and OLED got more widespread in developed markets in 2018 and growth in terms of units occurred mostly in the developing markets. OLED TVs offering real-like display constitute 9.2% of the European market in terms of value. Arçelik launched Europe's first Alexa Built-in OLED TV with its Grundig brand. Arçelik doubled its Ultra HD sales ratio to around 35% in the European market with its product range and sales channel structure, which it strengthened in accordance with the needs of the market. It ranked as 3rd by reaching a market share of 14.6% in the Croatian market with the Grundig brand.

The sound systems market grew by 7% in terms of turnover in 2018 to reach USD 14.7 billion. Although wireless speakers had a major part in the said growth, growth is expected to continue at a similar ratio until 2021. With the Grundig brand Arçelik is extending its field of operation both geographically and to various products. The brand perception of Grundig strengthened in the innovation focus with new products such as DTR6000 and Music 6000 introduced in 2018. With the high-quality and innovative products it offers to consumers, Grundig became one of the major actors in Germany which has the largest consumer electronics market of Europe, and also creates a sphere of operation in various countries of the continent.



Small Home Appliances

Arçelik has increased the number of countries of operation, its sphere of impact in the countries of presence and its product range in the field of small home appliances in 2018, and continued with determined steps towards its objective of becoming one of the biggest players in the market in the light of its policy to add value to lives of more people.

Focusing on sustainability and profitable growth, Arçelik achieved growth particularly in alternative channels in parallel with its main strategy the Turkish market in 2018. Grundig was the brand that provided the highest support to the said growth with a value increase of 48%. 12% growth was achieved in terms of Euro in international markets in the Small Home Appliances category. Operational profit was increased by +1 point in 2018.

The main categories that shaped growth globally were cordless vertical vacuum cleaners in parallel with the developments in battery technologies, robot vacuum cleaners, next-generation deep fryers following the trend for healthy life, over-the-counter high-speed blenders, air cleaner and air-conditioner products and water distiller devices in parallel with intensification of life in metropolitan cities and fully-automatic espresso machines in accordance with the expectation for a professional coffee experience at home. In this context, Arçelik completed the cordless vertical vacuum cleaner range in all segments in 2018 and with new products to be introduced in the next 3 years, is already ready for this category that achieved the highest growth. Arçelik showed active presence in all the markets in 2018 by introducing its product range consisting of products such as high-power blenders, blenders with vacuum technology and soup makers under its "Eat Like a Pro" communication, which supports the trend for healthy life and constitutes the basis of the Beko global brand. In 2018 Arçelik also offered its bean-to-cup espresso machines to global markets and particularly to Europe and achieved 3% market share in 1 year in a single company by being rated as successful by third party institutions even in challenging markets such as France.

INTERNATIONAL MARKETS

**Beko**

Continuing its activities since 1955 with the principle of being a partner that facilitates the daily lives of consumers, Beko is currently operating in more than 140 countries. Structuring its road map based on an understanding of offering perfect products and services to consumers, Beko puts consumers and innovation to the focus of all its operations. Beko continues its operations as the number one solo white goods brand in 27 countries in Europe including Turkey.

Under the vision of “Respects the Globe, Respected Globally”, Beko has adopted the mission of ensuring a healthy life for the new generations. This mission also constitutes the basis for all the works of Beko.

Beko also carried out many activities to strengthen its brand through the 360-degree global communication of its Eat Like A Pro initiative in 2018. Beko also established a global partnership with UNICEF to directly contribute to preventing childhood obesity. As part of this cooperation Beko created programs to benefit more than 500,000 children with UNICEF in Latin America, where 23% of the children at primary school age are obese.

The first step of this partnership was taken in May 2018 at the El Clasico (FC Barcelona-Real Madrid), known as the largest local football match. Beko contributed to raising awareness about the initiative by replacing the Beko logo on the arms of the FC Barcelona jersey with the #EatLikeAPro. Promising to donate 1 million Euros to the campaign until the end of 2019, Beko had also announced that it would donate 1 Euro to UNICEF for each social media post containing the hashtag #EatLikeAPro in order to support the struggle against obesity. 1 million posts with the hashtag #EatLikeAPro were shared in just 11 days as part of the campaign.

Beko also introduced its Eat Like a Pro initiative to the visitors at the IFA 2018 fair, known as the largest consumer electronics fair in the world.

Arctic

One of the long-established brands of Romania, Arctic is the leader of white goods market. Preferred by every generation since its foundation, Arctic is known in the industry with the concepts of quality, trust and expertise.

Making a difference with the value-added services it offers to its customers, Romania's iconic brand Arctic is one of the first choices of consumers with its experience approaching half a century and wide product range. Arctic continued its works at full speed in 2018 to better respond to the expectations of the times and to consumer demands, and grow its current loyal customer portfolio. By upgrading all its projects, built-in, dishwasher and small home appliances categories it realized in this context, Arctic has designed its brand identity to renew it according to today's conditions in order to directly connect with modern technologies.

Emphasizing its deep-rooted history and the quality and long-lasting nature of its products in the “How it's made?” project developed with the Discovery channel, Arctic thus made positive contribution to future potential sales that will strengthen consumers' high-quality and technology producer brand perception. The communication mix consisted of the following channels: TV (Discovery & National Geographic channels) and on-line (Facebook, youtube, on-line amplification).

A built-in campaign was carried out to increase sales in the built-in segment and to upgrade the cooking segment by developing technology and product features. Emphasis was made in the mentioned built-in campaign to the concept of “The home heroes have their own helpers” which was developed on a dedicated digital platform and on radio with two separate contests. Additionally, seeking to offer its Optima Washing Machine to consumers in a more modern and technological environment, Arctic has carried works on a 30-second product video for customer locations, search-engine result page and renewal of the portfolio of photos used in all its digital communications. Adopting the concept of sustainability as a company philosophy, Arctic has made marketing collaboration with Enel, the most important energy supplier of Romania to draw attention to sustainability in electrical power consumption and to support efficient use of natural resources.

BIZ Magazine, one of the prestigious magazines in Romania, awarded Arctic as “One of Top 100 Brands of Romania” as a result of the brand positioning, uninterrupted service approach and an innovative product range.

INTERNATIONAL MARKETS

The Arctic Cooling Devices Factory is the largest refrigerator production facility in Continental Europe. 60 main products and 450 derivatives are manufactured at the facility. The plant is located in Gaesti and manufactures high technology and quality products in accordance with the company standards. Since 2002 when majority shares were acquired by Arçelik, Arctic has invested more than EUR 135 million on new technologies, modern production systems and higher production capacity in the refrigerator plant in Gaesti. This investment move resulted in an incremental increase in production capacity, making Arctic one of the biggest exporters of Romania. Currently, 83% of its production is exported to more than 80 countries. One of Romania's most significant companies with 2.3 billion Lei of turnover in 2018 and 3600 employees, Arctic has developed certain automation projects for the Refrigerator Factory. Positive contribution was thus made to the labor force and efficiency. In addition to all these, Arctic has launched the EVO product-group in order to better respond to customer needs which are getting more complicated. EVO, is a reflection of Arctic's mastery in design.

Arctic has also carried out infrastructure investments in 2018. Arctic has taken the first step to improve its administrative building as a result of data obtained from the earthquake risk research. The business plan required to obtain the Fire Safety Authorization was also prepared. These two large infrastructure projects shall be commissioned in 2021.

Arctic is the only industrial company of Romania that uses modern production systems such as Total Productive Maintenance and Six Sigma. Also, the first factory in Romania to receive the TPM Excellence Award, the Arctic factory was awarded the "Advanced Special Award for TPM Achievement" in 2018 at the TPM Awards given by the Japan Institute of Plant Maintenance (JIPM). The three other TPM awards in Arctic's portfolio are Award For Excellence - First Category (2006), Award For Excellence In Consistent TPM Commitment (2010), Special Award For TPM Achievement (2013).

Arctic plant has become the second international plant of Arçelik that received ISO 50001 certificate, taking its achievements in energy efficiency and management to a new level. The facility performance, monitored through daily comparison of theoretical and actual consumption values of natural resources such as electricity, water, natural gas and LPG, is continuously improved through efficiency projects conducted throughout the year. As a result of its works in the field of energy efficiency the facility became entitled to receive the "Siemens Platinum Certificate" in the category of 'Energy Saving Green Facilities' in 2013.

In 2018 Arctic continued the construction of its washing machine factory founded at the district of Dâmbovița in the city of Ulmi in 2017. This new investment, which is a milestone for Arçelik and Arctic, is an important step in line with the strategy of transforming Romania into the production center of Europe. Constructed in compliance with the Industry 4.0 standards, digital integration will be established in the new factory between employees and production line equipment through wireless communication. The factory will also be integrated with factories operating under Arçelik. Located in Dâmbovița county, one of the counties with the highest unemployment rates in Romania, the facility will make positive contribution to the professional development of the local labor force by creating new fields of employment at Dâmbovița until 2024. The factory will be Arctic's first smart building in Romania.



elektrabregenz

One of the most deep-rooted white goods brands of Austria, elektrabregenz is one of the most important brands of the domestic market. Established in 1893, elektrabregenz was acquired by Arçelik in 2002.

The elektrabregenz brand provides consumers with quality products and service experience with more than 300 products in cooling, freezing, dishwashing, laundering and drying categories. Having many times won global prestigious awards such as the "Red Dot Design Award" and the "Plus X Award" with its innovative and durable products, elektrabregenz is also the only home appliances brand in Austria to receive the "Green Brand" award with its environment-oriented technologies.

Blomberg

Blomberg, having celebrated its 135th anniversary in 2018, uniquely combines technology, ease of use and eco-friendliness with aesthetics. Blomberg offers eco-friendly products that provide power and water savings with 'In Harmony With Nature' slogan, aesthetic and stylish products with 'In Harmony With Home' slogan, practical products with 'In Harmony With You' slogan and prudential products with 'In Harmony With Future' slogan for its consumers. Blomberg continues to receive appreciation of its customers for its environmentally friendly products in its product portfolio including its A+++ -30% washing machines, A+++ refrigerators, A+++ dryers and A+ built-in ovens.

Blomberg is strengthening its prioritization of energy efficiency with its high energy-saving white goods group. Given the 2018 Energy Star® award by the US Environmental Protection Agency (EPA) Blomberg continues to be the first choice of consumers who wish to contribute to the sustainable future of the earth.

INTERNATIONAL MARKETS



Defy

Defy, the number 1 home appliances producer of South Africa joined Arçelik in 2011. Defy has three production plants: Cooking Appliances and Drier Factory in Jacobs, Refrigerator Factory in Ezakheni (Ladysmith) and Refrigerator Factory in East London. All the factories operating under Defy have ISO 14001 accreditation.

Defy performed modification and modernization works at the Ezakheni (Ladysmith) Refrigerator Factory and thus increased the capacity of the refrigerator line by 50% by maximizing production efficiency in 2018. The number of units produced per shift was increased to 900 as a result of the mentioned improvement works. Based on increasing capacity in the future, it is foreseen to both enlarge the refrigerator factory and further reduce cost in production.



Cooking appliances has been the foundation of Defy's product range and they turn home cooking into an entertaining ritual. Gemini Collection of Defy that has a stylish and sophisticated design allows cooking in high volumes with its Feast Master feature. Defy's proprietary Thermofan Technology allows cooking multiple dishes without mixing odors or aromas. Defy also has a comprehensive range of cooling products. Defy also has a wide range of no-frost refrigerators that have the Dual Cooling technology which offers better control of humidity, higher energy efficiency, better odor control and keeping food fresh for longer times. Defy's refrigerators with up to 1-meter width also offer consumers the largest storage capacity in the market.

Defy washing machines maximize efficiency with their preloaders and allow optimum utilization of detergents thanks to Aquafusion technology. The Defy Aquawave Drum Technology offers an easy and efficient washing experience with front and top loading options.

Recently adding to its portfolio the small home appliances group consisting of blenders, juice and coffee machines, in 2018 Defy launched its 70 cm Combi Refrigerator, 4-door side-by-side fridge with Multizone Technology, the 4-door side-by-side fridge with Neo-Cool Technology, the BX Front Loader Series that offer energy efficiency and water saving, Steam Generator Irons and Power Blender products.

With strong commitment to aftersales services, Defy opened its first Defy Authorized Service Center at Durban in collaboration with Timberstar in 2018. Operating with the aim of providing perfect experience to consumers, the authorized service has qualified technicians. Defy is shaping all its works under the framework of the concept of sustainability. Performing many works to leave a better world for future generations, Defy has recently received the ISO 14001 certification from the British Standards Institution (BSI) in accordance with the "Respects the World, Respected Worldwide" global strategy of Arçelik.

Defy also believes that social development will be possible with increased participation of women to professional life. In accordance with its corporate strategy, Defy actively supports the participation of women to economic life both within and outside the company. Increasing the ratio of its women employees each year, Defy raised its ratio of women employees from 15% to 25% and the ratio of women employees at executive positions from 36% to 41% between 2015 and 2018.



INTERNATIONAL MARKETS

**Dawlance**

As the leading home appliances brand of Pakistan, Dawlance focused on offering quality-oriented reliable products and service experiences since 1980.

Acquired by Arçelik in 2016, Dawlance creates a difference with its innovative products. Offering service to consumers with a broad dealer and service network, Dawlance earned the Number 1 Brand award in the Refrigerator, Freezer and Microwave Oven categories at the 2018 Brand Awards organized by IPSOS and Bulls Eye with the participation of 15,000 consumers in 50 cities and 500 villages. Dawlance ranked 9 among 2,000 brands in 56 categories in the list of "Brands Most Preferred by Consumers".

In 2018 Dawlance was entitled to receive OHSAS (Occupational Health and Safety) accreditation 18001, the EMS (Environmental Management System) Accreditation ISO 14001 and the QMS (Quality Management System) 9001:2015 accreditation under SGS. Dawlance started local production in two main categories during the year. Local production was carried out in the Automatic and Semi-Automatic washing machine series as well as the Water Dispenser series.

Grundig

Operating under Arçelik since 2007, Grundig offers service to consumers in more than 65 countries with its wide range of products from televisions to refrigerators and from personal care products to sound systems. Offering innovative, high-quality, timeless and inspiring products, Grundig provides a perfect service experience to its consumers. Grundig takes care to utilize natural resources efficiently and sustainably in all its production processes without compromising from the concepts of aesthetic and quality for a better future.

Grundig makes a difference in competition with its product range created by inspiration from the concept of excellence and which is far beyond the expectations of consumers. Shaping its product range as focused on innovation and quality, Grundig has launched the Massimo Bottura Collection, interconnected white goods, the Gourmet Chef™ oven which allows amateurs to compete with chefs, the FlexiSmart Induction Hob that uses sensor technology to obtain perfect cooking results, the innovative Airtouch® technology that allows drying even clothes labeled as "Do Not Tumble Dry", the VUX® technology that offers a virtual kitchen experience, the SilenceDry hairdryer with the Quiet Mark award allowing for hair drying without disturbing anyone even in the most quiet morning hours and last, Europe's number 1 Alexa Built-In OLED TV through which you can talk with the future and the future replies to you with unprecedented sounds and images.

The Fiber Filtering system in Grundig's PET Drum Washing Machines ensure that microfibers in the water are filtered by 99% and energy-saving vacuum cleaners made from recycled plastic bottles show the brand's sensitivity for sustainability.

Participating in the IFA 2018 with a 2,200 m²-booth, Grundig received full appreciation from consumers with its innovative product range consisting of more than 450 white goods and home appliance devices.

Grundig also opened its new luxury-concept store in Johannesburg, South Africa. Showing Grundig's design power once again, the concept store aims to offer an extraordinary shopping experience to consumers.

Voltas Beko

Arçelik made a significant investment as part of its global growth strategy with the joint-venture established with Voltas, operating under Tata, India's leading group of companies. Offering Voltas Beko brand products to the Indian market, the Voltbek joint-venture company founded its refrigerator factory in the state of Gujarat.

Offering its product range consisting of refrigerators, washing machines, microwave ovens and dishwashers to consumers under the motto 'Partners of Everyday Happiness', Voltas Beko opened 4 new stores in 2018 at Bokaro, Faridabad, Ranchi and Jamshedpur.

TURKISH MARKET



THE TARGET MARKET; TURKEY

White Goods

Turkey maintained its position of being the biggest manufacturing center of Europe in white goods industry in 2018. According to data provided by the White Goods Industrialists Association domestic sales in the white goods market of Turkey dropped by approximately 17% to 7.1 million in 2018. Although the exchange rate movements and increase in inflation especially in the third quarter played a role in this drop, the base effect caused by the Special Consumption Tax incentive in 2017 also had a role.

As the largest production base of Europe, the white goods industry of Turkey compensated the shrink in the domestic market with increase in exports. Total production remained the same with respect to 2017 with 28.5 million units, due to 7% growth in export quantities.

According to retail panel data, the TV market shrank by 10% and the air-conditioner market by 14% in terms of units. Arçelik continued its leadership in the domestic market with its next-generation stores equipped with digital technologies and that allow for interactive customer experience.

Consumer Electronics

TV

Arçelik continued its innovative and user-oriented product investments towards TV technology in 2018.

The new Çerkezköy Electronics Plant that Arçelik built with an environmentally-sensitive and sustainable business-model as one the most modern production facilities in the industry, is responding to expectations with a focus on innovation, quality and speed with a production capacity of 3.2 million televisions.

Continuing its activities with a mission to pioneer firsts and innovations, after the first OLED TV of Turkey Arçelik introduced consumers with the Super OLED TV. The Super OLED TV maximizes display, sound, speed, design and content experience with its advanced technology.

The Super OLED TV is able to present dark scenes with a deeper black or with higher contrast due to its OLED technology. Offering stronger color performance, Super OLED TV provides consumers near real-life colors and clean display that is not artificial with the enhanced matching performance of its extra-powerful processor. With high-level Turkish command perception and rapid response time, the Super OLED TV allows users to control with Turkish voice commands. Many actions such as switching channels, skipping contents, starting applications and changing volume can thus be performed easily. In addition to its 360-degree slim and sleek design, the Super OLED TV offers hidden cable solution to consumers. Allowing easy access to the Watch Anytime application with its renewed smart platform, the Super OLED TV provides a special experience to consumers with aftersales services such as VIP service and pixel error free product guarantee.

The shrink in the global economy also impacted the TV market. The TV market shrank by 10% in terms of units in 2018 and grew by 8% in terms of turnover. Arçelik Group's market share is 24.7% in terms of units and 22.2% in terms of turnover. Focusing on strengthening its position in the TV market through its products and services, Arçelik increased its premium segment sales by broadening and updating its product range with a focus on latest technology by reflecting consumer feedback to the production process. Arçelik succeeded in doubling its UHD TV sales with respect to the previous year and increasing its large-screen sales ratio up to around 35%.

Corporate Displays

In the ever-digitizing world of today, Arçelik allows companies to take the opportunity to establish fast, effective and interactive communication with their customers through professional display screens and systems they can use in all their campaigns and communication works. Continuing to invest in its product range broadened to the range 22 - 88 inches, Arçelik maximizes digital display experience. Arçelik offers companies operating in various industries corporate solutions under a single roof, including design, application, engineering, maintenance and operation in Hotel TV solutions, videowall and PID screens. Arçelik stands out with a wide, reliable service network for enterprise solutions, and provides businesses with end-to-end solutions.

Further adaptation of technologies such as tablets and smart phones, used more often by students with respect to the past, into the digital world has also allowed teachers to provide education practically through smart technologies and software. In accordance with this change and transformation Arçelik has offered its Smart Board product to the world of education in August. Helping to establish an interactive bond between students and teachers, the Arçelik Smart Board provides a dynamic learning experience by establishing connections with devices connected to the system through its content management software. With the Smart Board, Arçelik contributes to enriching education with more comprehensive content, more colorful images and various examples. Having a touchpad screen able to sense and process 10 point simultaneously, the Arçelik Smart Board offers a unique learning experience for students and teachers with Ultra HD display quality and displaying contents livelier and more colorfully.



TURKISH MARKET

Payment Systems

The transformation from old generation cash registers to next generation cash registers has been postponed until financial memories of the former becomes full, due to the high number of requests from tax payers and professional associations to postpone the process of transition to next generation cash registers because of the cost of transformation to be incurred by the tax payers. On the other hand, taxpayers were obliged to make their daily sales through next generation cash registers and if they are to use the former ones, to daily report their sales until January 01, 2019.

Arçelik continued its market leadership in the industry in 2018 with the regular Paro discounts, free bank bonuses and the company-specific discounted Ziraat Bankası campaigns as part of the all-out struggle with inflation. Arçelik's market share increased by 6 points in 2018 with respect to the previous year to 50%.



Small Home Appliances

The Turkish Small Home Appliances market was approximately TRY 4.5 billion in total as of the end of 2018. 15.2 million Small Home Appliances were sold according to data from the end of 2018 and Arçelik Group has a market share of 11.7% in terms of units and 14.1% in terms of turnover.

Approximately 41% of the Turkish Small Home Appliances market in terms of turnover consists of vacuum cleaners. The other categories in the top 3 of the market are irons with a turnover share of 14.3% and hot-drink preparation category with a turnover share of 13.2%. The small home appliances market shrank by 7% in terms of units and grew by 17 percent in terms of turnover in Turkish Liras in 2018 with respect to 2017 results.

The Turkish Small Home Appliances industry grew by more than double in terms of Turkish Liras in 5 years (2013-2018) from a volume of TRY 2 billion to TRY 4.5 billion. Constituting 33% of the market in 2013, the Vacuum Cleaner category reached 41% in 2018. Increased product costs due to energy regulation in vacuum cleaners and increased popularity of high-priced bagless import products are the main reasons for the increase in the turnover share. Another high increase is observed in the hot-drink preparation category, particu-

larly in Turkish coffee machines. The turnover share of 9.5% of hot-drink in 2013 reached 13.2% as of 2018. Diversifying in the industry with its various sub brands and alternative sales channels, Arçelik continues its investments especially on Turkish coffee machine and bagless vacuum cleaner categories. Also launching the Ehl-i Kahve Turkish coffee machine in 2018, in the bagless vacuum cleaner category Arçelik started the production of Imperium SilencePro™, which has the title of being the "most quiet". It is planned to support the mentioned product with the launch in April 2019 and a TV communication plan.

Smart Home Assistant

Started being developed with the global rising trend of voice interfaces, the Arçelik Smart Assistant Asista aims to make daily life easier for users by allowing them to give basic voice commands. Installed for the first time at the Divan Elmadağ Hotel in February, Asista not only allows hotel guests to switch the lights on or off, open or close the curtains, adjust the air-conditioner and control the television through voice control using English and Arabic voice commands in addition to Turkish, but also offers smart concierge service with applications for providing information about the hotel and the city. With these features the Asista – Divan project is a global first in hotels. Offered for retail sale in June, the world's first Turkish smart assistant Arçelik Smart Assistant Asista offers conveniences in many areas of life from food recipes to games, news to meditation or ordering water with its large and ever-growing applications ecosystem offered to users. Asista also offers a voice home control service where it can control the smart lights, thermostat and televisions in homes. The Smart Home Assistant Asista aims to manage all homes and offices through voice interface technology in the future and also to recognize users to facilitate their lives and create added-value through its smart systems.

Air-Conditioners

With an average size of 780,000 units, the Turkish air-conditioner market shrank by 14% in 2018. Arçelik maintained its leadership position in the air-conditioner market in 2018. The company increased its market share of 48.9% in 2017 to approximately 51% in 2018. Arçelik became the first company to carry out production with the environmentally friendly R32 gas in Turkey by completing its transition to the R32 environmentally friendly cooling gas in 2018 in a broad range of capacity between 9,000 – 18,000 BTU/h. Arçelik also performed the first mass production of high value-added and energy-efficient VRF-type air-conditioners in Turkey in commercial air-conditioning in 2018.



Arçelik

As the leading brand of home technologies in Turkey, Arçelik continued to invest in its brand values in 2018 and responded perfectly to the needs of customers through innovative products and services that combined the latest technology with the best designs. Being the most preferred and most recognized brand of Turkey, Arçelik was once again selected as Turkey's Lovemark brand in 2018 and became the most loved white goods brand of Turkey for the 11th time.

Arçelik achieved a global first in 2018 with the Carbon-Fiber Refrigerator-Diamond, which combined a global technology driver material; carbon fiber with a timeless design. Manufactured using nano-technology and with a carbon-fiber external coating that is 4.5 times lighter and 3 times stronger than steel, the Diamond refrigerator was offered to consumers at Arçelik stores with a "25-year guarantee" for the first time in the industry.

Having reinforced its strong position in technology and design through innovative products and campaigns, Arçelik sustained the brand's perception of "worth paying more" in 2018. Arçelik combined the most elegant designs with the latest technology by bringing gray glass surface to kitchens with the launch of its new Built-In Grion Series and maintained its leadership in the built-in category by supporting the advertisement campaign with the message "share the best moments in the kitchen" throughout the year.

Arçelik added a new aspect to kitchen arts with the launch of the New York Series and offered its products preferred in high-level projects in the US market also to Turkish consumers. With the New York Series which has a VIP philosophy, Arçelik succeeded in addressing to the premium target audience and fully meeting the pre-sales and aftersales expectations of its customers.

The first and only white goods manufacturer in Turkey to have established its own recycling plant, Arçelik initiated the "Grand Renewal Movement" in 2018 with a recycling campaign. Arçelik received old technology products of consumers from their homes, regardless of brand and offered new ones with discounts up to TRY 1,000. Having sponsored the motion picture film Arif V 216 by Cem Yılmaz who is very popular in Turkey, Arçelik increased its interaction with the young target audience by investing in its brand image with this wide-ranging collaboration.

Focusing on customer experience in 2018 with the next generation retailing model, Arçelik created living spaces that allow customers to spend enjoyable time while experiencing the new technologies in its stores. With these experience stores, Arçelik has won the best store design award of the world. Arçelik also invested in next generation retailing model in 2018 through new brand collaborations and intense communication works that feature its retailer identity. Arçelik continued to maintain its leadership throughout 2018 by communicating the numerous awards it received in various categories.

TURKISH MARKET



Beko

Adding comfort to the lives of consumers through innovative and environment-friendly technological products, Beko continues its understanding of production through the principle of becoming a partner that facilitates the daily lives of consumers. Beko operates in global white goods and built-in appliances markets as well as the Turkish small home appliances, electronics and air conditioning markets in addition to white goods and built-in appliances markets.

Developing smart solutions with advanced technology in accordance with the needs and expectations for the age, Beko focuses on a marketing strategy centered on social benefit while offering the best products and services to consumers.

Beko supports sports since 1990 in order to contribute to raising healthy generations. As the sponsor of the Beşiktaş Gymnastics Club for many years in Turkey, Beko has also recently established collaboration with the Fenerbahçe Men's Basketball Team.

One of the main sponsors of FC Barcelona in the global arena, Beko aims to both perfectly respond to the needs of consumers with its extraordinary and innovative products, and also to encourage them for a healthier life through various projects. Planning to prevent the problem of obesity in children with the "Eat Like A Pro" initiative carried out together with FC Barcelona and UNICEF in 2018, Beko aims to raise awareness in families and children about healthy nutrition. Beko aims to spread the mentioned project to both Turkey and the more than 130 countries it operates in.

Beko is the number 1 solo white goods brand of Europe according to results including 27 countries including Turkey. Focusing on providing the best service to consumers with the motto "Official Partner of The Everyday", Beko has adopted the principle of adding value to life.

Grundig

Meeting consumers in both the traditional channel and in the organized retail channel in the categories of TV & Sound Systems, White Goods and Built-In Appliances, Small Home Appliances, Vacuum Cleaners and Personal Care categories, Grundig completed 2018 with a growth trend by strengthening its competitive position in the market through Premium product families in addition to extending its sales network through new channels.

Focusing on communication works related to brand recognition in 2018, Grundig aimed to strengthening the "brand with a purpose" positioning. The Feed Your Soul main communication project started in the last quarter of 2017 was thus continued in 2018. Aiming to spread conscious consumption that respects food and inspires a simple life, from the kitchen to life, Feed Your Soul was a project that created its own channel while reaching a total of more than 10 million people by showing active presence in all digital channels. Furthermore, campaigns (ATL & BTL & Digital) carried out with channel partners contributed to brand awareness and positively affected sales figures. Grundig strengthened the current position of the brand in the Premium kitchen category with the launch of its new kitchen family Grundig Professional Line and also strengthened the quality perception of the brand through innovative and high-technology products by broadening the product range of the Personal Care category.

Grundig has increased its turnover by 9% in 2018 with effective channel investments, cooperation, differentiating product range and communication activities that went ahead of competition, and will continue to carry out value added activities in every field in 2019.



Innovation

“

Innovation, an integral part of Arçelik’s corporate character and business culture, is leveraged in expanding The Company’s sustainable products and services portfolio. Innovation-driven working culture, one of the most essential elements of the Company’s global vision, brand and customer-oriented business model, is the driving force behind the success in global markets.

”

INNOVATION AND SUPERIOR TECHNOLOGY



Turkey's top company that has the highest number of R&D and Design Centers with **19 global R&D and Design Centers**

Most Successful R&D ⁽¹⁾ structure in Turkey with more than **1,500 R&D personnel**

With **approximately 2,800 inventions**, the only Turkish company in the top **100 in the World Patent League** – (ranks 71st)

The Most **Successful Industrial Company** in **Horizon 2020** Program ⁽²⁾

One of the four Turkish Companies among the **"Top 2,500 Companies That Make the Highest R&D Investment in the World"** ⁽³⁾

Çerkezköy Electronics Plant designed and operated with **digital and robotic** technologies

The 3-year "Improve" project with **238,000** budget, realized as part of the **Horizon 2020** project

A total of 21 workshops, 88 prototypes and 11 concept studies at **Arçelik Garage**

The number of ideas developed as part of the **"Next Big Story"** (NBS) project: **152**

The converting and transforming impact of globalization, the development of technology with an ever-increasing pace, the rapid generation and consumption of information, changing lifestyles based on digital transformation and the socio-economic impact of all these have become the normal that nations and companies have to manage today. These factors have made the world more volatile, uncertain, complex and ambiguous, or in a popular phrase, a "VUCA World". Large companies need to reframe their business cultures as focused on change, agility and efficiency in order to sustain their existence for many years in this new world order dominated by uncertainties. Continuing all its works under the vision of "Respecting the World, Respected Worldwide", Arçelik is evolving into a more flexible and agile structure in order to realize its aim of reaching more customers in a rapidly changing VUCA world through innovative products and applications by achieving profitable and long-term sustainable growth.

The concepts of the Internet of Things (IoT), sensor technology and data analytics, that have spread more in every field of life through digitization, have changed and transformed many industries. The remote controllability of white goods through internet connection and the sensors to be used in the devices, offer much data in the relevant industry about the use habits of consumers and the performances of the devices. Arçelik aims to develop services that offer benefit to users through this "big data". The ability to upload control algorithms to the personalized products through cloud will transform the white goods industry into an industry where services are provided together with products rather than merely product sales.

For Arçelik, the concept of digital transformation ranks among the top of its agenda that is based on the consciousness that the future of the world and our country will be shaped within the context of digital technologies. In this context, the company carries out unique projects that will add comfort to life, by making many investments for the digitalization of both product and production technologies and business processes.

Having the highest number of R&D Design Centers of Turkey certified with the R&D law 5746, Arçelik has increased the number of its R&D design centers to 19 by obtaining 4 new R&D center certificates in 2018. The WAT, Token, Beylikdüzü R&D Center and the Small Home Appliances R&D Center obtained their 5746 R&D center certificates in 2018.

In addition to developing new technologies at R&D, Arçelik is also making great effort to protect these technologies. More than one third of the patent applications to World Intellectual Property Organization (WIPO) from Turkey are by Arçelik. Arçelik achieved a major success by rising to the 71st place in WIPO's list of "Companies with highest number of international patent applications". Arçelik is thus rightfully the only Turkish company in this list.

Arçelik continues to systematically evaluate innovation ideas, producing real-product quality prototypes and develop products, services and technologies that meet the needs by obtaining customer feedback at early stages in Garage, where different disciplines and professions come together.



1. Source: Arçelik R&D Centers were in the "1st Place in Overall Turkey Classification" and "1st Place in Durable Consumer Goods Market" in the 6th Private Sector R&D and Design Centers Summit organized by the Ministry of Science, Industry and Technology in 20 and 21 December 2017.
2. Source: TÜBİTAK official H2020 website: www.h2020.org.tr
3. Source: 2018 EU R&D Scoreboard report issued by European Commission: <http://iri.jrc.ec.europa.eu/scoreboard18.html>

INNOVATION AND SUPERIOR TECHNOLOGY

Value Added Product Activities

Developing products that are environmentally-friendly, use recycled materials, with low energy and water consumption in addition to having low noise level in accordance with the company vision is among the leading areas that Arçelik R&D allocates resources. Also, sensor technologies, advanced data analytics, cyber security algorithms, remote access protocols, system and component based modeling and advanced analysis methods are also the priority topics of Arçelik R&D.

In 2018, many products that were developed as a result of R&D activities were exhibited in many consumer fairs. Accepted as the most prestigious global consumer electronics fair, IFA was one of the fairs where Arçelik's high-quality and innovative product range was exhibited. The following products stood out among the innovative products that Arçelik offered to visitors at the fair held in Berlin between August 30 and September 5, 2018:

- The Grundig Diamond refrigerator with 25-year-warranty, produced from carbon fiber that is 4.5 times lighter and 3 times stronger than steel
- The FreshGuard® technology that eliminates bad odors by up to 90% through a special-coated filter and UV LEDs, without using any harmful substance
- Beko's washing machine that has the AquaTech™ technology, offering up to 50% faster and up to 50% more sensitive washing with A washing performance
- The Grundig AirTouch® technology tumble dryer that can sensitively and efficiently dry even clothes labeled as "Do not tumble dry"
- The Microfiber Filter technology that prevents micro fiber leakage by up to 99% from washing machines to water sources
- The AntiCrease® technology that prevents creasing of clothes and the Air Refresh feature that ventilates daily clothes of 1 kg within 30 minutes through hot air circulation
- The Grundig Gourmet Chef Smart Oven equipped with advanced technologies and sensors that allows for more precision
- The Beko Combi Steam Oven presents the advantages of Steam Cooking, as well as conventional cooking and a combination of both
- The Basic Steam Assisted oven with steam cooking and cleaning technologies and the Steamaid™ oven with 52 different cooking programs
- The PractiClean™ that can be cleaned 10 times easier compared to stainless steel hobs
- The FlameAdjust™ technology that allows the user to adjust the flame levels of the hobs sensitively through its 9-level power selection and timer
- The HobToHood® and HobToHood+ technologies that operate with temperature sensors and wireless connection units respectively, and optimize energy consumption and noise by adjusting the speed of the hood automatically according to the hob
- The FlexiSmart Induction hob which ensures thorough infrared sensors that users get the best results in various food
- Autodose: The first household type dishwasher in Europe with liquid detergent dosing system
- The world's first Turkish speaking smart assistant Arçelik Asista which allows users to voice control a variety of applications from smart home controls to daily news summaries
- Europe's first Alexa Built-in OLED TV equipped with voice remote control, which allows customers to interact through the Amazon Alexa™
- The New Slow Juicer that is able to obtain 15% more vegetable-fruit juice by preserving vitamins up to 80% by preventing high heating and oxidation
- The environmentally-friendly SilenceDry™ hairdryer with the Quiet Mark certification that lowers noise level with the centrifuge fan system and DC motor technology
- The bagless Imperium®, the most silent vacuum cleaner in its class with A+++ energy performance, the Quiet Mark award and which minimizes noise level with its special isolation and capsule design
- The Tornado®, the world's first 5A energy-level vacuum cleaner with bags
- The next generation Vacuum Blender which, through its vacuum technology prevents oxidation and color change that can occur in food upon contact with air
- The Ehl-i Kahve Turkish coffee machine with six coffee brewing software and hardware, that brews coffee by choosing its own coffee algorithm according to the mains voltage



Industry-Leading Production Activities

In 2018 Arçelik performed successful works on designing next generation agile production models that can respond to customer demands as soon as possible and creating smart digital factories that are monitored from end-to-end and which create value from data.

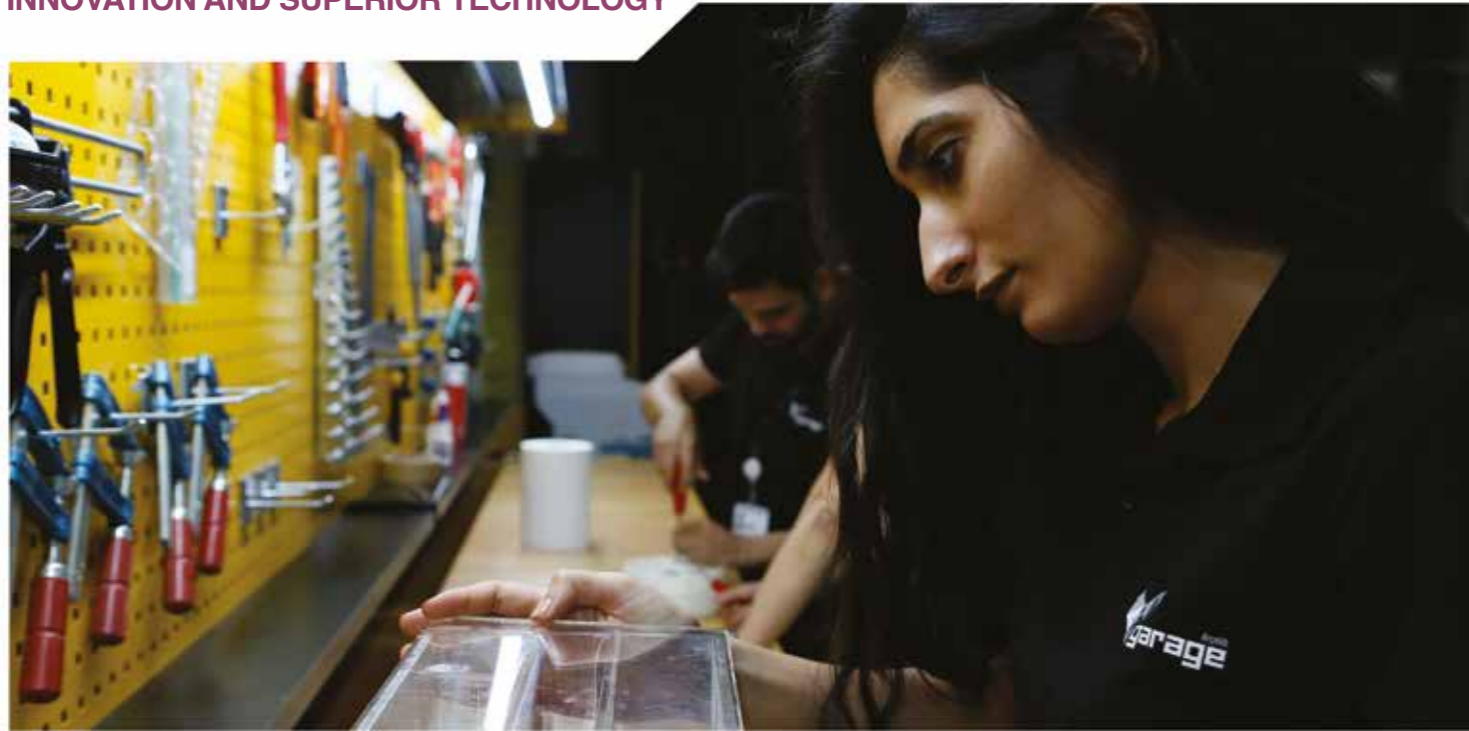
Designed and constructed with digital and robotic technologies from the planning stage to carry out product with maximum efficiency using the latest technology, the Çerkezköy Electronics Factory started operating in 2018. It is aimed to double production efficiency at the factory where the production processes are controlled with software-based fully-automatic systems and managed with an environmentally-sensitive business model.

With the Atölye 4.0, established to continuously develop the Industry 4.0 capabilities of the factory, it is aimed to develop specialization in the fields of process modeling and optimization, smart automation systems and decision-making systems based on data. Many successful projects were also performed with companies at the Atölye 4.0.

Following are two of the prominent national and international projects that were implemented with private sector, start-ups, technology suppliers and universities within the framework of the innovation ecosystem created at the Atölye 4.0 center:

- Innovative models were developed for increasing efficiency in digital factories with the 3-year "Improve" project with 238,000 budget, realized as part of the June 2020 project and successfully completed as of August 2018.
- The problem recommendation by Arçelik under 'ES-MERA', a HUB funding supporting SME's creating robotic solutions, achieved the success of ranking in the top third among all the applications throughout Europe.

INNOVATION AND SUPERIOR TECHNOLOGY



Collaborations

Arçelik implements joint projects with global prestigious universities and research institutions such as, ITRI in Taiwan and Cambridge University in United Kingdom and MIT in USA where its R&D offices are located.

Arçelik collaborates with more than 500 universities, research institutions and companies from more than 20 countries in many joint projects that are implemented in various fields such as innovative material technologies, next generation factories, food storage and Marie S. Curie within the scope of European Commission Horizon 2020 program. Participating in the Eureka and Eurostars platforms, Arçelik shows an effective presence in realizing many projects. The company applied to many joint projects with Turkish universities in 2018 as part of the 2244 PhD in Industry and 1004 Centers of Excellence programs.

Seeking to open its doors to new technologies in 2018 in addition to supporting entrepreneurs, Arçelik realized BIGG, the "hardware oriented" acceleration project with the 1601 support it received from TÜBİTAK (TÜBİTAK Support Program for Increasing Innovation and Entrepreneurship Capacity). Entrepreneurs selected from among the applicants of BIGG through the Arçelik Garage program participate in the 1-month enterprise acceleration program. In this process the entrepreneurs create their own prototypes by also utilizing the Arçelik Garage infrastructure and are able to receive mentorship support from specialists.

Easily directing entrepreneurs to the correct target by creating focus areas, the BIGG program has currently set the categories of daily life, secure environment, entertainment and comfort, energy management, social and personal.

With the TechPro Academy continued with the Koç University, it is aimed to increase the digital abilities of both the researchers and the ecosystem with which they work.

Events

1

The Arçelik R&D Advisory Board convened for the sixth time in May 2018 with the participation of 12 academicians, each a leader in his/her own field, from globally prestigious universities such as MIT, Stanford, Purdue, Northeastern, Technical University of Munich, Johannes Kepler, Roma, Bilkent, Bosphorus, Koç University and METU in order to develop strategies on new technologies and to assess the probabilities of new products and lines of business.

2

A White Box Test event was held at METU and the Istanbul Technical University, among the leading universities of Turkey. In the event held with the participation of undergraduate and graduate students, an assessment study was performed using advanced software test techniques on Arçelik product and application solutions whose technical infrastructure was arranged by university academicians and Arçelik specialists.

3

The second "Reliability Day" one of Arçelik's in-house events where studies on product quality and safety are shared, was held in November 2018. Project promotion booths were also exhibited at the event organized with the participation of more than 300 visitors. Local and foreign participants of the event made inspiring presentations on safety and durability. An award ceremony was held during the event.

4

As the only industrial company in Turkey with its own recycling plant, Arçelik was granted the first prize in the "Innovative Environmentally-Friendly Product" category in the "Environment Awards" held by the Istanbul Chamber of Industry for its Recycled Washing Machine Drum developed by using plastic bottles.

5

Arçelik was awarded the first prize in the "2018 Plastics Recycling Awards Europe" to which it participated with the "Vacuum Cleaner Produced with Recycled Plastic Materials".

6

Arçelik was announced as the "Champion of the Year" by the IoT Security Foundation at the TechWorks Award Dinner held in the UK in November 2018.

7

The first "Designers Day" event was held in December 2018 with the participation of 200 people. Designers who successfully completed their training under the CTP program which is held across the Company were awarded at the event where the Arçelik Design Academy was also introduced.

8

600 inventors were awarded under the "Invention Day" organization held for the 20th time in 2018. Inventions of the Year, Inventor of the Year, Highest Contributor to Inventions, Patent Application, Competitor Breach Awards were given.

9

A two-week organization was held with the participation of 26 Turkish students who received education in target foreign university in undergraduate, graduate and PhD degrees in the framework of the "A Ticket for Your Future" carried out in 2018.

10

Multi-disciplinary teams produced new ideas starting from customer needs during the 4-month the "Next Big Story (NBS)" project performed at the Arçelik Garage and 1,635 projects were produced with a total of 21 workshops, 88 prototypes and 11 concept studies in 2018. 152 new ideas and many concepts were developed in the context of the mentioned project.

INNOVATIVE PRODUCTS

SMART PRODUCTS

Voice controlled Wi-Fi Connected Product (Homewhiz) Series

Voice control is getting ever more important in the world of smart homes. Voice assistants which operate through smart speakers that can work with smart home appliances have gained a central control unit role in the smart home.

Arçelik's Wi-Fi connected refrigerators, washing machines, tumblers, dishwashers and ovens under the brands of Beko, Grundig and Blomberg offered for sale in the UK and the US are able to operate as integrated with Alexa. Users are thus able to manage their white goods and learn the current status of the programs through voice commands.



Smart (Homewhiz) Dishwashers that Automatically Order Detergent

Arçelik's dishwashers that automatically place order upon depletion of liquid detergents, tablet detergents have started being offered for sale in the UK. Offering comfort to daily life, with this feature depletion of detergent is no longer a problem and users are never left without detergent.



World's First Carbon Fiber Refrigerator: Arçelik Diamond

- 83 cm combi refrigerator
- Carbon fiber design which is 4.5 times lighter and 3 times stronger than steel
- Sleek inner and outer design, perfect wooden details
- 720 L gross volume
- A++ energy performance
- Able to store fruits and vegetables up to 3 times longer with FullFresh+ feature
- Able to eliminate bad odors inside the refrigerator by up to 90% with the OdourFresh+ technology
- Prevents the mixture of smells in the fresh food and freezer compartments and ensures the freshness of the foods in the fresh food compartment without freezing
- Preserves the vitamin C ratios of fruits and vegetables with the blue light technology
- 25-year warranty



177 cm and 193 cm Built-In Refrigerators with Dual Cooling No Frost Technology

- 54 cm built-in combi refrigerator
- New 193cm refrigerators with larger volume (285 L) s and 177cm refrigerators with 254L net volume
- Prevents mixture of odors in the the fresh food and freezer compartments and ensures preservation of foods in the fresh food compartment without freezing with the Dual Cooling No Frost Technology
- A++ energy performance
- Preserves the vitamin C ratios of fruits and vegetables with the blue light technology

Two-Door Refrigerator Designed For ASEAN Region

- 54 cm two-door refrigerator
- Attractive Outer Design
- 230 L net volume
- A++ energy performance
- Able to keep fruits and vegetables fresh up to 3 times longer with the EverFresh+ feature
- Prevents mixture of odors in the fresh food and freezer compartments
- Able to store foods in the fresh food compartment section more conveniently without freezing
- Preserves the vitamin C ratios of fruits and vegetables with the blue light technology



Washing Machines with Aquatech™ Technology

- Aquatech™ technology that allows up to 50% faster and up to 50% more sensitive washing with A performance
- New water flow design that ensures better mixture of detergent with water and better permeation into the clothes
- Less mechanical movement thanks to washing the clothes with water power
- Increase in the impact of detergent with the special detergent mixing system

(*To be produced as of the first quarter of 2019. Launched at IFA with Beko.)



Washing Machine with Airtherapy Feature

- Provides the users with a solution that refreshes cloths to remove unwanted odors without washing
- Able to make 1 kg of clothes wearable in only 2 hours with the special ventilation system
- Effective drum cleaning with air circulation
- Anti Crease function that prevents creasing for up to 8 hours in addition to preventing occurrence of humidity and bad odors in case the cloths are left in the machine
- 8 kg, 9 kg and 10 kg washing capacity
- Brushless motor technology



INNOVATIVE PRODUCTS



9 kg Hybrid Tumble Dryer with the Fastest Drying Time

- Bringing the fast-dry feature to 9-kg-capacity machines
- 140 min drying time for 9 kg
- A++ energy level



30" Carbon Fiber Rangecooker

- Carbon fiber design which is 4.5 times lighter and 3 times stronger than steel with sleek design
- 123 litre oven capacity
- Pyrolytic cleaning feature
- SURF technology



Induction Hob with LED Illumination and Homewhiz Connection

- Ability to control each and every zone individually and directly
- Interface with LED illumination
- 15 cooking levels that allow users to make their desired adjustments
- LED illuminated zones
- Bluetooth connected hob and hood (Hood adjusted automatically according to the cooking level.)
- Homewhiz connection through Wi-Fi



Stoves for the American Market

- 30" Built-in gas stove: 4 gas + 1 wok burner and 18000 BTU (5.2KW)
- Illuminated knobs and sleek pan support design
- 24" Built-in gas stove: 4 gas burners, sleek pan support design
- 30" Built-in vitroceramic stove: front touchslide control, 4 zones (2 Duozone), 4-celled (2 Duozone)

New 45 cm Dishwasher Platform

- 11 place settings high washing capacity
- 3rd basket for cutlery
- Aqua Intense: Intensive washing area with a special arm
- Self-cleaning filter
- Automatic door opening
- Sliding door feature in built-in products



Dishwasher – CornerWash Spray Arm

- Perfect and effective cleaning covering corners with new 3-arm spray arm design

Europe's first Alexa Built-in OLED TV

- OLED Technology: Endless contrast, real black colors, wide color scale
- Alexa Built-in Technology
 - Ability to use all Alexa features through TV without needing any other Amazon Echo device
 - Voice control and search features
 - Ability to control other smart home devices through TV
 - Ability to place orders at Amazon.com through TV
- Dolby Vision and HDR10
 - HDR technology which highlights details that are lost in scenes that feature light and dark together: Detailed display, enhanced contrast and perfect brightness
- Extra graphic processor: Near-real, smooth and clear display
- UHD resolution: Detailed and clear display 3,840 x 2,160 pixels
- 100 Hz and MEMC: Smooth display with high refresh rate
- Micro Dimming technology that highlights details
- 3-way sound system and surround sound algorithms: A sound experience not from a single source but which fills the whole room
- Extra Subwoofer: Stronger sound
- Connectivity
 - 3 x HDMI
 - 2 x USB
 - Wi-Fi
 - Bluetooth
 - USB recording



Air-Conditioners

- The first and only local production with Arçelik brand for the VRF (Variable Refrigerant Flow Air Conditioning Systems) product market
- Low-medium capacity (4-6 HP) VRF outdoor unit
- Low capacity (5000-18000 Btu/h) cassette-type indoor unit



INNOVATIVE PRODUCTS



Vacuum Blender

- Vacuum technology that prevents color change and oxidization on food upon contact with air
- Easy-to-use with a single button with 6 preset menus
- Ability to consume mixtures prepared at home outdoors with the 700 ml vacuum and portable spare bottle
- Smooth mixtures with 1,000 W motor power and up to 23,000 RPM

Zio+ Vacuum Cleaner with Bags, Produced from Recycled Materials

- Use of 100% recycled polypropylene plastic
- Ecology-friendly renewable material
- Environmentally-friendly and ensures sustainable raw material/material flow



Massimo Bottura Kitchen Series

- Kitchen series consisting of Personal Power Blender, Hand Blender, Toaster, Kitchen Machine and Bean-to-Cup Fully Automatic Espresso Machine
- Designed for the world-renowned chef Massimo Bottura.
- Theme of respect for food with Massimo's signature and Massimo's words "Cooking is an act of love" on the products
- Premium and quality perception of the Grundig brand



Turkey's 5A Power Level Vacuum Cleaner with Bags

- First 5A product in Arçelik's portfolio of products with bags
- Class a noise quality certified from German SLG agency
 - Energy Level - A
 - Carpet Dust Collection - A
 - Firm Ground Dust Collection - A
 - Dust Removal - A
- Suction power exceeding 250 watts in the A energy class with the efficient flow system design
- The most efficient air flow system design (38%) in its class

Carbon Hand Blender

- Lighter and more durable body design
- Elegant look
- World's first carbon hand blender



Quiet Mark Certified* Most Silent Bagless Vacuum Cleaner

- Most silent in its class (63 dBA)
- Quiet Mark Certified*
- A++ energy level
- 3L broad capacity
- TrayClean easily cleanable next generation dust chamber
- 99.98% dust holding capacity with the HEPA13 filter
- Up to 12 meters of access with its long cable



Quiet Mark Certified* Ultra-Silent Hairdryer

- Ultra-silent (66 dBA)
- Quiet Mark Certified*
- 2 speed levels
- 3 temperature levels
- Ionic function and cold air blow option

*UK Noise Association, international approval award program

INNOVATIVE APPLICATIONS

Supply chain

The **warehouse** with **42,000** products capacity has been opened for service in Erzurum.

Creation of safe workspaces for field workers is the main target of the Arcelik Supply Chain Directorate. In 2018, the Supply Chain Directorate undersigned an extraordinary Project within the bounds of possibility. Within the scope of the project which has been constructed on the separation of man-made objects, the automatic braking feature has been provided to the forklift trucks by using artificial intelligence technology without operator supervision. This allows simultaneous operation of field workers and forklift trucks.

Another feature of the project is there is no similar system to the one designed by Arçelik. The project received an award in the "Altın Eldiven" category for the Recommended Practice in MESS OHS (Occupational Health and Safety) Competitions.

In May 2018, the Company opened a warehouse with 42,000 products capacity in Erzurum, and the company carries out shipments to 42 Arçelik and 43 Beko dealers in Erzurum, Kars, Ardahan, Iğdır and Ağrı from this warehouse.

With the kick-off of the Erzurum warehouse, it was aimed to make the distribution infrastructure more functional, to increase the level of customer satisfaction, to provide a modern and safe working environment as well as to increase employee satisfaction.

In 2018, Arçelik's customs consultancy project was implemented in-house in order to reduce the export customs commission expenses and to increase the awareness of the company in the export processes which can provide new acquisitions to the company. The project, where 30% of the export operations were carried out by the personnel from the Customs Clearance Operations Management, provided savings in the export expenses of the customs brokerage commissions and the Company increased its foreign trade capability.

Thanks to the **Autonomous Customs Tax Payment System** (OTOVERGİ) project, the customs brokerage import commission expenses of the company has been reduced.

In 2018, the Autonomous Customs Tax Payment System (OTOVERGİ) project, which is one of a kind in our country, was put into operation to carry out and finalize the Arçelik's customs tax payment processes in an autonomous and safe manner. The labor cost savings provided by the project were transferred to value added processes and the commission expenses of the customs consultancy of the Company were reduced.

The total cost advantage has been increased with the 2 new methods commissioned within the scope of the DIR (Inward Processing Regime) which ensures the importation of imported inputs used for export purposes, both from trade policy measures and tax-free. Extending the scope of the materials that can be imported with incentives to be given to the auxiliary industries with the incentives is the first step of these innovative applications. The transition to the TEV (Compensation Tax) system to provide additional tax (exemption from additional taxes, excise duty, anti-dumping etc.) is the second innovative application.

In addition, a value-added project has been put in place to reduce the costs resulting from waiting times of products in the port yard and waiting period itself. Within the scope of the project, cost items in port yards were determined; the optimum usage process for reducing these costs was calculated, and the containers were directed to the port yards in a way that minimized the waiting cost by taking into consideration the ship's departure dates.

A circular issued in Pakistan at the end of 2016 has set a maximum acceptable size limit on all trailer-connected vehicles. This circular has changed the loading configuration of Dawlance's current cooler product category, which is double foldable in the vehicle and has limited it to a single load. With the purpose of ensuring compliance with the circular, low-bed vehicles were designed and put into use in 2018 to meet the expectations of increasing the number of in-car installations as well as the highway regulations.

Total purchasing volume of Arçelik **Purchasing** in **2018**: **3 billion Euro**

Supply of materials from **1800 (direct)** sources in **53** countries

Number of ideas in the **Innovation Workshop**: **200**

Number of people who graduated from the **Purchasing Academy Program**: **9**

Number of people trained in the **Purchasing Academy Program**: **63**

Number of supplier visits by the **Supporting Industry Development Department**: **1167**

Number of projects signed with **60 suppliers**: **136**

Total energy savings achieved with **87 energy** projects completed: **10.46 million kWh / year**

The total potential project that emerged as a result of **35 workshops**: **96**

Global Purchasing

Arçelik Purchasing, structured in parallel with the expansion of the Arçelik production network, has purchasing offices in 8 different countries. Arçelik Purchasing, which has a dynamic organizational structure with its competent 200 personnels, can supply materials from 1800 (direct) sources in 53 countries. In 2018, Arçelik Purchasing's total purchasing volume, along with indirect and investment purchases, reached 3 billion Euros.

In order to utilize the most appropriate strategy and cooperation model on the sectoral basis as well as the economies of scale, a category-based procurement organization was established within Arçelik Purchasing. In addition to contributing to cost improvement, they also create value for customers with projects. The procurement organization carries out the follow-up of these elements effectively by analysing all the factors that may affect the costs, particularly environmental regulations, fluctuations in commodity prices, economic changes at both the local and global scale, and changes in customs legislation.

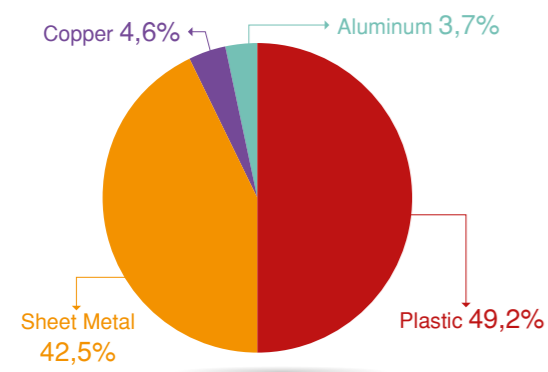


INNOVATIVE APPLICATIONS

Raw materials

In 2018, commodity prices fluctuated due to trade wars and protectionist developments. In general, the world's growth forecasts remained unchanged compared to the previous year and the economic momentum was maintained. In general, the levels reached by the end of 2017 has been able to maintain during the first three quarters of 2018, thanks to the world's growth predictions which did not change compared to the previous year and preservation of economic momentum. As of the last quarter of 2018, there has been an overall downward trend in prices. The purchasing strategy of Arçelik was closely monitored to ensure that changes in commodity markets were closely monitored and affected by cost pressures through links that would turn flexible and periodic opportunities into advantages. Increasing purchases from low-cost regions, adding alternative sources of supply to the system and implementing practices that contribute to the improvement of commercial conditions such as maturity, consignment, etc., have ensured the continuity of the competitive structure in the total purchasing cost.

Distribution of Raw Material Purchases 2018



Market Raw Material Index*



Responsible Purchasing

Arçelik has prepared an Responsible Purchasing Policy to guide its employees decisions and behaviors when performing their duties. Responsible Procurement Policy is presented to suppliers via Arçelik supplier portal (supplier.arcelik.com) and Arçelik's corporate web page. (Www.arcelikas.com/sayfa/866/is_etig a)

The expectations of Arçelik's suppliers regarding the Business Ethics Rules mentioned in the Responsible Purchasing Policy are as follows:

- Unconditional compliance with the rules of business ethics within the scope of its working conditions,
- Declaring the rules of business ethics to the employees and ensuring that the employees give the necessary attention to these rules,
- Business Ethics rules where employees can reach any time they wish

Conflict Minerals Project

Arçelik undertook the Conflict Minerals project in 2016, within the scope of responsible procurement principles. Within the scope of the ongoing project in 2018, Arçelik Conflict Minerals Management System was established and 3TG questionnaires were sent to all relevant suppliers and the responses were evaluated. Within the scope of this study, on-site inspection of a total of 5 suppliers was carried out by an independent organization. Arçelik Conflict Minerals Policy can be accessed on the Arçelik supplier web site.

Supplier Innovation Program

Arçelik aims to carry out joint R & D activities with its suppliers within the scope of its Supplier Innovation Program, and to design products, technological innovations and services that will carry the society and institutions to the future as an outcome of these activities. Arçelik, as a new generation R & D center in line with this vision, has realized the Innovation Workshop together with its suppliers in Garage. More than 200 ideas emerged in the workshop where 80 people participated and 14 presentations were made. With this program, which is planned to continue in the following years, it is aimed to strengthen the innovation capabilities of the suppliers and to develop "Arçelik – Supplier" joint innovation cooperation.

Purchasing Academy

The Purchasing Academy Program, which was launched in 2013 and continued in 2018, aims to increase the awareness levels of Arçelik Purchasing employees, as well as equipping them with the knowledge and skills that will contribute to their personal development and professional careers. The program is carried out with the support of CIPS (Chartered Institute of Procurement and Supply) and Koç University, an accredited institution specialized in purchasing abroad. A total of 63 people received training in 2018 within the scope of the program, which includes domestic and international purchasing personnel. 9 people have completed the program.

Supplier Improvement Activities

The primary objective of the Arçelik Purchasing Department is to increase the quality of production by focusing on the main competitiveness factors, to shorten the operational cycle time, to increase efficiency by continuous improvement efforts and to create an effective supplier portfolio that creates synergies. Arçelik Purchasing focuses on implementing joint ventures based on mutual goals within the framework of mutual trust with its suppliers. Within the scope of this vision, the Auxiliary Industry Development Department continued its efforts to improve the infrastructures and technical competencies of the suppliers in 2018 and made a total of 1,167 supplier visits for support purposes.

Arçelik defines supplier trainings as one of the most important stages of supplier development. In line with this understanding in 2018, Arçelik has organized 12 trainings for its suppliers on energy efficiency, government incentives and supports, mold maintenance and polishing, plastic injection, coating, welding, quality, production technologies and production efficiency. 1,536 man-hours of trainings have been organized with a total of 291 participants.

Additionally, productivity and quality projects carried out with suppliers are achieved in order to contribute increasing the quality performance of suppliers. In 2018, 136 projects were carried out with 60 suppliers. 29 of these projects aim at increasing the efficiency of automation and labor. In these projects, 82 robots were commissioned and equivalent of 41 operators' worker saving was achieved.

Besides the OHS (occupational health and safety projects) Arçelik, along with its suppliers, implemented energy efficiency projects in 2018. In this context, 87 energy projects have been completed and 10,46 million kWh / year energy savings were achieved.

In 2018, Arçelik conducted 35 workshops in order to increase the efficiency of its suppliers and to support cost improvement efforts. As a result of the workshops, a total of 96 potential projects were identified and commissioning activities were initiated.

Arçelik, as the main industry that achieves progress day by day in the field, attaches importance to the suppliers' integration to "Industry 4.0" approach. In this direction, "Auxiliary Companies Industry 4.0" days were organized in order to increase the information and awareness levels of the suppliers. The event was held with 162 participants from 87 auxiliary industry branches in Bolu, Çerkezköy, Eskişehir and İstanbul regions. In addition, Arçelik, as a pilot project, implemented "Twin Factory" for the first time with a process supplier.

In 2018, within the scope of Supply Chain Directorate Supplier Development Action Plan; 14 supplier process inspections and 263 product inspections were done and 111 quality improvement, 82 design changes and 25 cost improvement projects were completed.

In order to provide more support to domestic business partners, localization projects started in 2018 for Arçelik's small domestic appliances manufactured abroad. In this context, efforts were initiated with supplier development teams in order to establish a sustainable partnership with the companies that are already jointly engaged.

In addition, according to the competencies of the partners, production competencies were established in the product groups where they have not previously produced for expanding their business volumes and for sustainable, quality and cost-effective production.

In 2018, "Supplier Summit" was organized by Purchasing Directorate with the "Climbing New Peaks" theme. A total of 28 suppliers, including 19 from the EMEA Region and 9 from the Far East, participated in the summit. Awards were given in "Quality", "Supply Chain", "Cooperation" and "Innovation" categories.

INNOVATIVE APPLICATIONS



Europe`s number one in Contact Center World competition at “**Best Call Center**” and “**Best Customer Loyalty Program**”, “**Best Partnership**” categories...

33% reduction in Call Center expenses...

Total of **11,400 authorized service employees** in Turkey`s 619 service points, **5,900** service technicians and impeccable service experience with **5,600** fleet service vehicles...

Approximately **12 million** services per year...

Number of TSI “**Customer Friendly Organization**” certificate holder Arçelik authorized **services: 43**

Total man / hour training given to **11,000** authorized service workers: **325.000**

Consumer Services

The Consumer Services Directorate provides services to all brands operating under the Arçelik and affiliate brands. Requests and suggestions from customers come through channels such as; call center, e-mail, web sites, www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, live Chat, WhatsApp, social media, fax, letter and dealer channels through the answer. The Customer Communication Center of Arçelik has set itself as the main principle to provide a perfect experience for its customers. In this direction, customers can convey their requests and suggestions easily; information is trackable, reportable, transparent and secured in a single pool; and adopt a customer-focused approach in which these records are evaluated in accordance with legal regulations, objectively, fairly and confidentially evaluated and processes are continuously monitored and improved. In parallel with this approach, all processes are integrated with the management system and a structure that controls each other is developed.

Management objectives are also fed through this system.

Arçelik Customer Communication Center, which puts the customer in the center of all business processes, aims to provide the best service experience to its customers 24/7. It is among the most fundamental duties of the Customer Contact Center to transfer the feedback from the customers related to the services / products of Arçelik brands to the other units and to contribute to the production of new products that will meet the expectations.

In 2018 also, German and Austrian call center services have continued to be delivered from Turkey. In addition, in line with its goal of becoming an international organization, Customer Contact Center service hours have been expanded and the customer-focused approach has been highlighted in global operations.

CRM campaigns that are managed by external calls and personal campaign announcements continue to contribute to the turnover.

In 2018, Arçelik continued to provide services not only to external customers, but also to internal customers through Assist Support, Koç Finans and Arçelik BT HelpDesk. BT HelpDesk team provides support to Turkish / English customers at 12 locations 24 hours a day, 7 locations around the world and 17 different countries abroad.

The Customer Communication Center also attaches great importance to the optimization of processes. In this respect, many processes, especially demand management, have been centralized and maximum efficiency has been achieved.

In accordance with the strategy of being one as a single unit towards customers, the calls were started to be managed by 3 outsourcing companies.

In 2018, all CRM and infrastructure systems were changed; Cisco, the new CRM program, Salesforce and the infrastructure program, was commissioned. Many processes such as websites, brand mail addresses, draft mail contents, guides, process optimization related to online sales channel, simplification of application reasons have been integrated with Salesforce to provide better / faster service to the customer and to increase efficiency in Customer Contact Center. In addition, in the related activity year, easy narrative methods and documents were renewed. In this way, the duration of training program is shortened.

In line with the project of transforming the complaint into customer admiration, customers who complained

about the product and service they received were hosted at Arçelik`s İstinye Park and other Omni experience stores. During these visits, customers were given a special experience and customers were regained and their sense of belonging was reinforced.

Service, region, project team and IT support were provided during the transition of all authorized services to the Appointment Routing program.

During the Call Center Day events held at different locations of the Contact Center, both managers and employees received calls with customer representatives. In this way, Arçelik employees who are active in different departments are aimed to look after their customers with a one-to-one communication with customers.

In order to provide different channels to reach customers who are living around Turkey`s different geographical regions, Arçelik Customer Service Live Chat channel and WhatsApp institutional support line have been commissioned.

As a response to all successful applications, Arçelik Call Center won the first place in both Europe and world in the categories of “Best Customer Service”, “Best Call Center” and “Best Customer Loyalty Program” in the Contact Center World Competition, which is defined as the sector`s Oscar Award Ceremony in 2017. In 2018, the centre became first in the categories of “Best Call Center” and “Best Customer Loyalty Program”, “Best Partnership” (outsourcing) and second in the category of “Best Customer Service” in Europe.

INNOVATIVE APPLICATIONS



Within the framework of its “unique customer experience and reliable service” vision, Customer Care Directorate continues to operate on Turkey’s 81 provinces and 204 districts, with a total of 11,400 employees in 619 authorized service points, 5,900 service technicians and 5,600 service vehicle fleet. In 2018, approximately 12 million units of service were provided. The widespread service network, which focuses on quality, strengthens customers’ commitment to Arçelik brand.

The activities carried out in 2018 were audited by the Turkish Standards Institute (TSE) and were rewarded with Customer Friendly Organization and Customer Friendly Brand certificates. As a result of the audits carried out, 43 Arçelik Authorized Services have been granted the Customer Friendly Organization (MDK) certificate. Within the framework of the second phase of the project, Arçelik was awarded the “Customer Friendly Brand” (CFB) certificate with its “Arçelik” and “Beko” brands. The studies carried out are audited every year within the framework of certification audits conducted by independent organizations with a sustainable approach.

The Customer Services Directorate focuses on providing a reliable service experience to customers by setting standards in line with the corporate structure of Arçelik. In this context, Arçelik Authorized Service personnel are dressed in accordance with the corporate clothing standard while providing service to customers.

Arçelik Customer Services creates a difference with its services on duty on weekends and holidays. In order to provide ease of service to the working customers, the authorized service centers provide services until late on weekdays.

Arçelik Customer Services Directorate, which aims to improve the processes by creating a more efficient service by registering at every point where the customers reach Arçelik Customer Service, carries out the follow-up of the service steps it offers to its customers by continuously improving and updating its technological infrastructure for this purpose.

In this context, ROTAM project is designed to enable customers to make appointments through all channels, to monitor their appointments as well as to manage the workforce of the services effectively and efficiently and to provide route optimization.

Customers who reach the Call Center can make their own appointment schedule thanks to the advanced digital infrastructure. With the new generation appointment application system, Arçelik also contributes to the time planning of its customers. Arçelik Authorized Services, enabled by ROTAM project, gives customer appointment hours in 2 hours intervals according to the initiative of the customers. At the same time, service intervals will be sent to customers as text message.

In addition, the Technician Assistant System, which directs the service technicians to the online repair solutions in order to ensure that the problems of purchased products are rapidly resolved at once and faster, has been started.

While the customer’s transactions continue, information is also shared with customers to monitor product and material movements via text messages. Thanks to this application, the right information and accurate timing are provided to the customer.

In accordance with customer demand, alternative services are offered by authorized services at different times.

Technical support activities are offered to 23,000 product models in the country. After-sales service processes are certified with ISO 10002 Customer Satisfaction Quality Management System Certificate.

The quality of the service offered to customers is regularly measured by Net Promoter Score (NPS) method, and corrective and preventive actions are carried out according to the feedback received.

Authorized service technicians are trained and certified by TH Technical Training Unit. In 2018, 11,000 authorized service personnel were trained in a total of 325,000 man / hours. While training modules based on on-the-job learning methods and personal measurements were introduced in the trainings, the transition to the person-based training management system appropriate to the new educational science technologies was also made.

Arçelik Spare Parts Management provides service to customers through 1 central warehouse and 7 regional warehouses with a total of 257,000 different spare parts. By planning the spare parts needs of domestic and foreign customers, it delivers to the customer as soon as possible with precise logistics operations. Based on the efficiency in inventory and logistics management, the processes that are the focus of the customer are realized with the most appropriate software support.

Arçelik Customer Services Directorate, which closely follows the production technologies in the world, continues to work on 3D production of dated materials, which are difficult to supply.

With authorized services and by actively using digital communication channels and responding immediately to problems in the field, Arçelik Customer Services Department informs the suppliers based on sustainable order management principles in line with the feedback received and provides the necessary improvements.

All the employees participate in these processes based on the principles of customer, productivity and continuous improvement. For this purpose, planned trainings are given about their fields.



Corporate Responsibility

“

As a visionary global manufacturer, Arçelik’s business strategy relies on the principle of “creating value for the society”. Arçelik, as a responsible manufacturer, is recognized in national and international arena with its projects developed for a more sustainable future.

”

ENVIRONMENTAL APPROACH TO PRODUCT AND PRODUCTION



The first prize in **“Management”** category of **European Business Awards** for the **Environment**.

Received **“Environmental Management and Corporate Social Responsibility Award”** at the 4th Conference on Sustainable Development of Water and Environment.

Awarded the **“Standardization Prize”** at the Standardization Summit held in partnership of the Turkish Standards Institute (TSE) and The Union of Chambers and Commodity Exchanges of Turkey (TOBB).

The first prize in the category of **“Innovative Eco-Friendly Product”** at the Istanbul Chamber of Industry **Environment Awards**.

The second time in a row, the one and only **Turkish industrial company** in **Dow Jones Sustainability Index (DJSI)** in the Emerging Markets category.

Included in the Borsa Istanbul (**BIST**) **Sustainability Index** for the **fifth time**.

Ranked among the top companies with highest degrees in both **CDP Climate** and **CDP Water** programs.

The maximum contribution to the circular economy by recycling approximately **12,5 million** PET bottles, thanks to the washing machine tub project.

In line with its vision of “Respects the World, Respected World-wide”, Arçelik which constructs all its business processes on the basis of contribution to economy, human, environment and society, identified its priority as contributing to sustainability through its energy efficient products and environment-friendly operations.

As a global manufacturer, Arçelik pursues the goal of contributing to the world’s sustainable future through its products that are developed on the basis of sustainability and efficiency. Arçelik constantly reduces the environmental impact of its products through R&D activities. Environment-friendly, innovative and differentiating products of Arçelik also provide an important competitive advantage.

Considering sustainability not as an option but as an important responsibility towards future generations, Arçelik, with its energy efficiency and environmental projects, minimizes the environmental impacts arising from the production processes and provides a significant cost reduction.

Arçelik performs all of its business processes in accordance with international product and management standards; primarily the ISO 14001 Environmental Management System which is integrated with the ISO 9001 Quality Management System and ISO 50001 Energy Management System. The efficiency and sustainability of Arçelik management systems are guaranteed through regular Internal System Audits in addition to audits conducted by internationally accredited independent organizations.

Emissions resulting from production activities of Arçelik, have been calculated in accordance with ISO 14064-1 standard since 2010 for Turkey operations, 2015 for Romania plant, 2016 for Russia plant and 2017 for China plant, and verified by an accredited independent organization at “reasonable assurance” level.

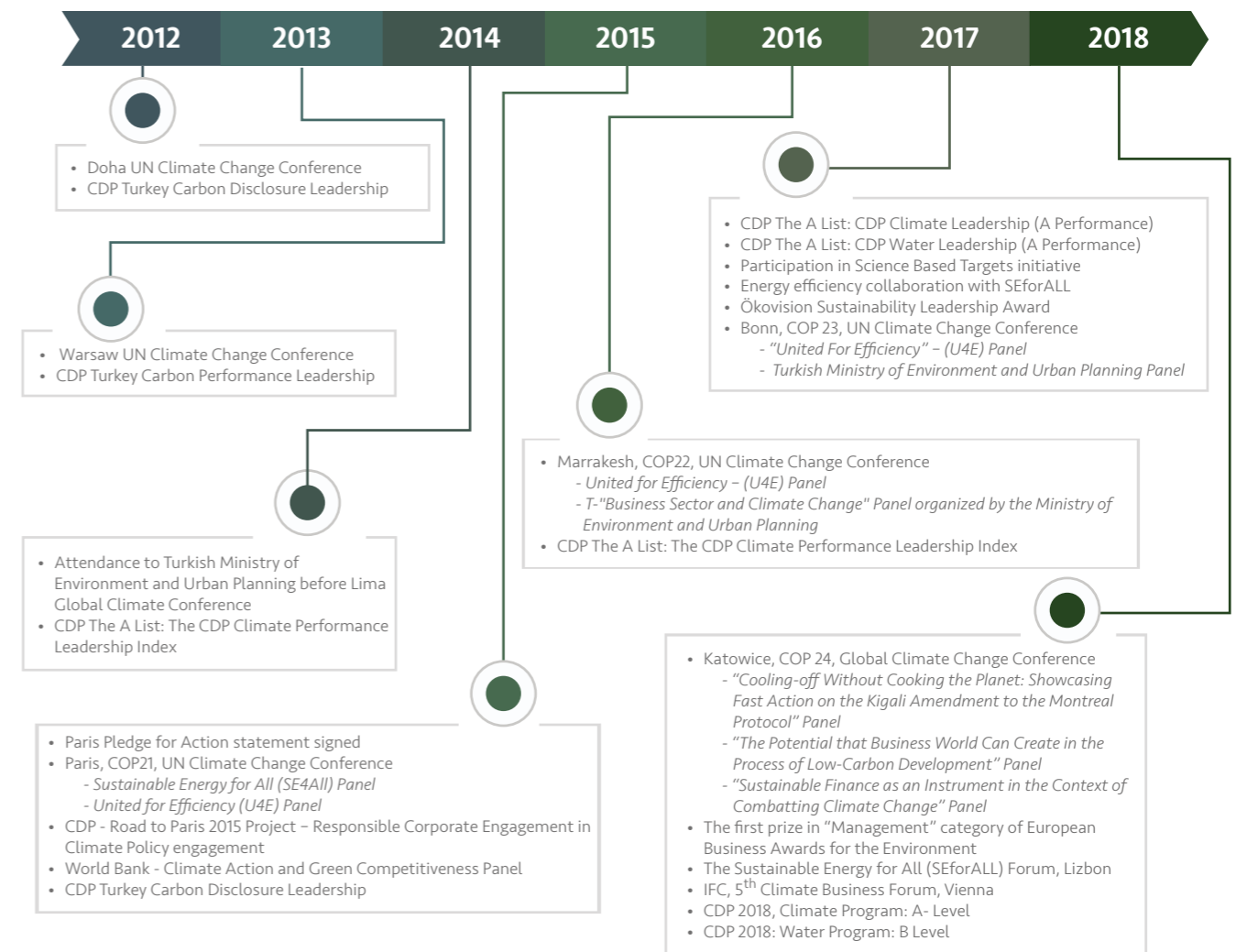
Arçelik has been calculating the greenhouse gas emissions resulting from its logistics activities since 2013 and have them verified in accordance with ISO 14064-1 Standard. In this context, -the greenhouse gas emissions resulting from domestic and import & export logistics operations of Arçelik products in 2017 were also verified by an accredited independent organization at the “limited assurance” level.

Considering the concept of sustainability as a guide to its work, Arçelik has continued working on building solar energy plants with different technologies to be used in national and international plants within the scope of 2020 renewable energy goals. According to this vision, Arçelik installed a photovoltaic solar power plant with an installed capacity of 930 kWp and a concentrated solar energy system with an installed capacity of 700 kWt in 2018.

Combatting Climate Change

Adopting a comprehensive view towards the consequences of climate change, Arçelik strives for offering a maximum contribution to the related national and international activities.

Arçelik develops solution-oriented international collaborations within the scope of combating against climate change, and supports all actions, policies and guarantees in this field. Having been a part of CDP, the world’s biggest climate change initiative, since 2012, the Company participates in Global Climate Conferences and shares its best practices in the panels since 2011.



ENVIRONMENTAL APPROACH TO PRODUCT AND PRODUCTION

Compliance with National and International Environmental and Energy Legislations

Arçelik monitors its compliance with all legislations that it is obligated to comply throughout the product life cycle. "ISO 14001 Environmental Management System" and "ISO 50001 Energy Management System Standard" are used as the basis for monitoring the compliance with the legislations.

In accordance with WEEE Directive 2012/19 / EU, Arçelik fulfills its legal obligations in EU countries through the mechanisms of collection and recycling.

The Company is also a member of many systems which provides services for the collection and disposal of products at the end of their life cycles. In addition, Arçelik, also fulfills its obligations under the Regulations on Controlling Waste Electrical and Electronic Equipment (WEEE).

In 2014, Arçelik established two recycling plants in Bolu and Eskişehir. The Company managed to minimize the environmental impacts during the product life cycle. The recycling plant in Eskişehir is the first recycling plant in Turkey which meets all technical requirements required for the plants to operate refrigerator/coolers/air conditioners and which has the ability to collect the CFC (chlorofluorocarbon) gases harmful to the ozone layer that exist in old refrigerators through closed system.

Arçelik also complies with 2011/65/EU RoHS Recast Directive that superseded 2002/95/EC directive, which envisages limitation of certain harmful substances in electrical and electronic goods.

The Company adopts and supports REACH Regulation as one of the most important legal procedures to protect the environment and human health as the Regulation aims to ensure the flow of necessary chemical safety data of all chemical substances from their manufacturer to the user and the availability of this flow to the consumers. In Arçelik, REACH practices are monitored by an expert team.

Carrying out all activities by respecting the environment, Arçelik uses environment-friendly hydrocarbon refrigerants that do not harm ozone layer and has minimum impact on global warming for refrigerators manufactured in its plants.

The company continued its way through alternatives with lower global warming potential in the refrigerant gases of the heat pumps located in its dryer machines and has also started to use hydrocarbon gases with global warming effect close to zero. As of April 2018, energy efficiency and environmentally sensitive design criteria for water heaters and ambient heaters have been updated and the minimum requirements to be fulfilled have been increased. Arçelik fulfills its obligations under the regulations.

Being the partner of the "global" United for Efficiency (U4E) project implemented under leadership of UN Environment and Global Environment Facility (GEF), Arçelik also supports efforts towards increasing energy efficiency of home appliances in developing countries, implementation of energy policies and enforcement of test standards and regulations.

Arçelik employs engineers with an "Energy Manager Certificate" at its plants which exceed the specified energy consumption level in line with the Energy Efficiency Law. Many energy efficiency projects are carried out every year under the coordination of the energy managers and production-based energy consumption is continuously reduced by the Company. Furthermore, energy consumption data are officially submitted in March.

Adopting "Respecting the World, Respected Worldwide" vision as its business model, Product Sourcing Directorate, focuses on resource efficiency in all operations, from energy and water efficiency to responsible production and consumption, from waste management to recycling, to make the supplied products more environmentally friendly. In this regard;

- It is aimed to reduce the wastes that threaten the environment by way of using recycled raw materials in the supplied products and to bring them back to the economy. Necessary tests were made for the use of the recycled raw material source in the production of suitable plastic parts and improvement activities were planned.
- For the purpose of providing more environment-friendly packaging; dispersion lacquer has been used instead of cellophane in new product projects. In this way, the amount of plastic waste caused by the product packaging is reduced.
- The environmental legislation and social compliance of the suppliers with which Arçelik has strategic cooperation are regularly controlled by third party auditors.
- High quality environment-friendly products are being developed through innovative technologies. The vacuum cleaner with A++ energy level, which consumes 50% less energy than standard products, the hair dryer which is four times more silent than standard products for reducing noise pollution and Europe's most silent vacuum cleaner in reference to GFK data were produced.
- Energy Efficiency Index (EEIhood) and Fluid Dynamics Efficiency Index (FDEhood) values have been changed for household aspirators and range hoods, within the framework of the Regulation on Environmentally Responsible Design of Energy Related Products, according to the phase 3 energy efficiency restriction which was initiated on February 20, 2019. The products, with energy efficiency index less than 100 and liquid dynamics efficiency index more than 8 can be sold. The harmonization of the products to the regulation was completed in 2018. With the prohibition of halogen lamps, the switch to LED lamp technology which consumes less energy has been made. Arçelik also fulfills its obligations under the regulation.

ENVIRONMENTAL APPROACH TO PRODUCT AND PRODUCTION

Supply Chain

Arçelik, as a responsible manufacturer, puts significant efforts into the projects about climate change. In order to protect the health of the employees and the environment, the number of LPG forklifts has been reduced by 60% compared to the previous year.

Two CNG were commissioned to operate between Istanbul and Ankara in 2018. With this new execution, carbon monoxide released into the environment has been reduced by 25% per vehicle.



Due to the increase in the use of maritime route instead of the highway, the rate of seaway usage has increased to 83% from 81% in 2018. Arçelik, with the awareness of its responsibility towards the environment, also attaches great importance to increase railway utilization.

The Company measures the emissions resulting from product transportation since 2013. In this context, the greenhouse gas emissions resulting from domestic and import & export logistics operations of Arçelik products in 2017 were also verified by an accredited independent organization at the "limited assurance" level.

In 2018; the fluorescent high ceiling fixtures used in Çayırova, Eskişehir and Ankara warehouses, were replaced by energy saving LED luminaires. Due to this investment, the storage areas were illuminated by 300 lux rather than 150 lux, achieving both economic gain and compliance with the legislation related to Light and Illumination of Workplaces (TSEN12464-1).

Consumer Services

"Dynamic Routing" system used for delivery of spare parts to final consumers resulted with savings in transportation distance and the reduction of fuel consumption.

The cardboard boxes used in the shipments were converted into KTP foldable shipping containers. The aim of this execution is to provide a cost advantage as well as to reduce the consumption of cardboard and contribute to the protection of nature and the environment.

Delivery of products from "Dealer Shared Warehouses" and provision of assembly services during the delivery have also provided fuel savings.

Arçelik offers Commercial A/Cs through 140 services throughout Turkey. Within the scope of this service, specific needs of chain stores and corporate customers regarding exploration, installation, maintenance and supply services are met.

As of 2018, Commercial A/C Services started to provide systems capable of meeting air-conditioning requirements up to 4500 kW. The new air-conditioning mounting kit and the installation kit caused gas leaks are improved by 7 times and are intended to prevent 1863 tons of CO2 emissions per year.

Arçelik Consumer Services carry out necessary works along with company's internal stakeholders to fulfill the obligations within the framework of Waste Electrical and Electronic Equipment Regulation. The waste electrical and electronic equipments collected from the customers in 2018 were sent to the licensed facilities for recycling. The first campaign was carried out in 2014.

Customer satisfaction has been increased as a result of collecting and recycling WEEE from customers' houses and awareness-raising activities carried out within this scope.

ENVIRONMENT-FRIENDLY PRODUCTS



60 & 70cm High Energy Efficient Deep Combi Refrigerator

- A+++ energy performance
- Greater capacity access
 - 70 cm: 501 liters net volume
 - 60 cm: 362 liters net volume (203x60 cm in product) & 324 liters net volume (186x60 cm in product)
- SmoothFit technology: easy to pull drawers to the end with 90 degree door opening
- Everfresh+ feature: up to 3 times longer storage of fruits and vegetables
- FreshGuard technology: eliminates bad odors in the refrigerator up to 90%
- Duo Cooling No Frost Technology. Ensures that the odors of the coolers and freezer compartments are not mixed and that the foods in the cooler compartment are protected from freezing.



Washing Machine / Washer Dryer

- Maximum contribution to nature by using recycled PET bottles as plastic raw materials in washing machines and washer dryers.



Dryers

- Contribute to the protection of the environment by providing drying with a lower volume of A+++ energy level using less plastic material
- Contributes to the combat with climate change because as a value of 3 for "Global warming Potential" instead of regular dryers with a value of 1300

Dishwashers

Excellent cleaning with ideal amount of liquid detergent with Autodose technology

- Autodose
 - The first household type dishwasher in Europe with liquid detergent dosing system
 - Usage up to 1 month for single filling with its special detergent box
 - No detergent residues in short programs
 - Autodose technology releases right amount of detergent for different programs
- New performance level
 - A+++ energy level
 - Low consumption in high capacity products with 7 liters water consumption, optimum performance and efficiency
 - Washing capacity for 15 people



Air conditioning

- For the first time in Turkey, production with R32 refrigerant among all the house split type air-conditioning products in the range of 9,000 and 18,000 BTU / h capacity
- Maximum contribution to the environment by reducing the refrigerant used in air conditioners by 25%

Turkey's 5A Power Level Vacuum Cleaner with Bags

- First 5A product in Arçelik's portfolio of products with bags
- Class a noise quality certified from German SLG agency
 - Energy Level – A
 - Carpet Dust Collection – A
 - Firm Ground Dust Collection – A
 - Dust Removal – A
- Suction power exceeding 250 watts in the A energy class with the efficient flow system design
- The most efficient air flow system design (38%) in its class



Quiet Mark Certified* Most Silent Bagless Vacuum Cleaner

- Most silent in its class (63 dBA)
- Quiet Mark Certified*
- A++ energy level
- 3L broad capacity
- TrayClean easily cleanable next generation dust chamber
- 99.98% dust holding capacity with the HEPA13 filter
- Up to 12 meters of access with its long cable

*UK Noise Association, international approval award program



Quiet Mark Certified* Ultra-Silent Hairdryer

- Ultra-silent (66 dBA)
- Quiet Mark Certified*
- 2 speed levels
- 3 temperature levels
- Ionic function and cold air blow option

*UK Noise Association, international approval award program



Zio+ Vacuum Cleaner with Bags, Produced from Recycled Materials

- Use of 100% recycled polypropylene plastic
- Ecology-friendly renewable material
- Environmentally-friendly and ensures sustainable raw material/material flow



SOCIAL RESPONSIBILITY



1,076 students were graduated from **9** Arçelik Laboratories

65 teachers were trained for **21,280** man/hours

105 students were employed by Arçelik Authorized Services

Equal Dictionary Project was granted the **“Golden Globe” award in the category of “Social Responsibility”** by IPRA (International Public Relations Association)

1 million shares with the hashtag #EatLikeAPro in 11 days for Beko’s **Eat Like A Pro** awareness campaign

Beko Russia donates **20,000** Euros to **Children’s Football** League

FC Barcelona’s Main Sponsor: Beko

Social Responsibility

Arçelik believes that the way to leave a better world to the next generations is to undertake projects that will add value to the society and performs many social responsibility activities that will contribute to the development of awareness within the framework of this understanding. Arçelik does not compromise from its values and ethical principles while fulfilling its social responsibilities

Arçelik, committed to United Nations Sustainable Development Objectives (SDG), develops long-term collaborations with the public institutions and NGOs in its areas of operation in line with the “Collaborations for Objectives” initiative and adopts a multi-stakeholder model applicable for social development projects from the design to the implementation phase. The Company, committed to develop solutions to social issues, focuses on a number of areas including “Social Gender Equality”, “High-quality Education” and “Responsible Consumption and Manufacturing.”

Social voluntariness is one of the core values of Arçelik. In addition to creating new job opportunities locally, production plants, sales and marketing offices of Arçelik operating in different countries also carry out social responsibility projects and support activities to contribute to the social development of their regions. The Company adapted maintaining the sustainability of the projects with the contribution and local embrace that will be provided by the volunteers composed of the large family of Arçelik as a significant success criteria.

Education - Development

Arçelik believes that the greatest added value in terms of social improvement is generated by the activities in the field of education.

Turkey

Electrical Household Appliances Technical Training Program - Arçelik Laboratories

Arçelik developed “Arçelik Electrical Household Appliances Technical Service Program” in order to reinforce the connection between professional training and employment, and to raise manpower with knowledge about the most recent developments and emerging technologies in Turkish electrical household appliance industry.

For this, the Company has implemented an industry-first in Turkey under Electrical Household Appliances Technical Service Staff category for establishing and maintaining training - employment relationship. The aim is to educate the students to a level that enables them to serve as technicians under white goods and air conditioner product groups with the knowledge they obtained in Arçelik Laboratories.

Within the scope of the program implemented in collaboration with the Ministry of Education, Professional and Technical Education General Directorate, Arçelik Laboratories equipped with state-of-the-art measurement devices and equipment related to electrical household appliances technical service were established. The first phase of the program was completed from 2011 to 2014 and the second phase covers 2015 to 2019.

The program started at 4 vocational schools in 2011-2012 semester and expanded to nine vocational schools in Istanbul, Diyarbakır, Trabzon, Izmir, Ankara, Bursa and Tatvan in 2015-2016 semester. The number graduates of the program was 115 in 2013, 112 in 2014, 208 in 2015, 216 in 2016, 216 in 2017 and 209 in 2018. In 2018-2019 semester, 239 students are educated in these departments including 100 11th graders and 139 12th graders. As of the end of 2017-2018 semester, the total number of graduates reached 1,076 and 105 of them were employed by Arçelik Authorized Services based on their requests.

Trainer and student trainings within the scope of the program are managed by Arçelik Retail Development Directorate, Consumer Services Technical Training-Turkey department in line with the contents of Arçelik Akademi Training Program. At Arçelik Electrical Household

At Arçelik Electrical Household Appliances Technical Service department, 65 technical trainers provided 21,280 man/hours of technical training since 2011. The training programs continue as needed.

Arctic Romania

Arctic continued to be engaged in many educational projects, as well as social responsibility activities meant to support social improvement.

Extend dual education program in Dambovită County - „Nicolae Ciur necu” Technologic Highschool

Arctic is actively involved in educational projects dedicated to the local community. In 2017, the company announced supporting the first dual education classes in Dâmbovița county, contributing to

the professional development of the future generation of technical workers. The project started with 56 students who have enrolled in the program, which is planned to expand significantly in the following years. The graduates of the Arctic classes will be familiar with operating Industry 4.0 intelligent technologic equipment and, by the end of the training period, will have priority to be hired at the new washing machine factory in Ulmi. Besides theoretical and practical knowledge, Arctic offers monthly scholarships, merit scholarships and other forms of material support. Also, during the three years, the students will have the opportunity to go on internships in the Gaesti and Ulmi factories and be mentored by the best specialists of the company. Throughout the internship period, students benefit from free transport to and from the factory and free lunch. At the end of the three years, the students enrolled in the program will be qualified as operators for numerical control machines or electronics operators for devices and equipment. In 2018, Arctic extended the program with 3 new classes for Operators for numerical control machines & Electronists for devices and equipment.

Private scholarships for students

In the 2018 - 2019 university year, Arctic has continued the program of private scholarships aiming to support technical specialty students from Politehnica University and Valahia University in Târgoviște and intends to expand the program to BSC and PhD students with major in Data Analytics from the University of Bucharest.

SOCIAL RESPONSIBILITY



Gender Equality

Arçelik aims at contributing to raising awareness on social gender inequality and to developing an equalitarian approach in business and social life with an integral approach.

Arçelik, a signatory to UN Women's Empowerment Principles (WEPs)

Social gender inequality is among the top issues of the sustainability strategy of Arçelik. Article 5 of the United Nations Sustainable Development Objectives, which calls for gender equality and empowerment of women and girls, defines gender equality as a basic human right. The Company aligned its sustainability roadmap with the United Nations' 2030 Sustainable Development Objectives and signed Women's Empowerment Principles (WEPs) again in 2018. Women's Empowerment Principles (WEPs), which was formed by the United Nations Global Compact, United Nations Social Gender Equality and Women's Empowerment units, define a roadmap for the companies to support the position of women in business life and the society. So far, 1661 leading international companies signed WEPs. Having signed the Women's Empowerment Principles, Arçelik aims to develop specific projects to raise public awareness on the issue.

I Support Gender Equality In My Country - Turkey

In accordance with an approach of global citizenship, Koç Group creates shared values with "My Country" projects to act in cooperation and collaboration to solve social issues.

Arçelik Family supports Koç Holding's "I Support Gender Equality in My Country" project. The purpose of the project is to create awareness on the reasons and consequences of gender inequality and develop an egalitarian approach in culture and social life as a role model.



Equal Dictionary

Inequality starts in language. The essence of the creative idea aroused from this point. In order to lower the frequency of gender discriminative language, Arçelik decided to tackle the problem at its source: on the keyboards of the mobile devices and PCs. Equal Dictionary is designed to filter private and business e-mail messages and MS Word documents on mobile phones and PC's. Arçelik has developed a special keyboard and dictionary database that currently filters more than 600 sexist phrases. The database is getting expanded with user suggestions received on the website, under the moderation of linguistic experts from the universities.

Arçelik's Equal Dictionary was granted the Golden Globe in the Corporate Responsibility category at IPRA (International Public Relations Association), a Silver award in the category of "The Best Corporate Social Responsibility Program of The Year in Europe" at The Stevie Awards.



SOCIAL RESPONSIBILITY

Arçelik Family and Volunteerism

Arçelik A.Ş. supported many social responsibility activities in 2018 through voluntary efforts of its employees and product donations to support social development.

Beko-UK

• Beko runs the London Marathon for Barnados

Beko has had a partnership with Barnados for over 5 years. Beko partnered with Barnados as it shares Barnado's ambition of helping vulnerable families and children in the UK, creating safe and loving home environments. In April 2018, a team of 7 staff members from Beko UK, along with 6 colleagues from Arçelik ran the London Marathon to raise funds and raise awareness of the charity work that Barnados does. From running the London Marathon £32,000 was raised. This money helped Barnados to continue to help some of the UK's most vulnerable children.

Beko US

• Beko Eat Like a Pro Youth Hockey Partnership

Beko US is partnering with the Chicago Blackhawks of the National Hockey League to deliver Beko Eat Like a Pro healthy eating information to young hockey players. The players and their parents received recipes that help athletes eat healthy before and after competition. Beko US sponsored the Beko Home Appliance 1v1 tournament in October where the finalists competed on November 27 at the United Center in Chicago.

Beko Poland

• Triathlon Events

Beko Poland has sponsored a number of triathlon events in various parts of Poland including Triathlon Tri Series and Garmin Iron Triathlon for almost 10 years. In 2018, Beko Poland sponsored 17 triathlon events. These events got a lot of public attention, they were covered by the local press and TV channels, and most of them were joined by Beko employees and Partners.

• Supporting Local Communities

Beko Poland attends various events related to national holidays and celebrations every year with its unique "Beko Family Zone". In this context, Beko Poland visited 10 cities in 2018 and introduced many children to fun activities.

• Charity Calendar for a Puppy Shelter Foundation

In the summer, Beko Poland organized a photo shooting session for a charity calendar whose main stars were puppies from a puppy shelter foundation, as well as Beko washing machines with the Pet Hair Removal function. The photos allowed us to create a beautiful charity calendar for 2019. All income from the sales is going directly towards the Foundation and the planned expansion of the shelter. These activities gave us a lot of viral buzz and Earned Media among animal-lovers, who are often pet-owners themselves, and who are highly engaged users of the animal-themed channels. More than 1000 people shared FB post on their social media. So far thanks to the calendars the charity raised over 65 000 PLN for the puppy shelter.

Beko Russia

• Children's Day

BEKO pays great attention to social responsibility and support of local authorities and people. On 29th of July 2018 Beko arranged Children's Day in Kirzhach city. In this Holiday more than 3 000 people participated, including 1 000 children. All Kirzhach citizens were invited. Special event program for children was created which consisted of different competitions, musical and dance performances, carousels, sweets. All children were very glad and their positive emotions and smiling were very important.

• Eat Like A Pro - Pass of Fair

A social flash mob in social nets in cooperation with Gerard Pique, ELAP global ambassador, and local sport and life-style celebrities. For each photos with #Eatlikeapro hashtag we transferred 0,65 EUR to Russian Children Football Ligue to support kids football in Russia. In cooperation with Children Football Ligue we became a sponsor of children football festival and conducted a cooking master-class for kids with participation of Chief Doctor of Russian national football team. We collected more than 8,5 K hashtags in just two 1,5 month and transferred 20 000 EUR to Russian Children Football Ligue. The flash mob was supported with digital campaign & 2 press-conferences. In total we had 8.5 K of hashtags, 127 media publications, 1.5 billion media impressions.

Defy

• The Tutudesk Foundation

Defy worked with Tutudesk to offer children in underprivileged primary schools around KwaZulu-Natal their very own workstation creating immediate, high impact and positive change in an instant, under their current learning conditions. The desk offers a unique and portable solution to the most disadvantaged children, offering a sense of worth, dignity and ownership over and above the literacy and academic improvements. The Tutudesk is designed to last the duration of a learner's school career, due to the robust child-friendly blend of polymers. To make learning fun for students, the Defy Tutudesk has elements such as the Big 5, multiplication table, South African map & Alphabets.



Grundig UK

• "Give Back" with Grundig

Aligned to the brand's Respect Food message, Grundig launched a Give Back campaign in partnership with Currys PC World - the UK's largest electrical retailer. Grundig will be donating £200,000 worth of appliances by 2020 to local food related charities that have been nominated by Currys PC World store staff. By taking the Respect Food initiative to a nationwide level, Grundig will be able to help out hundreds of charities to store surplus food and offer more services to socially vulnerable people.

• Battling School Hunger

Every day in the UK, 500,000 children go to school on an empty stomach as their parents are unable to provide them with the meals they need, which has an effect on their performance in school. Working in partnership with The Felix Project who are delivering surplus food to schools around London, Grundig has donated fridges to these schools so they can store even more of this surplus food to ensure all children are receiving a nutritious meal.

elektrabregenz

• ProJuventute

One of the most well-known brands of Austria, elektrabregenz supported the organization called ProJuventute aiming to protect homeless and needy children during the last years in line with the social responsibility approach. Besides donating different kitchen appliances to the orphanages renovated by ProJuventute, elektrabregenz also gave support in creating social awareness and more support by contributing to the programs carried out by the same organization. This pro-active relationship between elektrabregenz and ProJuventute has been extended to 2019 in order to build confidence, consistency and sustainability.

Arctic - Romania

• Activities for Supporting the Professional Improvement of Employees

With the program "Arctic helps you organize your backpack", Arctic helps especially blue-collar gain more effective life skills. This campaign initiated in 2013 for the employees of the manufacturing plant later expanded as a support model covering all Arctic employees. The Company also conducted "You can help too" campaign to encourage its employees help those in need with toys, food and money. Arctic continued this campaign in 2018.

• Supporting Local Organizations - Health Institutions

Arctic considers supporting local organizations as an important component of social responsibility. Arctic supports Gaești Hospital, a health institution serving the people in 16 settlements. Arctic helps the hospital with refrigerators, washing machines, dishwashers and tumble dryers to help the hospital and ensure hygiene conditions. Arctic continued this campaign in 2018.

SOCIAL RESPONSIBILITY

Responsible Consumption

Grundig “Respect Food”

Grundig feels that it's our responsibility to lead the fight against food waste. To remind the world not to take food for granted, but to treat it with care. Respecting food is the only way we can ensure a better future. And as a brand that believes in a better future, every day Grundig is working toward developing new technologies that fight food waste. That's its mission. As a global brand with a strong eco conscience, by adopting this Respect Food initiative, Grundig champions the cause of reducing food waste. Grundig's «Respect Food» initiative aims to inspire everyone to fight against food waste, by showing people how to tackle waste in kitchens with its innovative products.

• Ruhun Doysun-Turkey

Grundig, in line with its “Respect Food” principle, has taken its efforts to raise awareness on food waste to another level in Turkey with “Ruhun Doysun - Feed Your Soul” project. Focusing on food in 2018, “Ruhun Doysun - Feed Your Soul” platform aims at inspiring a simple life, and spreading respect for food and conscious consumption to life throughout the kitchen.

“Ruhun Doysun - Feed Your Soul” Project has become an awareness movement with its Youtube series, web site and social media accounts in 2018. At the same time, the project contributed to differentiating Grundig from other brands in terms of content marketing and positioning as a purposeful brand.

While YouTube continued to be the main platform, the video series which began with “Ruhun Doysun - Feed Your Soul”: A Life Style in October 2017, continued with the Feed Your Soul: Respect Food in October 2018. In the new video series, Grundig focused on food, and has thoroughly explored many subjects ranging from the right food to the right producer and the right production to the table, to the nature, to the soil, to the region and to the world. Thanks to the video series, the number of followers of Youtube channel exceeded 85 thousand and the total follow-up of the channel exceeded 35 million. The project has succeeded in having 400 thousand followers in social media which is the strongest supporting channel of the platform.

The web page where all the details of the platform can be found has a monthly average of 50 thousand visitors and reached a very high number considering that it is a brand page. Television, on the other hand, continues to be a supporting platform that enables the project to reach wider audiences.

The video content produced for Youtube in 2018, was broadcasted on NTV, providing visibility on television and media value four times bigger than the ad value.

The fact that Mediaist gave free broadcasting rights in 200 cinemas for two weeks contributed to the announcement of the movement to a wider audience.

In addition; “Ruhun Doysun - Feed Your Soul” movement reinforced Grundig's brand positioning with many awards.

- Crystal Apple Awards – 1st prize in the “Digital Social Media / Branded Content” category
- MIXX Awards - Gold MIXX in the category of “Branded Content” and a Bronze in the category of “Brand Awareness and Positioning”.
- Felis Awards – 1st prize in “Community Creation/ Management” and “Usage of Content created by Users” categories

• Food For Soul – International Partnership

Though fighting food waste starts at home, and helped along by innovation, we know great missions needs great partnerships. It takes real people with real vision to lead the charge. That's why Grundig has been partner with “Food for Soul”. Food for Soul is a non-profit organisation founded by chef Massimo Bottura to encourage communities to fight food waste in the interest of social inclusion and individual wellbeing. Food for Soul drives forward a range of initiatives in collaboration with chefs, artisans, food suppliers, designers and institutions. Grundig and Food for Soul expanded the fight against food waste globally.

Thanks to Grundig & Food for Soul partnership, 4 Refetorios opened from Rio to London, Paris to Milan. Over the last year 45 tonnes of food saved and 450,000 dishes served to the people in need. More than 800 volunteers and 300 chefs worked through this good purpose.

Beko - Eat Like a Pro

According to the World Health Organization, more than 70M children will be obese by 2025 if current trends continue. As a home appliance brand with product solutions across refrigeration, cooking and small home appliances that come with innovative features designed to help families enjoy fresh tasting healthy dishes, Beko strongly believed we have a role to play as well as having an inspirational global partnership with FC Barcelona.

Beko leveraged a powerful insight to engineer the solution, which is the fact that children do not always listen to their parents, but they do listen to their heroes. This is why Beko launched Eat Like A Pro, a global initiative aimed at tackling the global epidemic growth of childhood obesity via educating parents and children on the importance of healthy eating by showing what their heroes eat to perform at their best.

Beko intends to be one of the top three brands in every country it operates in – both in market share and brand preference– and to be a truly loved global brand. Beko is striving to play an active role in helping empower new generations to live healthier as a core strategic direction to get there.



Eco-Friendly Campaigns

• Arctic-Eco Friends Campaign

The campaign started in 2012 and continued in 2018 to preserve natural resources, waste management, energy consumption and reducing waste.

• Let's Do It Romania

Arctic partnered with Let's Do It Romania, a non-profit organization that encourage ecological behavior, enrolling 60 volunteers from Arctic who promoted the importance of leaving a clean environment ahead for the community, families and future generations.

• Aconcagua Expedition

Following Africa's highest summit Kilimanjaro and Europe's highest Elbrus; a team of Arçelik employees climbed Mt. Aconcagua, to raise awareness on global warming. Arçelik team included Koç Holding Consumer Durables Group President Fatih K. Ebiçlioğlu, Arçelik CEO Hakan H. Bulgurlu, Arçelik CTO C. Ş. Oğuzhan Öztürk, Product Director Alp Karahasanoğlu. It took 15 days for the team to peak Mt. Aconcagua. Aconcagua, which has a total height of 6,962 meters and located on the border between Argentina and Chile, has 5 glaciers up to 10 kilometers. Arçelik team has successfully climbed Kilimanjaro, the highest peak of Africa in 2011 and Elbrus, the highest mountain in Europe in 2017 and 2018, thanks to their team spirit and leadership skills.

• Arçelik Recycling Campaign

Arçelik is the first and only white goods manufacturer in Turkey, that has established its own recycling plant. In 2018 Arçelik initiated the “Grand Renewal Movement” with a recycling campaign where Arçelik received old technology products of consumers from their homes, regardless of brand and offered new ones with special discounts. By replacing old technology products with new environmentally friendly products, high electricity consumption is prevented, water is saved and carbon dioxide emissions are reduced.

ARÇELİK A.Ş. AND SPORTS



Beko believes that sports have the values that match the company's dynamic and energetic structure, and plays an important role in development of the youth. The power of sports to reach and touch the lives of many is an exact match for Beko's vision as a global brand.

Beko supports social development through sports and makes new investments in this field day by day. Beko was the "Presenting Sponsor" 2015 France-Croatia-Germany-Latvia Eurobasket after 2009 Poland - Eurobasket, 2010 Turkey - FIBA Basketball World Cup, 2011 Lithuania - EuroBasket, 2013 Slovenia - EuroBasket and 2014 Spain - FIBA Basketball World Cup. In 2017, Beko continued to actively use FC Barcelona and Beşiktaş Football Club sponsorships through communication on various channels and dealer events. In December 2018, Beko became the naming partner of Fenerbahçe Men's Basketball Team for 2.5 years and will see the "Eat Like A Pro" initiative activated to help shine a light on the growing concerns of childhood obesity and seek to prevent it for good. Through this new partnership, Beko plans to expand the scope of the campaign to promote healthy eating habits among children by advertising their hero basketball players as role models.

Beko - FC Barcelona

Beko had been the Premium Partner of FC Barcelona from the beginning of 2014/15 season to the end of 2017/18 season. Bringing two global brands together, this sponsorship agreement resulted in featuring the Beko logo on the left arm of first team jerseys and back of training kits of FC Barcelona.

In February 2018, Beko renewed its partnership for an additional 3 years and upgraded its position to a Main Partner alongside Rakuten and Nike whilst also becoming the exclusive Training Partner of FC Barcelona.

The extension sees Beko on the front and back of FC Barcelona training jerseys to help boost global awareness of the Beko brand amongst the ever increasing 291 million global fan base of FC Barcelona.

Both Beko and FC Barcelona brands enjoy shared values, rooted in the desire to truly make a difference to people's lives both locally and globally. This shared vision helped result in the 'Eat Like A Pro' initiative from Beko and FC Barcelona defender Gerard Piqué was announced as the global ambassador for the program.

Beko - Fenerbahçe Men's Basketball Team Partnership

Beko has taken a significant step towards supporting sports and healthy life and became the naming partner of Fenerbahçe Men's Basketball Team. As a big supporter of basketball for years, especially in Turkish Basketball League and European Basketball Championship, Beko will be the naming partner of Fenerbahçe Men's Basketball Team under this new agreement. The initiative "Eat Like A Pro", which Beko has activated against childhood obesity, is at the focus of this new partnership agreement. Through this new partnership, Beko plans to expand the scope of the campaign to promote healthy eating habits among children by advertising their hero basketball players as role models.

Arçelik Sailing Team

The Arçelik Sailing Team, which was established in 2012 with the initiative of the employees and the support of the senior management, has come in successful in many competitions in Turkey. The team was formed to strengthen team spirit among employees and eliminate all hierarchical barriers through collective struggle. Arçelik has provided sailing training to nearly 500 employees so far. In the last 6 race seasons, Arçelik and Beko boats have won six trophies in official league races as well as obtaining numerous podium degrees in different classes. Arçelik Sailing Team continues to participate in IRC0 class races with its race boats called "Arçelik Papili".

Beko - Beşiktaş Professional Football A Team

Having been a sponsor of Beşiktaş JK between 1988 and 2004, Beko continued to be the Jersey Back Sponsor of Beşiktaş Professional Football A Team, within the scope of sponsorship agreement signed as of the beginning of 2014/2015 season with this club, with which the Company has special ties.

Arçelik - Turkish Football Association Sponsorship

In 2017 Arçelik has become the main sponsor of National Football Teams by establishing a significant cooperation with Turkish Football Association. In 2018 Arçelik has continued its support and strengthened its position as the national brand of Turkey.

AWARDS & ACHIEVEMENTS IN 2018

Corporate Awards & Achievements:

- Arçelik Group was granted the Golden Globe in the Corporate Responsibility category at IPRA (International Public Relations Association) with the Equal Dictionary initiative.
- Arçelik Group's Equal Dictionary initiative received a Silver award in the category of "The Best Corporate Social Responsibility Program of The Year in Europe" at The Stevie Awards.
- Arçelik Group's Equal Dictionary initiative is shortlisted and picked up as 'Highly Commended Project' for 'Best Use of Technology' at the Drum Social Purpose Awards 2018 in London.
- Arçelik Group 2017 Annual Report was granted the platinum award in the "International Annual Reports Contest" organized by the League of American Communication Professionals (LACP).
- Arçelik Group Sustainability Report was granted the golden award by the League of American Communication Professionals (LACP).
- Beko Sardis, the new generation mobile payment terminal developed by Token, was awarded the CES Innovation Honor Award in the category of "Cyber Security and Privacy" by the Consumer Technology Association.
- Arçelik Group was selected as "The Best Company to Work for in Durable Consumption Sector", in The Most Popular Companies 2018 Survey.
- The Washing Machines Plant of Arçelik in Ankara was awarded the "Advanced Special Award for TPM" by the Japan Institute of Plant Maintenance (JIPM) due to conducted audits.
- The Cooking Appliances Plant of Arçelik in Bolu was awarded the "Advanced Special Award for TPM" by the Japan Institute of Plant Maintenance (JIPM) due to conducted audits.
- The Cooking Appliances Plant of Arçelik in Bolu was awarded at the MESS Golden Glove OHS Competition due to its work safety study on "Prevention of occupational accident risks in the molding area".
- Arçelik Group won awards in "Best Customer Service", "Best Customer Loyalty", "Best Business Partner-ship" and "Best Call Center" categories of Contact Center World Awards.
- Arçelik Group was granted the "Most Admired Retail Call Center for Customer Satisfaction" award at the award ceremony held by IMI Conferences.
- Arçelik Group received 6 awards in Red Dot, one of the most prestigious design competitions in the World.
- Arçelik Group received 9 awards in Turkey Design Week, organized by the partnership of T.C. Ministry of Economy and Turkey Exporters Assembly.
- Turkey's patent champion, Arçelik Group ranked 71st in "PCT System Top Applicants List" of WIPO (the World Intellectual Property Organization) with a total of 287 patent applications in 2018.
- For the 11th consecutive year, Arçelik is recognized as the most loved home appliances brand in the 'Love-marks of Turkey 2018 Survey' conducted by MediaCat and Ipsos.
- Beko was granted the "Reputable Brand of the Year" award in the category of "Air Conditioning and Small Appliances" in The One Awards organized by Akademetre and Marketing Turkey magazine.
- Grundig's "Feed Your Soul" was rewarded a Gold MIXX in the category of "Branded Content" and a Bronze MIXX in the category of "Brand Awareness and Positioning".
- Arçelik won 4 awards in the Crystal Apple Awards.
- Arçelik received 11 awards at Felis Awards for its brand projects.
- Arçelik was selected "the coolest brand" in the white goods category.
- Arçelik ranked first in the white goods and small household appliances category, whereas Beko ranked first in the category of air conditioning at A.L.F.A Awards.
- Asista Smart Assistant campaign prepared by Arçelik digital communication team was chosen "Global Case Study" by Google.
- Beko won a Gold and Bronze Effie in Effie Turkey Awards.
- Beko won the second prize in the "Direct Marketing Awards" with its Drying Machine Integrated Campaign
- Beko was awarded the Arvak / A Awards in the poster category with Aquaboard.
- Arçelik İstinye Park store was deemed worthy of Felis award in the category of "2018 Brand Experience and Activation Department Best in-Store Consumer Experience".
- Arçelik İstinye Park store received "Best Store Design Award" in the category of "D. Hard-Line Speciality Stores" in Retail Design Competitions organized by Retail Design Institute.
- Grundig's "Feed your Soul" initiative received 4 awards in Felis Awards.
- Arçelik Flagship Store at İstinye Park received the "Best Store Design" award at World Retail Awards
- Arçelik Retail Academy won two bronze awards at the Excellence Awards given by Brandon Hall, the world's leading consulting firm. The Academy also won a gold and bronze award at The Stevie Awards 'Great Employers' Review.
- Beko won the Best Brand Activation award at the Football Business Awards with its "Eat Like A Pro" initiative.

- Beko was granted an award at the Top Serbian Brands 2017 in the category of Consumer Electronics
- Beko was granted Financial Smoothness Award in AO Conference.
- Arçelik Group was announced as the Inaugural IoT Security Champion of TechWorks Awards by IoT Security Foundation.
- Beko received "Safety Innovation Award" at the Electrical Product Safety Conference 2018.
- Elektrabragenz became a certified "Superbrand" in the Consumer Electronics category of Superbrand 2018, organized by Superbrands Austria Brand Council.
- Defy received several awards in the categories of stove, oven, countertop stove, vacuum cleaner and washing machine at the Kasi Star Township Brands Awards, organized by South Africa research company ASK Africa.
- Defy received several awards in the categories of stove, countertop stove, washing machine, refrigerator and freezer at the Icon Brands Awards organized by South Africa research company ASK Africa.
- Grundig DTR 6000 Internet radio was evaluated as "Sehr Gut" with 89% by DigitalFernsehen magazine.
- As a result of the tests conducted by Stiftung Warentest, one of the leading testing institutes in Germany, Coffee Machine (KM 7280G) was evaluated as "Good" and Hero Line products as "The Best Tong" and Pure Care Line products as "The Second-Best Hair Straightener" in the category of hair shaper.
- Turkish Coffee Machine (Ehl-i Kahve) was granted "Design Award" and Microgarden was granted "The Best Design Award" by Design Turkey.
- Coffee Machine ETM Testmagazin; Hand Blender and Hand Blender Set products from the Grundig Delisia family were rated as "Very Good" by Hause & Garten Test. Table Blender from Grundig Delisia family was rated as "Good" by Hause & Garten Test.
- Espresso Machine (CEG5301X) was selected as "The Second-Best Espresso Machine in the Market" by Que Choisir Consumer Magazine.
- Arçelik was awarded the "Standardization Prize" at the Standardization Summit held in partnership of the Turkish Standards Institute (TSE) and Union of Chambers and Commodity Exchanges of Turkey. (TOBB)

Environmental Awards & Achievements:

- Grundig Recycled Vacuum Cleaner was awarded as "Recycled Plastic Consumer Lifestyle Product of the Year" by the Plastics Recycling Show (PRS) Europe, for the use of 90% recycled plastic materials.
- Arçelik Group was awarded the first prize in the "Management" category at the European Union Environmental Awards.
- Arçelik Group won the "Environmental Management and Corporate Social Responsibility Award" at the Water and Environment Conference.
- Arçelik Group became the first and only Turkish industrial company in Dow Jones Sustainability Index for the second time in a row.
- Arçelik Group featured in the Series of MSCI Global Sustainability Indexes with the degree of AAA for the fourth time.
- Arçelik Group was included in the Borsa Istanbul (BIST) Sustainability Index for the fifth time.
- Arçelik Group ranked among the top companies with highest degrees in both CDP Climate and CDP Water programs.
- Beko US earned 2018 ENERGY STAR® Partner of the Year Award.
- EPA recognized Blomberg as 2018 ENERGY STAR® Partner of the Year Award.
- Arçelik Group was granted the the first prize in the "Innovative Environmentally Friendly Device" category of the "ISO Environmental Awards" organized by the Istanbul Chamber of Industry".
- Arçelik Group was listed in FTSE4Good Emerging Indexes for the third time.



Corporate Governance

“

As a company focusing on creating value through a financially profitable business model that respects people and the environment, Arçelik structures its corporate governance principles within the framework of accountability, responsibility, fairness and transparency. Arçelik's success of many years relies on its transparent management approach in all business processes.

”

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Social Responsibility Approach

Sustainable use of the earth's limited resources is not only the responsibility of individuals, governments and nongovernmental organizations (NGOs), but companies as well. The company carries out its activities with a view to create a more livable world for next generations.

Responsibilities towards "Sustainable Development", environmental awareness and social sensitivity and operating in full compliance with laws, ethical standards and human rights constitute the "Corporate Social Responsibility" of the Company. Drawing its strength from the corporation values and the principle of "I exist only if my country exists" determined by dear deceased Vehbi Koç, the founder, the Company strives to fulfill its responsibilities together with its employees and all of its business partners.

Corporate Governance Approach

The Company's corporate values, ethical approach, good governance philosophy and code of conduct guide the employees to fulfill their responsibilities.

In line with international business standards, for long-term productivity and success of the Company, it is inevitable to convey four principles of corporate governance: accountability, responsibility, fairness and transparency, which build trust between stakeholders and corporations, to its activities.

Arçelik A.Ş. is conscious of the fact that the methodology for fulfilling the promises on trust and stabilization against the Company's stakeholders and investors can be achieved by sound corporate governance. The positive impacts of Company's performance on "Corporate Governance Principles" are clearly observed in especially meetings conducted with corporate investors. The company not only depends on its business results and robust capital structure to achieve its profitability targets, but also on its "Corporate Reputation", an important asset that has been established over many years.

Corporate Governance Principles Compliance Report

SECTION I: Statement of Compliance with Corporate Governance Principles

Implementation and actualization of Corporate Governance Principles, which were issued by Capital Markets Board (CMB) under decision number 35/835 on 04.07.2003 and shared with the public on July 2003, is important especially for the creditworthiness and financial opportunities of publicly traded corporations. The said principles that reveal the quality of corporate governance have been adopted by the Company. As per CMB resolution No. 48/1588 on 10.12.2004, it has been decided that the companies traded at Istanbul

Stock Exchange (ISE) shall include their statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), beginning from their 2004 annual reports. In accordance with the aforementioned resolution, Arçelik A.Ş. has set up an in-house team to examine the compliance with these principles, and in consequence of these studies as of 2004, information on Compliance with Corporate Governance has been included in its annual reports and on its website. Corporate Governance Principles were revised upon Corporate Governance Communiqué of CMB No: II-17.1, which was published in the Official Gazette dated 03.01.2014. While fully complying with the obligatory principles, which are in effect in 2018, within the scope of Corporate Governance Communiqué No: II-17.1, the Company has also complied with the majority of nonobligatory principles. Although also the full compliance with nonobligatory principles is aimed, full compliance is not yet achieved due to reasons such as challenges encountered in the implementation of some principles, on-going discussions both in our country and international platform about compliance with some principles and some principles that not well-suit to current structures of market and company. Studies on the principles which are not yet put into practice still carries on and it is planned to carry into practice upon the finalization of administrative, legal and technical infrastructure works that will contribute to the efficient governance of our company. Comprehensive works performed within the frame of corporate governance principles within the structure of our Company and in the related sections principles which have not been complied yet and if any, conflicts of interest arisen due to this have been explained below.

The works conducted on Corporate Governance in 2018 have been carried out in compliance with the Capital Market Law containing regulations on the corporate governance principles of the CMB and with the communiques prepared based on this Law. Amendments in articles of association required to comply with New Turkish Commercial Code and Capital Market Law have been accepted in our Ordinary General Assembly dated 28.03.2013. Our board of directors and committees of the board of directors were established in our 2018 Ordinary General Assembly in compliance with the regulations in Corporate Governance Communiqué. Independent membership candidates were determined and publicly announced before the general assembly and the election was completed in compliance with the regulations. Established Board of Directors' Committees efficiently conduct their operations. Remuneration Policy for Board of Directors and Senior Executives was determined again and approved by the Ordinary General Assembly. The general assembly information document and general assembly information such as privileged shares, voting rights, organizational changes which are obligatory to be explained as per the

CORPORATE MANAGEMENT PRINCIPLES COMPLIANCE REPORT

principles, resumes of nominees for Board Members, remuneration policy for Board of Directors and Senior Executives, associated party transactions and other information that needs to be explained have been submitted for our investor's information 3 weeks before the Ordinary General Assembly dated 19.03.2018 at the latest. All of our related party transactions have been submitted for the information of Board of Directors and with the approvals of our independent board members; the continuity of the said transactions has been decided. Furthermore, necessary revisions have been made in terms of full compliance with principles by revising our company's website and annual report. Also, in the forthcoming period, necessary works are going to be performed by considering the improvements and implementations in legislation for compliance with the principles. The corporate governance rating of our Company previously rated as 9.52 out of 10 (95.23%) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) as disclosed to the public in our special case statement dated 21.07.2017 was updated as 9.53 (95.35%) out of 10 as a result of the revision by SAHA on 20.07.2018.

Our Corporate Governance Rating has been determined as a result of an evaluation made under four main topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted based on CMB's Corporate Governance Principles and current distribution based on main topics are provided below:

Main Sections	2017 Rating	2018 Rating
Shareholders	9.52	9.52
Public Disclosure and Transparency	9.72	9.72
Stakeholders	9.91	9.91
Board of Directors	9.22	9.25
Total	9.52	9.53

The report issued by SAHA on the corporate governance rating is available on our Company's website at www.arcelikas.com address. SAHA made the following assessment in the report dated 20.07.2018:

"Corporate governance rating of Arçelik A.Ş. was revised as specified above considering the importance that Arçelik gives to the corporate governance principles, willingness to execute this as a continuous and dynamic process and improvements realized in that direction since July 2017." Our Company has been included in ISE (BIST) Corporate Governance Index since 31.07.2009.

Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of fully complying with the Corporate Governance Principles. However, full compliance with some principles has not yet been achieved due to reasons such as challenges which may be encountered in the implementation and may cause delay of company activities, on-going

discussions both in our country and on international platforms about compliance and not well-suited to current structures of market and company. For example,

- Concerning the principle no. 1.5.2; minority rights were not entitled to the ones having lower than one out of twenty of the capital with articles of association, the rights were provided within the frame of general regulations in the legislation.
- Concerning the principle no. 4.3.9; no target ratio or target time is determined for woman member ratio in the Board of Directors and evaluation studies are still ongoing regarding the issue. Detailed information regarding the issue is provided in part 5.1.
- Concerning the principle no. 4.4.5, although our Company has processes on how to hold board of directors meetings that were maintained consistently for many years, we do not have a written in-house regulation specific to this topic.
- Concerning the principle no. 4.4.7, as explained in part 5.1 below, there isn't any restriction for the members of the board of directors to handle other tasks apart from the company.
- Concerning the principle no. 4.5.5, assignment in committees are performed in accordance with relevant regulations, taking into consideration the know-how and experiences of our members of the board of directors. Only one independent member of the board of directors was assigned in two committees. Members serving in multiple committees ensure inter-committee communication between committees working on related issues and increase the opportunities for cooperation.
- Concerning the principle no. 4.6.1, no specific study was performed for the purpose of performance evaluation at the board of directors level.
- Concerning the principle no. 4.6.5, payments to the members of the board of directors and managers with administrative responsibility are publicly disclosed in accordance with general practices in our Ordinary General Assembly and in the footnotes of our financial statements.

Full compliance with nonobligatory principles is not secured and the Company is not subject to any conflict of interests. The 2018 Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF) that comply with Arçelik A.Ş.'s new reporting format to be prepared in accordance with the decision of the CMB dated 10.01.2019 and numbered 2/49, shall also be disclosed to the public on the Public Disclosure Platform within the period specified by the CMB.

Efforts for full compliance with the Corporate Governance Principles have been continued by preparing a corporate governance action plan concerning the areas that still need improvement in corporate governance implementations as determined in the Corporate Governance Rating Report for Arçelik A.Ş. prepared by SAHA.

SECTION II: SHAREHOLDERS

2.1. Investor Relations Department

The tasks of the Investor Relations Department regarding the communication between the Company and investors are carried out by Hande Sarıdal, Finance Director; Faik Bülent Alagöz, Capital Markets Regulation Compliance Manager and Orkun İnanbil, Investor Relations Manager; under the coordination of Polat Şen, Assistant General Manager of Finance and Accounting. With the Board Decision dated 27.03.2018, Polat Şen was assigned as a member of the Corporate Governance Committee.

Licenses of the persons within Investor Relations Department as of 2018 are provided below:

Name-Surname	Title	Type of License Certificate	License Certificate No.
Polat Şen	Assistant General Manager- Finance and Accounting	-	-
Hande Sarıdal	Finance Director	Capital Markets Activities Advanced Level License	202801
Faik Bülent Alagöz	Capital Market Regulation Compliance Manager	Capital Markets Activities Advanced Level License Corporate Governance Rating License	203781/700495
Orkun İnanbil	Investor Relations Manager	-	-

Contact information of Investor Relations Department staff in 2018 are below:

Polat Şen
Assistant General Manager - Finance and Accounting
0212 314 31 00
polat.sen@arcelik.com

Hande Sarıdal
Finance Director
0 212 314 31 85
hande.saridal@arcelik.com

Fax : 0212 314 34 90
e-mail : yatirimciiliskileri@arcelik.com - investorrelations@arcelik.com

Faik Bülent Alagöz
Manager - Capital Market Regulation Compliance
0212 314 31 03
bulent.alagoz@arcelik.com

Orkun İnanbil
Manager-Investor Relations
0212 314 31 14
orkun.inanbil@arcelik.com

Activities carried out in 2018 in order to provide detailed information to investors about the Company's operations is summarized in the following table:

Number of investor conferences and roadshows held in Turkey and abroad	10
Number of interviews with investors and analysts	530
Number of teleconferences organized for the disclosure of financial results as of the end of 2017 and the first 9 months of 2018	4
Number of press meetings organized in Turkey and abroad	10

2.2. Use of Shareholders' Rights to Obtain Information

Major activities executed in Investor Relations Department are as follows:

- Keeping the records of shareholders in a proper, secure and up-to-date manner,
- Responding to shareholders' oral or written queries for information regarding the company, excluding undisclosed information that is considered confidential and trade secret,
- Ensuring that the General Assembly is conducted in accordance with the applicable legislation, articles of association and other internal regulations,
- Preparing documents to be used by shareholders during the General Assembly,
- Keeping records of voting results and ensuring that all reports related to resolutions are delivered to shareholders,
- Observing and monitoring all issues regarding public disclosures, including applicable legislation and the company's disclosure policy,
- Attending meetings held at company headquarters as well as other local and international meetings organized by various organizations and informing investors of these meetings,
- Providing information to analysts who make assessments about the company,
- Responding to information requests made by academicians who carry out research about the company and industry,
- Preparing the content, both in Turkish and English, to be posted on the investor relations section of the company's corporate website (www.arcelikas.com), updating the page as frequently as possible, and ensuring that shareholders are able to access company information easily and quickly via Internet,
- Making available up-to-date information on statements which may affect the use of shareholders' rights on the corporate web site,
- Filing material events disclosures through the PDP (Public Disclosure Platform), in accordance with the CMB Communiqué no. II-15.1,
- Monitoring changes in the applicable legislation related to the Capital Market Law and bring these to the attention of concerned units in the company,
- Representing the company at the Capital Markets Board, Istanbul Stock Exchange, and Central Registry Agency (CRA).

The report prepared regarding the activities conducted by Investor Relations Department in 2018 was first submitted to the Corporate Governance Committee to review on 08.02.2019.

In the use of rights of shareholders, the legislation, articles of association and other internal regulations are applied, and necessary precautions are taken to ensure the use of these rights and all shareholders receive equal treatment. In Arçelik A.Ş., the Investor Relations Unit operates under the authority of Assistant General Manager of Finance and Accounting. The primary objective of the company is to ensure that shareholders exercise their right to obtain information in a fair and complete process. Furthermore, the Company enables its shareholders to exercise their rights, which they are entitled to as partners, fully and as soon as possible. In the Company no discrimination is applied among shareholders in the use of their right to obtain and evaluate information. Each shareholder has right to obtain and evaluate information.

The queries directed to Investor Relations Unit, excluding undisclosed information that is considered confidential and trade secret, are responded either via phone or in written by obtaining information from the highest authority of related subject. As explained in Part 3.1 of this report, every kind of information and statement, which may affect the use of shareholders' rights are included on the website.

With the intent of extending the shareholders' rights to obtain information and enable them to exercise their rights in an accurate way, up-to-date financial statements as well as necessary information and documents are provided on the Company's website (www.arcelikas.com) both in English and in Turkish. During this period, oral or written information requests addressed by the shareholders have been responded orally or in written without discrimination among shareholders within the frame of Capital Markets Regulation. Material event disclosures required to be submitted to the PDP along with financial statements and other company information are submitted digitally with electronic signatures.

Notwithstanding that the Company Articles of Association do not include any provisions regarding the right to demand special auditor as an individual right, as per Article 438 of Turkish Commercial Code, each shareholder, in case it is necessary for being able to exercise the shareholder right and if the right for obtaining or evaluating information had been exercised previously, may demand general assembly to clarify specific matters through with a special audit even if it is not included in the agenda. The Company has also not received such a request during the period. In addition, the operations of the Company are periodically audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., an independent auditing firm (a member firm of Ernst & Young Global Limited) elected during General Assembly.

SECTION II: SHAREHOLDERS

2.3. General Assembly

In order to ensure attendance of maximum number of shareholders, announcements of invitation to the General Assemblies are made through all available means of communication, including electronic media, at least three weeks in advance. Our Articles of Association have been issued accordingly.

In addition to the announcements of General Assemblies and announcements and disclosures, which are required by the applicable legislation, the following matters are notably announced to our shareholders on our Company's website as well:

- a) The total number of shares and voting rights, which reflect the shareholding structure of the company, as of the date of announcement,
- b) Changes in management and activities at the Company or the Company's subsidiaries and affiliates that would have a crucial impact on any activities, and which took place in the previous accounting period or are planned in the next accounting period,
- c) In the event that the agenda of the General Assembly contains any items which stipulate the discharge, change or election of any members of the Board of Directors, the justification for these and information on the individuals who would be nominated for the Board of Directors;
- d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for any items to be included on the agenda,
- e) In the event that the agenda of the General Assembly contains any items that stipulate for an amendment to any of the articles of association, the list of previous and current items to the articles of association alongside the relevant Board of Directors' resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), résumés of individuals who shall be nominated for the Board of Directors; their employment history for the past ten years and reasons for leaving their prior employment; the nature and prominence of their relationships with the company and the company's affiliates whether they can be considered independent or not, and in the event that these individuals are elected as members of the Board of Directors, information on similar issues to affect the company operations.

All shares of the company's capital stock are nominative. An informative document regarding the agenda items shall be prepared and disclosed to the public on the company's corporate website and PDP prior to the General Assembly. General Assemblies are held open to the public, including stakeholders and members of the media, provided that they do not have the right to speak at the meeting as per Company's Articles of Association.

The Company held 1 Ordinary General Assembly Meeting and 1 Extraordinary General Assembly Meeting in 2018.

During the Ordinary General Assembly, which was held on Monday, March 19, 2018 and during which the Company's 2017 operations were discussed, 58.093.234.952 shares (85.97%) of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. Company's shareholders (either in person or by proxy), stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. During the General Assembly Meetings, questions directed by shareholders are answered. In cases when the question being asked is not related to the agenda or is too complicated to be answered during the meeting, the answers thereto are provided by Investor Relations Unit in writing. No question was asked requiring such written response in the General Assembly dated Monday, March 19, 2018.

During the Extraordinary General Assembly, which was held on Tuesday, June 26, 2018 and during which the partial demerger process was discussed, 57.752.305.133 shares (85.47%) of 67,572,820,500 shares, which is the total of Company's capital, were represented physically and on electronic environment. The Company's shareholders, in person or by proxy, its stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. During the General Assembly Meetings, questions directed by shareholders are answered. In cases when the question being asked is not related to the agenda or is too complicated to be answered during the meeting, the answers thereto are provided by Investor Relations Unit in writing. No question was asked requiring such written response in the General Assembly dated Tuesday, June 26, 2018.

Summary of the resolutions made at the Extraordinary General Assembly on partial demerger are as follows.

- In the 2nd item of the agenda; it was notified that the Demerger Plan, the Demerger Report, the Financial Tables and the Annual Reports of the last three years were made available at the Company Headquarters for review of the shareholders for two months beginning on 11.04.2018 before being submitted to the approval of the General Assembly and publicly disclosed (through the Public Disclosure Platform, the Company's www.arcelikas.com website and the Turkish Trade Registry Gazette dated 12.04.2018). The shareholders were informed on "Announcement on Right to Review", "Announcement on Protection of Creditors" and Certified Public Accountant's Report on Determination of Equities as per the Turkish Commercial Code.
- In the 3rd item of the agenda, the shareholders were informed on the Statement of the Board of Directors that no rights of clearance were entitled with the partial demerger as per the Capital Markets Board Communiqué II-23.1 "Principles and Right of Clearance Applicable for Significant Transactions."
- In the 4th item of the agenda, it was decided that the Demerger Report and Demerger and their annexes are approved, that the assets and liabilities of the industrial motor production, services and the R&D activities related thereto are integrally and universally transferred to WAT MOTOR SANAYİ VE TİCARET ANONİM ŞİRKETİ which will be incorporated as a 100% subsidiary of the Company by partial demerger and that the assets and liabilities of the payment systems operations and the R&D activities related thereto are integrally and universally transferred to TOKEN FİNANSAL TEKNOLOJİLER ANONİM ŞİRKETİ which will be incorporated as a 100% subsidiary of the Company by partial demerger and the transfer will be registered in the Articles of Association of WAT MOTOR SANAYİ VE TİCARET ANONİM ŞİRKETİ at the Çerkezköy Trade Registry Directorate and in the Articles of Association of TOKEN FİNANSAL TEKNOLOJİLER ANONİM ŞİRKETİ registered at the Istanbul Trade Registry Directorate in accordance with TCC Article 159, simplified demerger provisions of the Merger and Demerger Communiqué by the Capital Markets Board and Articles 19 and 20 of the Corporate Tax Law.

The Minutes of the Company's Extraordinary General Assembly Meeting dated 26.06.2018 was registered by Istanbul Trade Registry Directorate on 29.06.2018.

- According to the Articles of Association, the General Assembly was announced at least three weeks before the General Assembly in PDP, in the Turkish Trade Registry Gazette, on the company's corporate website, in Electronic General Assembly System, and on e-company in an effort to reach the highest possible number of shareholders besides the procedures stipulated through the legislation.
- All announcements comply with Corporate Governance Principles.
- Starting with the invitation date of the General Assembly, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Assembly, supplementary documents pertaining to the agenda, the current Articles of Association, the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's corporate website for the convenience and open review of shareholders.
- The Company prepares a clear agenda of the General Assembly to avoid any ambiguities and misunderstandings. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Examples for power of attorney are announced and posted on the company's corporate website for shareholders represented by proxy.
- Voting procedure is announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- During the General Assembly Meetings held on Monday, March 19, 2018 and Tuesday, June 26, 2018, the Company did not receive any requests from shareholders for any additional items to be included on the agenda.

SECTION II: SHAREHOLDERS

General Assemblies are conducted with minimum costs and simplest method and as not to cause inequality among shareholders. By facilitating the participation of shareholders residing both in the country and abroad, they are enabled to participate in General Assembly.

Besides, all documents that may be needed by foreign shareholders in order to be informed about the General Assembly and agendas are translated into English and sent via the banks performing the barter and holding transactions of such shareholders and are also posted on the company's corporate website.

The company makes every effort to hold its General Assembly close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is designated according to the number of participants. The Ordinary General Assembly dated 19.03.2018 and the Extraordinary General Assembly dated 26.06.2018 were held at the following address: "Divan İstanbul Elmadağ, Asker Ocağı Caddesi No:1 34367 Şişli İstanbul". The location of the General Assembly was easily accessible to all shareholders. Invitations to the General Assembly are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Articles of Association. Resolutions made by the Board of Directors for the convention of General Assemblies are shared with the public via disclosures filed with the PDP.

As per the regulations of CMB, it is obligatory to disclose financial statements to the public within 11 weeks after the end of accounting period. However, the company discloses its financial statements much earlier. The financial statements for 2018 year-end were disclosed during the 5th week. Following the disclosure of financial results, preparations for General Assembly are started and General Assembly is conducted upon the finalization of required legal procedures. This year's General Assembly will be conducted within three months after the accounting period. During the General Assembly, subjects included in the agenda are conveyed to shareholders in detail and fairly with a clear and understandable method; proper discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. For the featured subjects included in the agenda, related board members, related other persons, authorized persons and auditors who are responsible for preparing the financial statements participate in the General Assembly in order to answer the questions and provide necessary information.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's Board of Directors and senior executives.

The General Assembly is provided with information on processes, if any, based on the permission acquired by shareholders having the governance control, members of Board of Directors, managers with the responsibility of administration and their spouses and second-degree blood and kinship relatives at the General Assembly to perform tasks within the Company's area of operation in line with articles 395 and 396 of Turkish Commercial Code. There was no transaction of significance to cause a conflict of interest between the mentioned persons and the publicly traded company and its subsidiaries under the principle no. 1.3.6. of the Corporate Governance Communique in 2018.

As per clause 4 of the article 415 of the new Turkish Commercial Code no. 6102 and the clause 1 of the article 30 of the Capital Market Law no. 6362, it is no longer a requirement to store share certificates to acquire the right to participate in the General Assembly and the right to vote. Therefore, our partners who wish to participate in the General Shareholders' Meeting are not required to block their shares before the Central Registry Agency.

At the General Assembly, votes of shareholders on the agenda subjects are recorded in the minutes of meeting. Each agenda topic is voted separately at the meeting. The General Assembly is conducted under the supervision of a Commissioner from the Ministry of Customs and Trade.

General Assembly is informed about donations and aids which are made by the Company to foundations and associations for social relief with a separate agenda topic. At the Ordinary General Assembly held in 2018, information on the donations and aids in 2017 was provided with a separate agenda topic and the upper limit for donations in 2018 was determined to be 0.2% (two per mille) of last year's revenue and there has been no change in the donation policy.

The minutes of the General Assembly are posted on the corporate website and are also made available to shareholders at the company's headquarters and given upon request.

2.4. Voting and Minority Rights

The voting procedures at the General Assembly are announced to shareholders at the beginning of the meeting. Applications, which cause inconvenience for the exercise of voting right, are avoided in the Company and each shareholder, including residing abroad, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient manner.

The company's Articles of Association does not include any special voting privileges. Each share has one voting right. Any legal entity, which is the affiliate of The Company, does not exist among the Company's shareholders. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Shareholders representing the minority rights compose the Management together with majority shareholders by their participation at General Assembly. In 2018, our company has not received any criticism or complaint concerning this issue. Minority rights are determined to be no lower than one-twentieth of the capital by the Articles of Association.

2.5. Dividend Rights

The dividend distribution policy approved by the shareholders as 6th Agenda article in Ordinary General Assembly held on 27.03.2014 has been determined as:

"Our company performs dividend distribution within the frame of the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations and other relevant regulations and the article regarding dividend distribution in our Articles of Association. The distribution of dividends is based on a balanced and consistent policy between shareholders and corporate interests in accordance with Corporate Governance Principles. As a principle, 50% of the distributable term profit (calculated as per the Capital Market Regulations) is distributed in the form of cash and/or bonus shares to the extent allowed by the relevant regulations and financial facilities as long as they have provisions in the existing resources specified in our legal records on the basis of market expectations, long-term Corporate strategy, investment and finance policies, profitability and cash position. The purpose is to distribute dividends within maximum one month after the General Assembly, which also decides on the date of distribution of dividends. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. The Articles of Association of the Company states that The Board of Directors may distribute dividend advance provided that it is authorized by the General Assembly, and that it complies with the Capital Market Regulations."

Dividend distribution policy of the Company is included in the Annual Report and posted on the company's corporate website.

The company's profit distribution process is carried out in accordance with TCC (Turkish Commercial Code) and CMB, within statutory periods. At the Ordinary General Assembly dated Monday, March 19, 2018, it has been decided to distribute gross dividend rate at the rate of 64.375% (net 54.719%) based on 2017 financial results and as of March 26, 2018, dividend distribution has started. The Articles of Association do not grant any privileges regarding profit sharing.

2.6. Transfer of Shares

The Articles of Association do not include any provisions which obstruct the free transfer of shares and restricting the transfer of shares. CMB regulations are applied in terms of takeover of Company's nominative shares treated in the stock market.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

The Company uses its corporate website (www.arcelik.com) actively in order to communicate more effectively and rapidly and to be constantly in touch with its shareholders, in accordance with CMB's Principles. The information provided here is updated regularly. The information posted on the company's website is the same as and/or consistent with the material event disclosures made in accordance with the applicable laws, they are complete and do not contain any contradictory information.

In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any privileged shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements, annual reports, prospectuses and IPO circulars, agendas of General Assembly and list of attendants and minutes, proxy voting form, dividend distribution policy, disclosure policy, code of conduct of the company and answers to frequently asked questions. Accordingly, such information for the last 5 years is available on the company's website.

The company's website is provided both in Turkish and English in compliance with the content and design required by CMB's Principles. It is the responsibility of the Investor Relations Department to prepare, update and contribute to the content posted on the Investor Relations section of the company's website. The Company makes every effort to provide investors of its corporate website with better service.

The company is controlled by the main partner Koç Holding A.Ş., Koç Family and the companies owned by the same.

3.2. Annual Report

The Company Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities and as per the information listed in Corporate Governance Principles.

In addition to the information required to be included by the applicable law and in other parts of Corporate Governance Principles, annual reports contain the following;

- a) Information on positions held by members of Board of Directors outside the company in their resumes and their declaration of independence,
- b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
- c) Information about corporate social responsibility activities conducted by the company that have social and environmental consequences and that have an impact on the social benefits enjoyed by employees and the vocational training they receive.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders are third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by organizing meetings or using teleconferences. Taking into account the fact that engagement stakeholders would provide long-term benefits to the company, the Company respects the rights of its stakeholders that are protected by laws, mutual arrangements and contracts. The corporate governance structure of the Company allows all its stakeholders, including employees and representatives, to communicate their concerns regarding illegal or unethical practices to the company's senior management. Evaluating the complaints received by the Company is among the tasks of Audit Committee. Furthermore, the Internal Audit Department also evaluates the complaints and communicates them to the Audit Committee.

The Audit Committee determines the methods and criteria to be implemented on the review of the complaints received regarding the Partnership's accounting and internal control system and independent audit, and handles the notifications of partnership employees in relation to the Partnership's accounting and independent audit, observing the confidentiality principle.

Composing the dealership organization of the Company in Turkey and company employees, nearly 3,000 dealers constitute a major stakeholders group that is directly in relation with the Company. The company regularly informs its employees through the practices, communiques, circular letters, regulations and written notifications and at the same time it holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on practices and campaigns, company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns.

Besides, we have various efforts to increase collaboration with our direct and indirect 5000 suppliers whom we consider a significant link of our supply chain and stakeholders. The primary ones among those efforts are technology and innovation collaboration days, supplier days, supplier trainings, audits, visits, Arçelik corporate website and our supplier portal. As part of these efforts, a general briefing about Arçelik's vision, strategy, business goals and future actions is made, and our expectations from our suppliers in terms of sustainability is communicated.

Employee relations, which are managed by collective bargaining, are carried out through union representatives. The Company is a member of Metal Industrialists Union (MESS) and the blue-collar employees of the Company are the members of Turkish Metal Union.

The Collective Bargaining Agreement, which covers all Arçelik employees who are the member of union and is effective from Friday, September 1, 2017 through Saturday, August 31, 2019, was signed in Tuesday, January 30, 2018.

4.2. Stakeholders' Participation in the Company's Management

Particularly through suggestion system, call center, web site, face-to-face regular meetings for both employees as internal customers and dealers as external customers; mechanism and models supporting the participation of the stakeholders, particularly the company employees and the dealers, to the company management are included and developed in a way not to interrupt the operations of the company.

To encourage the participation of the stakeholders in the management, their demands determined through the tools like "suggestion, survey" are reflected on the operations of the company. Opinion and approval of the Labor Union are obtained for the implementation changes regarding the rights provided to the employees and working conditions and environment and the decisions are taken collectively. The Company also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealer Meetings".

The Company considers customer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. The Company cherishes the confidentiality of customer and supplier data, which are considered as trade secrets. Customer satisfaction policy of the company given below is shared with the stakeholders in writing and business and all management processes are shaped within the frame of this policy.

As Arçelik A.Ş. we adopt a customer-oriented approach which accepted as the main principle that customer request and suggestions for all of our brands we provide service to are easily communicated from each channel without profile discrimination (call center, e-mail, our websites www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, fax, letter, live chat, whatsapp, social media, dealer), collected on a single traceable, reportable, transparent and safe information pool, these records are handled and evaluated in compliance with the legal regulations in an objective, fair and confidential way and processes are continuously controlled to bring perfect customer experience. In parallel with our approach, all processes are integrated into the management system and a structure controlling each other is established and thus, management targets are set via this system.

PART IV - STAKEHOLDERS

The purpose of Arçelik Customer Communication Center is to put our clients in the core of our business and offer the best service experience on a 24/7 basis.

Our basic duties include ensuring recommendations and complaints on services / products are delivered to the relevant units and contribute to the development of new products that will meet expectations.

The call center services for our brands in Germany and Austria were continued to be provided in Turkey and the customer service hours of the Communication Center were extended to emphasize our customer-oriented approach also in our global operations, as other steps to position us as an international solution provider.

Since 2017 we continued to measure the quality of service that our customers received from our call center by using the internationally-accepted NPS methodology.

We provided many disabled young people with employment under "Home Agent" project, one of our social responsibility projects.

CRM activities through outbound calls help us create additional revenues through customized campaign notifications.

We continue to serve not only external customers but also internal customers through Asist Destek, Koç Finans and Arçelik IT Helpdesk operations. Our IT Helpdesk team provides 24/7 Turkish/English support in 12 local locations and 17 overseas locations in various countries.

Within the scope of process optimization, we ensured maximum efficiency including demand management through centralization of many processes.

In line with the strategy of positioning ourselves as the single point of contact for the customers, the management of our incoming calls were outsourced to 3 external companies.

Our whole CRM and infrastructure system was changed and the new CRM program Sales Force and the infrastructure program Cisco was commissioned.

Both better/faster service was provided to customers and efficiency was achieved on the Communication Center side through process optimizations regarding our websites, brand e-mail addresses, draft mail contents, guidelines and online sales channel, and through simplifications of application reason and the Sales Force integration of many processes.

Customer Representative training program durations were reduced with renewal of easy explanation methods and documents.

With the project on turning customer complaint into customer admiration, our customers who filed complaints on received products or services were hosted at our İstinye Park and other omni experience stores to be regained to our brand and effort was made to provide customer loyalty and high-quality unique experience.

Service, region, project team and IT support and coordination were provided to the transition of all our authorized services into the Appointment Routing program.

As part of Omnichannel, works were performed such as sending video links through systems that make the lives of our customers easier, replying frequently asked questions on the community platform, air-conditioner purchase experience etc.

Both our managers and employees replied calls together with the customer representatives as part of the "Call Center Day" activities we performed at various locations of the Communication Center with the aim to ensure that each of our departments have experiences from the perspectives of our customers and have a customer-oriented perspective.

Our Live Chat channel and whatsapp corporate support line was activated. Service is provided to customers by allowing them to contact us through all channels throughout Turkey.

As a result of our achievements, we were recognized as the world leader in the categories of "Best Customer Services", "Best Contact Center" and "Best Customer Loyalty Program" in 2017 at the Contact Center World contest, which is considered as the Oscars of the business.

In 2018 we achieved top rank in Europe in the "Best Call Center" and "Best Customer Loyalty Program", "Best Partnership (Outsource)" category and second rank in Europe in the "Best Customer Services" category.

We achieved the 2018 IMI Conferences-"Most Prestigious Call Center" award.

In 2018, Customer Services under the roof of Customer Services Directorate provided field service with 11,500 personnel, about 6,000 of which were technicians and 5,531 vehicles at about 616 authorized service locations operating under the authority of 12 regional managements throughout Turkey.

Authorized Service technicians are trained and certified by MH Technical Training unit. In addition to the certification programs, employees of the authorized services were provided with trainings on customer-oriented behaviors, new products/equipment, processes and service development. We continued to focus on training and certification activities in line with Hands-On Learning methods based on measurement and deployed remote learning technologies and personal training management systems. In 2018 we also commissioned and started to spread the "Individual Activity in Sale" program consisting of e-learning and face-to-face training modules for supporting the additional warranty and complementary product / accessory sales of our authorized services. The entire technical staff was provided with the trainings under relevant profession groups within the field of our industry and certified as per the law no. 6331. In 2018 a total of 325,000 man/hours of training activities was performed.

Authorized services provide approximately 15 million services annually for all the brands of Arçelik A.Ş. "We adopted the principle of keeping customer satisfaction at the highest level in many practices related to consumers under the vision of "unique customer experience, reliable service"

Authorized service performance system is being implemented to provide more quality service to the customers and increase the satisfaction. Performance system is consisted of measurable criteria and performed based on authorized service and technicians. Performance results are shared with the authorized services quarterly and development and action plans are prepared for the areas needs to be improved. Premium system is applied for the authorized services according to the performance results to increase the efficiency of the performance system.

General meetings are organized with the authorized services with the participation of the senior management. During these meetings, company policies and strategies are shared and studies are conducted for a sustainable cooperation by getting the opinion and suggestions of the authorized services.

Following the activities regarding the qualified authorized services in 2018, "Arçelik" and "Beko" brands of Arçelik A.Ş. were certified as "Customer-Friendly Brand (MDM)" by TSE (Turkish Standards Institute) as a result of the audits at the relevant departments.

Arçelik A.Ş. Spare Parts Management provides service for our customers with a total of 236,000 different spare parts from 1 central warehouse and 7 regional warehouses.

It plans the spare part needs of our local and overseas customers to make delivery to the customers as soon as possible through sensitive logistics operations.

Based on efficiency in stock and logistics management, customer-oriented processes are carried out with the support of the most suitable software.

By closely tracking production technologies our efforts are continuing to provide difficult-to-obtain and obsolete materials that can be produced using 3D technology.

By actively using digital communication channels with the authorized services, the required improvements are made by promptly responding to problems on the field and, based on the sustainable order management principles, informing the suppliers with the feedback.

All our employees participate in all these processes as based on principles of customer, efficiency and continuous improvement. Planned trainings are provided for this about their respective fields.

4.3. Human Resources Policy

Arçelik implements globally-accepted principles and thrives to meet the objectives of securing continued success and transfer its sustainable values to future generations. Our shared objectives in line with the vision of "Respects the Globe, Respected Globally" are to ensure that we conduct our business with integrity, create a working environment without any discrimination of unfair treatment, ensure that individuals from different backgrounds, cultures and perspectives work together to develop new ideas and solutions and create a secure and sustainable global value chain.

The Human Resources Policy of Arçelik A.Ş., determined in accordance with the Company strategies, common values and code of conduct, was documented and shared with the employees of local and overseas affiliates. Human Resources Director is responsible for determination and management of the principles of the company's human resources policy, management of the relations with the employees and managing and implementing human rights principles.

Arçelik A.Ş. recruits talents based on certain criteria and within this criteria Arçelik Leadership Profile is being used covering Grow, Respect and Lead skills are as follows.

Arçelik Leadership Profile



PART IV - STAKEHOLDERS

Our fundamental principles which direct the Human Resources Policy are given below and in Human Resources practices we act in line with these principles.

- There is a global-local balance in human resources systems and practice. As an international company, local laws, practices and requirements are respected. Country's legal regulations take precedence in situations where Human Resources Policies and Practices conflict with local legislations.
- Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and also responds to future needs on top of current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik A.Ş. does not discriminate based on ethnic origin, race, language, religion, age, gender, sexual orientation, nationality, disability, culture or political affiliation. This principle is accepted company-wide and a formal complaint from the employees regarding that they have experienced any discrimination has never been received. Arçelik A.Ş. Code of Conduct and Codes of Practice, Arçelik A.Ş. Personnel Regulation and all relevant policies put forward binding rules and the company ensures that these rules are implemented to permanently prevent any discrimination and in-house physical, mental and emotional abuse likely to occur between the employees.
- Fairness, consistency and trust lies at the heart of all human resources practices implemented. In line with this principle, job definitions, salaries, criteria of performance and reward system intended for the employees are announced to the employees in accordance with the determined schedule and it's ensured that all employees are informed equally. Same principles are taken into account in the trainings provided to the employees by Arçelik A.Ş. and training programs are developed and announced to the employees in a wide variety as to address the improvement needs of all employees.

- Career plans of employees are made in accordance with knowledge, skills and competences. Annual human resources planning meetings are held in order to identify the critical positions and potential employees that would carry the company to the future, and performances of potential employees are monitored in order to support their development and make them ready for their possible future roles. There are succession plans in place for all management positions and potential employees are positioned in these plans. This helps us develop candidates to managerial positions and also prevent any interruptions in the corporate management in case of any possible changes in these positions. In 2018, 12 percent of our employees have gone through rotation, assignment and promotion processes.
- For the purpose of improving Human Resources Standards continuously, Human Resources Practices are revised systematically and regularly and in light of latest developments and the feedback received, Human Resources processes are re-structured.
- At Arçelik A.Ş., opinions of the relevant union are obtained and mutual understanding is ensured before the decisions to be taken regarding the human resources policy changes and system revisions intended for the union member employees. All of the union member employees are informed of the changes.
- Personal information of the employees is kept confidentially within the frame of the legal legislations. Arçelik A.Ş. aims to meet the business needs during the recruitment and replacement processes in current time and in the future and equal opportunities are provided to all candidates with suitable education, knowledge, skill, competence and experience in line with the ethical principles.

Number of employees by 2018 year-end	Total
Turkey	16,171
Abroad	13,359
Total	29,530

Arçelik A.Ş. believes that organizational success is based on team work and collaboration along with the individual successes. In this direction, the company uses different development and management systems to improve the performance of the employees in compliance with the company targets. The activities in this area are explained in the Global Organization section of the Annual Report.

Arçelik A.Ş. evaluates, rewards and ensures the recognition within the company any success, invention and/or suggestion that provide benefit in order to increase the motivation, commitment and productivity of the employees, put into use the best practices and encourage the rising critical behaviors. The company determines a fair employment policy through the approach, laws and competitive understanding in compensation management.

Arçelik A.Ş. gives importance to the impact of the employee commitment on the company's business results and monitors the employee commitment regularly through the independent researches and develops improvement activities according to the research results. The employee loyalty survey, performed online since 2017 was also performed online this year for our local and overseas employees. Good practices that were engaged in previous years have been continued and projects were developed on fields of improvement. Focus was made this year on diversifying opportunities for benefits and increasing communication with employees. The Blink training module was developed based on last year's survey results and new development opportunities were provided by enriching online training contents. A new performance system was established, focused on the performance, development and feedback of employees. A fresh new approach was brought to mentorship with the reverse-mentorship practice. Employees participated in many entertaining activities in 2018 from concerts to competitions and animation to children plays. Eye screening was performed on school children to ensure that they make a healthier start to life. Arçelik supports women employees through the Women Impact program. Arçelik undersigns many activities in order to strengthen the role of women in business life, support them throughout their careers, increase employment rates and reinforce the ties and support system among women employments of Arçelik. In this context, "She Mate" mentorship program was launched to help women for their return and adaptation to work after coming back from maternity leave. Arçelik also launched Women in Leadership and Integral Leadership special development programs to support the leadership development of women employees. The father support program aimed to strengthen family communication and trainings were organized to minimize violent behaviors.

Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to organize and form unions in accordance with the company's industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by

respecting the applicable law and collective bargaining agreements. The Company takes local conditions, customs and practices, which are specific to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these local conditions, customs and practices are not included in the agreements into which the company has entered.

Within the frame of Industrial Relations Policy, labor unions are not considered as adverse parties but as social stakeholders. Therefore, the Company always attaches great importance to be on good terms with labor unions and to act in concert. Providing better working conditions for the social stakeholders is an important goal of the Company. Accordingly, besides conforming to law, social aids such as better working conditions, occupational health and safety, maternity, death, education and marriage supports are included in collective bargaining agreements and care is taken for their implementation.

The benefits provided to all Arçelik A.Ş. employees in Turkey in accordance with the relevant provisions of the Collective Labor Agreement, are as follows:

- 4 bonus payments every year,
- Fuel allowance,
- "Leave allowance" before annual leaves,
- "Special allowance" before religious holidays,
- Monthly child allowance,
- Childbirth, marriage, death, military service and education allowances as payments made per case.
- Transportation and daily food allowances, which are offered in-kind,
- Complementary Health Insurance,
- Annual leave entitlements are specified under collective bargaining agreements. Irrespective of whether they are members of a labor union or not, the employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of union employees are determined based on the type of work they will perform according to the collective bargaining agreement.

For the renewal of the Collective Labor Agreement that expired as of 31.08.2017, the Collective Labor Agreement effective between 01.09.2017 – 31.08.2019 was signed on January 30, 2018 between the Turkish Metal Workers Union and the Turkish Metal Industrialists Union (MESS), of which we are a member.

PART IV - STAKEHOLDERS

Occupational Health and Safety (OHS)

The phrase of our founder Vehbi Koç that “Our most important asset is our human resources” is one of the basic elements of our Arçelik’s corporate vision. Protecting the health and ensuring the safety of our employees and visitors in our facilities is one of our most important priorities. Accordingly, we manage our OHS works in accordance with the requirements of the relevant legislation, the Arçelik OHS Policy and the goal of continuous development.

Arçelik Occupational Health and Safety Policy:

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement. We perform our activities to

- Analyze and decrease the occupational health and safety risks arising in the working environment,
- Conduct training activities in order to develop and increase the awareness in occupational health and safety issues,
- Take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity accompanying the Quality and Environmental Management Systems and we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

In accordance with our OHS Policy, OHS issues are included in the targets of the relevant departments and employees and monitored throughout the year with the performance management system. With topics determined under the Arçelik Occupational Health and Safety Action Plan and projects developed in relation with such topics, both continuation is ensured for compliance with the relevant and it is aimed to prevent potential occupational accidents and health problems.

In 2018, the Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total actual working time, was realized as 2.98 with a decrease of 27% and the Accident Severity Rate, which indicates the working day loss occurred due to occupational accidents based on the total actual working time, was realized as 0.050 with a decrease of 14%.

Arçelik supports the employees in continuously establishing communication in this regard both with each other and with their managers and provides guidance on OHS matters.

Adopting the objective of “zero accident rate and zero occupational disease rate” for all its employees, Arçelik continues its efforts by involving employees at every level of the company and allocating the necessary resources with the awareness that reaching this objective is possible only through teamwork. In 2018, totally 148,371 man-hours of training on OHS was provided with a comprehensive participation in all Arçelik facilities by occupational safety specialists and occupational physicians.

The “Forklift Safety Systems Project” performed at the Supply Chain Directorate in 2018 was awarded by the Turkish Metal Industrialists Union (MESS) at the MESS Golden Glove Contest that awards the most successful occupational health and safety practices, in the “Recommended Practices” category and the “Safety Equipment Preventing Rollover of Door/Panel Carrying Vehicles” recommendation developed at the Refrigerator Products Directorate, was awarded in the MESS Golden Recommendation Contest.

4.4. Code of Conduct and Social Responsibility

The company aims to ensure customer satisfaction, offer world-class products and services of universal quality by using natural resources efficiently, and contribute to economic and social development. Accordingly, the company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders.

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles;

- Our Customers are the focus of everything we do,
- Always to be the best is our ultimate goal,
- Our most important capital is our human resources,
- Our goal is to create wealth for continuous development,
- We strive to strengthen Turkish economy from which we derive our own strength,
- Superior business ethics and honest working principles are the foundations of our business conduct.

The company has based its Code of Conduct on the aforementioned principles in order to provide its employees and others who represent the Company with a guiding document that would help them when making decisions.

Arçelik A.Ş. complies with the human rights and employee rights directives set forth by international initiatives of which it is a voluntary member. The Company ensures that its approach and applications are audited by independent audit companies. The Company is a part of Koç Group which has signed the United Nations Global Compact and complies with the human rights and employment standards principles therein. The Company discloses its performance in this area for review of its stakeholders through annual and sustainability reports.

Our Company does not discriminate based on ethnic origin, race, language, religion, age, gender, nationality, disability or culture and accepts everyone as equals. This approach starts with the recruitment policy and is based on the principles of matching individuals with the right jobs, equal pay for equal work, merit-based promotion and equal opportunities for all. Respect for human rights is at the center of all human resources processes. In this sense, we provide a non-discriminative and fair working environment for our employees, implement a merit-based payment and additional benefits policy and secure our employees’ rights to organize unions and engage in collective bargaining.

We commit to act in accordance with the laws and regulations to offer equal rights and prevent discrimination throughout the value chain, secure a non-discriminative working environment and prevent “Child Labor and Forced Labor” in line with the labor legislation as well as our policies. We take due care to ensure that the policies applicable at the Company are also applicable to the relations of our employees. Our Company expects from all its employees to behave in a manner that would contribute to the cultural integrity of our company and strengthening and development of its reputation and corporate structure. All of the employees, including temporary workers, are under obligation to follow the company’s Code of Conduct. This Code of Conduct is disclosed to public in detail on our Company’s website.

The Code of Conduct booklet is given to Arçelik A.Ş. employees in exchange for their signatures, at the day of their employment. Also, Arçelik Code of Conduct is assigned to all our employees in the form of digital trainings, and in the course of their training, their rate of accomplishment is monitored regularly.

We attach great importance to our Code of Conduct based on the basic principles set forth by Vehbi Koç, the founder of Koç Group, to maintain the continuity of this system. Our Code of Conduct is in line with the personnel regulations and was issued by the commitment of the Board of Directors. Arçelik A.Ş. Ethics Committee oversees the process and implementation of the Code of Conduct. Members of the Ethics Committee include the General Manager, Assistant General Manager responsible for the issue, Human Resources Director and Legal Consultant. Human Resources Director is responsible for regulating and implementing the human rights principles. Furthermore, it is under the responsibility of the management to display the required level of effort and leadership, to announce the Code of Conduct to all employees, to ensure that the employees put required level of importance on those policies, and to ensure that the all employees act in alignment with the Code of Conduct all the time.

The company expects from all of its stakeholders to comply with the code of conduct and all related policies.

Code of Conduct and Core of Practice are in restructuring phase in consideration of the development, growth trend and sustainability requirements of Arçelik A.Ş.

The project was launched on the basis of preserving the structure of Arçelik A.Ş. that complies with human rights as a global player in its core business with the goal of constantly improving sustainability performance as an ever-developing and growing global organization.

The efforts for organizing the Ethics Committee on a global scale, defining the operation and reporting procedures, reviewing the policies in this regard, establishing the Ethics Line are in progress and scheduled for completion in 2019.

Arçelik A.Ş. is one of the first companies to sign the corporate social responsibility Code of Conduct drafted by the European Committee of Domestic Equipment Manufacturers (APPLiA). The Code of Conduct secures the subscribing company to achieve a sustainable performance concerning working conditions, environmental laws and standards which are regulated by national laws and international conventions.

PART IV - STAKEHOLDERS

Furthermore, the Company has its production facilities audited by independent audit firms within a program based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Organizations, widely accepted in EU and obtains compliance reports in consequence of these audits.

The company has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. The company monitors the compliance of its operations with all domestic and international legal obligations, which call for the protection of the environment and human health. The company regularly organizes training programs for its employees to extend the sentiment about the protection of environment and natural resources and combating with climate change and carries out projects with Public and Non-Governmental Organizations in Turkey to raise awareness of the public and maintains its support for carried out projects and efforts.

The Company carries out many different projects in the countries, where it operates, in the fields of education, sports, culture and art to support social development. Acting with corporate citizenship awareness, the Company provides the sustainability of the projects thanks to voluntarily supports of its employees and business partners. The policies and projects implemented by the Company are included in the explained in the "Social Responsibility" sections of the Annual Report.

The Company expands its global presence day by day in line with its vision and continues to develop by integrating the sustainability into the processes with the conscious of its responsibilities. Sustainability approach of the company is to act by looking after the social, economic, environmental and ethical dimensions of its operations, to follow-up these dimensions by integrating them into the corporate business targets and to manage its operations with sustainability principles within the frame of corporate policy and strategies. The company evaluates the risks and opportunities regarding the sustainability and expectations of the stakeholders as important inputs for its operations.

The highest level of responsibility for the sustainability management belongs to the Sustainability Committee in the company. The Sustainability Committee, established with the participation of the Senior Management of Arçelik A.Ş., bears the mission of managing sustainability issues, determining the corporate sustainability and climate change policy and strategies, ensuring their integration with the company's business processes, monitoring the performance and increasing the efficiency. Members of the Committee control and coordinate the sustainability activities in the fields of their responsibility and chair Sustainability Work Groups. Consisting of managers and specialists, the Sustainability Work Groups are responsible for implementing and deploying the decisions taken by the Sustainability Committee and reporting the performances and developments in their field to the Committee. A director responsible for sustainability leads the Sustainability Work Groups. The Assistant General Manager of Finance and Accounting chairs the Sustainability Committee. The Sustainability Committee meets twice a year, evaluates the Arçelik A.Ş. Sustainability Activities Year-End Report and the year-end performance and sets the objectives for the next year. The Sustainability Committee is responsible for reporting important issues to the Board of Directors. In 2017, a Board Member of the Company was assigned to inform the Board on the activities of the Sustainability Committee. 8 working groups were established to ensure implementation and deployment of Sustainability Committee decisions and report the related developments. These are Environmental Coordination, Energy Coordination, Climate Change Coordination, Green Chemistry Coordination, Occupational Health and Safety, Human Rights and Business Ethics, Value Chain Management and Sustainability Reporting Committees.

With the aim of presenting its priorities, practices and business results in the field of sustainability to its stakeholders in an efficient and transparent way, Arçelik A.Ş. publishes an annual "Sustainability Report" in accordance with Global Reporting Initiative (GRI) Reporting Principles since 2008. Arçelik A.Ş. 2017 Sustainability Report including the areas of "Management Approach", "Respect for Human and Employee Rights", "Environmental and Energy Management", "Management of Natural Resources and Waste Management", "Sustainability Management in the Value Chain" and "Social Development" was prepared at GRI Standards core application level. The Company's efforts on climate change are explained in the Annual Report's "Corporate Responsibility-Environmental Approach to Products and Production" section.

Arçelik A.Ş. is listed in Borsa Istanbul (BIST) Sustainability Index created on 04.11.2014. Arçelik A.Ş. shares the Annual Report and Sustainability Report with public through the corporate website at www.arcelikas.com.

SECTION V: BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Members of Board of Directors (MBD)

MBD Name-Surname	Title	Independence Status	Date of Assignment	Period of Duty	Functions in Board of Directors and Committees	Tasks out of the Company
Rahmi M. Koç	Chairman	Not Independent Member	19.03.2018	1 year	Chairman of the Board, Chairman of the Executive Committee	Board Membership for Group and Non-group Companies
Ömer M. Koç	Vice Chairman	Not Independent Member	19.03.2018	1 year	Deputy Chairman of the Board, Member of the Executive Committee	Board Membership for Group Companies
Semahat S. Arsel	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Executive Committee	Board Membership for Group Companies
Ali Y. Koç	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Executive Committee	Board Membership for Companies
Levent Çakıroğlu	Member	Not Independent Member	19.03.2018	1 year	Board Member, Member of the Corporate Governance Committee	Board Membership for Companies
Robert Sonman	Member	Not Independent Member	19.03.2018	1 year	Board Member	Board Membership for Non-group Companies
Fatih K. Ebiçlioğlu	Member	Not Independent Member	19.03.2018	1 year	Board Member, Risk Management Committee Member	Board Membership for Group Companies
Hakan H. Bulgurlu	Member, General Manager	Not Independent Member	19.03.2018	1 year	Board Member	Board Membership for Group Companies
K. Kaynak Küçükpınar	Member	Independent Member	19.03.2018	1 year	Board Member, Chairman of the Corporate Governance Committee, Chairman of the Risk Management Committee	
K. Ömer Bozer	Member	Independent Member	19.03.2018	1 year	Board Member, Chairman of the Audit Committee	Board Membership for Group and Non-group Companies
M.M. Gülay Barbarosoğlu	Member	Independent Member	19.03.2018	1 year	Board Member, Member of the Audit Committee	
M. Cem Kozlu	Member	Independent Member	19.03.2018	1 year	Board Member	Board Membership for Non-group Companies

The above-table lists information on non-executive Board Members, except for the General Manager Hakan H. Bulgurlu, as defined by the CMB Corporate Governance Principles.

As per the Articles of Association, the activities of the Company are carried out by a Board of Directors that compose of at least five members who will be elected with the resolution of General Assembly within the framework of Turkish Commercial Code and the regulations of Capital Markets Board. 19.03.2018 dated General Assembly of the Company has taken a resolution that the Board of Directors shall compose of 12 members together with 4 independent members.

In accordance with the Structure of Board of Directors regulation included in the Article 4.3 of Capital Markets Board's Corporate Governance Principles, arrangements that are required for including independent members in the Board of Directors, have been accepted at 29.03.2012 dated General Assembly by making necessary amendments in the Articles of Association.

The Board Members are determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

Within the scope of 395th and 396th Articles of Turkish Commercial Code, the approval regarding the Board Members to carry out the activities which are included in the company's field of activity on their own or behalf of others and to participate in the companies that carries out such activities has been obtained at 19.03.2018 dated General Assembly.

Tasks of Board Chairman and General Manager are performed by two different persons. The Company pays attention that the Board Members have enough time to deal with the Company's activities; however, there is no restriction for them to handle other task or tasks apart from the Company. Especially since the business experiences and sector specific knowledge of independent members have a significant contribution to the Board of Directors, such restriction is not deemed necessary. Prior to General Assembly, personal background as well as previous positions of the member is submitted for shareholders' information. The Annual Report provides the resumes of Board Members, General Manager and Assistant General Managers.

Tasks of Candidate Nomination Committee and Compensation Committee are carried out by Corporate Governance Committee in our company. Number of independent member nominees submitted to the Corporate Governance Committee for General Assembly dated 19.03.2018 is 4, independence declarations and resumes of these persons were evaluated in the Resolution of the Board of Directors dated 15.01.2018 of Corporate Governance Committee dated 16.01.2018 and it was decided that all of them are determined to be independent member nominees. By getting the approval of Capital Market Board through the letter dated 02.02.2018 for the 4 independent member nominees (K. Kaynak Küçükpınar, K. Ömer Bozer, M.M. Gülay Barbarosoğlu and M. Cem Kozlu), these 4 nominees were elected as independent members of board of directors for 1 year by the General Assembly dated 19.03.2018. There isn't any situation occurred removing the independence within the activity period for 2018.

Following the General Assembly meeting dated 19.03.2018 in which Members of the Board of Directors are selected, Chairman and Deputy Chairman of the Board of Directors are determined to decide on the assignment of the duty.

The entire of the members of the Board of Directors have worked professionally in various industries for long years and they are experienced. The company benefits from the accumulation of knowledge and experiences of the members of the Board of Directors at the highest level. Members of the Board of Directors can share and express their opinions freely away from any effect.

We believe that ensuring the diversity of accumulation of knowledge, experience and opinion before the Board of Directors will make positive contribution to the efficient operation of the Board of Directors and to the company activities. Our evaluation studies are still ongoing to determine a target ratio for the woman members of the board of directors that is a tool to ensure that different opinions are represented in the Board of Directors. Semahat S. Arsel and M.M. Gülay Barbarosoğlu are currently the 2 female members of our Board of Directors and our ratio women is at 17%.

SECTION V: BOARD OF DIRECTORS

5.2. Operating Principles of Activity of the Board of Directors

Board of Directors holds meeting when it is required for the activities of the Company. The Board of Directors held 4 actual meetings in 2018 with an attendance ratio of 93.75% and 30 decisions were taken by the Board of Directors throughout the year. Independent board members have approved all resolutions. Different opinions expressed in the meetings of Board of Directors and reasons for counter votes are registered in decision record. Detailed reasons of the members who voted against are disclosed to the public. In the Board of Directors each member has one voting right. However, in the Board of Directors Meetings held in 2018, no disclosures on this matter have been made to public since there was no such opposition or expressed different opinion.

The Agenda of the Board of Directors are determined by the notification of matters that it is clearly decreed to be concluded by the resolution of the Board of Directors within the Company's Article of Association, made by related departments to Company's Senior Management and the Board Members. In addition, the Agenda of the Board of Directors are also determined by the notification of any Board Member made to the Senior Management of the Company about taking a decision on a matter of high concern. The subjects desired to be discussed in the meeting of the Board of Directors are collected at the department of Assistant General Manager, Finance and Accounting and the agenda is determined by consolidation.

Arçelik A.Ş. has appointed Assistant General Manager, Finance and Accounting for determining the agenda of Board of Directors' Meetings, issuing resolutions of Board of Directors, informing Board Members and providing communication.

The meetings of the Board of Directors are held in the headquarters of the Company or in a suitable place where the headquarters are located. Significant resolutions of the Board of Directors are announced to the public by Public Disclosure Platform (PDP) and are posted on Company's website in both Turkish and English.

The company has subsidiaries and affiliate companies. Since we believe that it will be for the benefit of the Company, to have the Board Members manage these companies, there are no restrictions on this matter.

The regulations of Company's Board Members are clearly determined in the Articles of Association. Authorities are included in the Company's signatory circular in more detail.

The Board of Directors takes a leading part in maintaining efficient communication among shareholders, settling and resolving disputes and for this purpose the Board of Directors works in close cooperation with Corporate Governance Committee and Shareholders Relation Unit.

"Manager Liability Insurance" is available for the Members of the Board of Directors and senior executives in our company.

The Board of Directors oversees the Company's activities and evaluates any possible conflict of interests as well as the outcome of such conflict in terms of the Company and takes the course of action to safeguard the interests of the Company. The Board also evaluates the compliance of related party transactions with the applicable regulations and considers the risk of misconduct with due diligence.

5.3. The Number, Structure and Independence of the Committees Established Under the Board of Directors

According to the Articles of Association, the Board of Directors may establish advisory, coordination, audit and similar committees or sub-committees composing of its members and/or non-members on the subjects it deems suitable provided that relevant legislation provisions are followed.

In the election of members of committees established after the Ordinary General Assembly dated 19.03.2018, the provisions specified in Article 4.5 of the CMB's Corporate Governance Principles were followed.

"The Audit Committee" in charge of ensuring reliable fulfillment of duties and responsibilities of the Board of Directors was established. The Audit Committee regularly carries out its activities in compliance with the Capital Markets Regulation and the CMB's Corporate Governance Principles. All members of the Audit Committee have been elected from among independent board members. This committee consists of 2 members and K. Ömer Bozer was appointed as the chairman and M.M. Gülay Barbarosoğlu as a member.

An in-house Audit Committee has been established for the purpose of auditing the operation of accounting and reporting systems to be in compliance with the applicable laws and regulations, public disclosure of financial statements, the operation and efficiency of internal audit systems and it held 4 meetings in 2018.

Tasks, Responsibilities and Working Principles of Audit Committee;

- Designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and supervising the activities of the independent auditor,
- Evaluation of the independent audit firm based on the independence criteria, statement of independence and additional services which can be provided by the firm,
- Evaluation of the feedbacks made to the Committee by the independent audit firm independent audit as well as significant issues on accounting policy and implementations, determination of alternative application and public disclosure options related with the CMB's accounting standards and accounting principles previously notified to the Company by the independent auditor as well as possible outcomes and implementation proposals,

- Assessment and resolution of the complaints regarding the Company's accounting, reporting and internal control systems and independent audit processes, determination of the methods and criteria applicable to the assessment of the statements by Company employees on accounting, reporting, internal control and independent audit in line with the principle of confidentiality,
- Disclosure of the annual and interim financial tables to the Board of Directors in written, with the opinions of the Company's managers and independent auditors on accuracy and compliance with the Company's managers attached,
- Performing other tasks assigned to the Committee by CMB Regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of Audit Committee is available at www.arcelikas.com.

In accordance with the Corporate Governance Principles issued by the Capital Markets Board, an in-house Corporate Governance Committee was established for the purpose of monitoring the compliance of the Company, performing activities for improving the compliance and providing advices to the Board of Directors. Tasks of the Candidate Nomination Committee and Compensation Committee are also carried out by the Corporate Governance Committee. On March 27, 2018, K. Kaynak Küçükpınar, an independent board member was appointed as the chairman of the Corporate Governance Committee and board member Levent Çakıroğlu and Polat Şen, managing the Investor Relations Department were appointed as members. The Corporate Governance Committee held 6 meetings in 2018.

SECTION V: BOARD OF DIRECTORS

Tasks, Responsibilities and Working Principles of the Corporate Governance Committee;

- Establishes whether the corporate governance principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles and provides recommendations to the Board of Directors for improving corporate governance practices.
- Observes the works of the stakeholder relations unit,
- Reviews the "Corporate Governance Compliance Report" to be disclosed to the public to check whether the information included therein is accurate and consistent with the information held by the Committee,
- Ensures that the Corporate Governance Principles are developed, adopted and implemented in the Company and conducts works on issues where they are not implemented and provide recommendations to the Board of Directors for improving the degree of compliance,
- Tracks the Corporate Governance Principles in the world to provide recommendations to the Board of Directors for implementing the necessary elements in the Company,
- Establishes a transparent system on determining, evaluating and training candidates suitable for the Board of Directors and carries out works to determine policies and strategies in this regard,
- Makes regular evaluations on the structure and efficiency of the Board of Directors and submits recommendations to the Board of Directors on potential changes in this regard,
- Determines and observes the approach, principles and practices on the performance evaluation and career planning of the Members of the Board of Directors and Senior Executives,
- Formulates its proposals regarding the principles for compensating the Board of Directors and senior executives, in view of the long-term goals of the Company,
- Establishes criteria to be used in remuneration in connection with the performance of the Company and the member,

- Taking into consideration the degree of fulfilling the criteria, submit recommendations to the Board of Directors on remuneration to be given to the members of the Board of Directors and senior executives, are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Corporate Governance Committee is available at www.arcelikas.com.

From among the independent members, K. Kaynak Küçükpınar has been elected as the chairman and Board Member Fatih K. Ebiçlioğlu has been appointed as the member of Risk Management Committee which has been established for the purpose of early detection and evolution of financial strategic, operational, compliance and all external risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's enterprise risk hunger profile, regular reporting of risks, considering in decision-making mechanisms and accordingly providing advices and suggestions to the Board of Directors for creating and integrating efficient internal control systems. The Risk Management Committee held 6 meetings in 2018.

Tasks, Responsibilities and Working Principles of the Risk Management Committee;

- In the context of Corporate Risk Management (ERM) defines and evaluates the actual and potential risk factors that may impact the Company in reaching its objectives and determines the principles on managing relevant risks in accordance with the risk-taking profile of the company and ensures that these are used in the decision-making mechanisms,
- Based on probability and impact calculations, determines the risks that will be kept and managed in the company, shared or fully eliminated,
- Ensures integration of risk management and internal control systems into the corporate structure of the Company,
- Reviews the risk management systems and observes that practices in the relevant departments undertaking risk management responsibility are carried out in compliance with the committee decisions,
- Provides early identification of technical bankruptcy, warns the Board of Directors in this regard and develops recommendations regarding measures,
- Performing other tasks assigned to the committee by CMB Regulations and the Turkish Commercial Code are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Risk Management Committee is available at www.arcelikas.com.

In order to offer efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed, tasked with increasing the efficiency of the Board of Directors, ensuring efficiency in the subjects of business development and investment in areas aligned with strategic aims, and to offer suggestions and recommendations in that respect. As the Board of Directors could not convene in a time and frequency required, the aim of this committee is to inform the Board of Directors by following up the Company as well as industrial improvements closely when required; to ensure coordination between the Corporate management structure and the Board of Directors; to develop proper strategies for the Company and to make recommendations for the efficiency of the activities.

Chairman of the Board of Directors Rahmi M. Koç was appointed as the chairman of the executive committee and Board Members Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and Caroline N. Koç were appointed as committee members.

Tasks, Responsibilities and Working Principles of the Executive Committee;

- Ensures that the necessary preparations, analyses and evaluations such as impact on activities, financial aspect, legal situation and compliance with strategic priorities, are completed before significant issues to be decided by the Board of Directors are submitted for approval by all the members,
- Ensures submission to the Company management and deployment of issues decided by the General Assembly or a Board Decision in accordance with specified directives and policies,
- Checks that the Company activities are performed in compliance with Board Decisions and annual business plans,
- Tracks the economic, social and political developments in the industry in which the Company operates to evaluate their impact and determines strategies to increase competitive power,
- Monitors the dynamics of the industry to determine potential opportunities in accordance with the set strategies,

- Monitors the strengths and weaknesses of the company through internal analyses and the opportunities and threats through external analyses,
- Investigates internal and external growth opportunities that will ensure that the Company reaches its strategic objectives,
- Observes the functioning of systems that will ensure creation of the Company business programs, their revision according to external developments and their use as performance criteria,
- Tracks the management of strategies and projects accepted by the Board of Directors,
- Evaluating important legal developments that may impact the activities and their impacts, are the duties of the Committee.

Detailed information on Tasks, Responsibilities and Working Principles of the Executive Committee is available at www.arcelikas.com.

The duties, operation principles and the members of these committees were disclosed in detail to the public by posting on the Company's website (www.arcelikas.com).

SECTION V: BOARD OF DIRECTORS

5.4. Risk Management and Internal Control Mechanism

The Board of Directors establishes and reviews the risk management and internal control systems regarding the identification and minimization of the impacts and probabilities of risks that may be imposed on the Company interests, especially those of the shareholders.

With the decision taken by Arçelik A.Ş. Board of Directors at the meeting on 16.07.2010 for the purpose of ensuring efficient operation of committees within the body of Board of Directors in accordance with Article 378 of Turkish Trade Law number 6102 ad Corporate Governance Communiqué of Capital Market Board; a Risk Management Committee was formed in order to carry out activities for early identification of risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. Mr. K. Kaynak Küçükpınar, Independent Member of the Board of Directors, is the chairman of this Committee. The other member of the Committee is Mr. Fatih K. Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee convened 6 meetings in 2018. The Risk Management Committee's task is offering proposals and recommendations to the Board of Directors on early detection and evaluation of risks which may affect the company, determination of their impacts and possibilities, managing and reporting these risks in accordance with the company's risk appetite, taking actions for mitigating the impacts and probabilities of risks and establishing effective internal control systems.

Corporate Risk Management Directorate under the Assistant General Manager of Finance and Accounting uses the risk management systems to manage, coordinate and supervise the financial, strategic, operational, compliance and external risks which may affect the Company and reports them to the Risk Management Committee.

Internal Audit Department, which is formed under the Assistant General Manager of Finance and Accounting for the purpose of healthy execution of internal auditing mechanism, reports information to the Auditing Committee at the meetings held during the year. Committee constantly supervises the execution and effectiveness of system and presents to Board of Directors the issues and suggested solutions regarding the risk management and internal control mechanism when required.

5.5. Strategic Objectives of the Company

The Board of Directors of the company keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represent the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management.

The Board of Directors audits the compliance of the Company's activities with legislation, Articles of Association, internal regulations and created policies.

Mission and Vision as well as Main Business Targets of the company are indicated below:

The mission of the company is to develop, manufacture, offer and provide products, which meet the customer needs by going beyond their expectations, make life easier and which are affordable, user-friendly and reliable, to provide after-sales services and continuously develop and grow in target markets by ensuring the satisfaction and long-term loyalty of the customers and employees and utilizing the resources in most efficient manner and meeting the expectations of stakeholders in line with corporate values, targets and strategies of Koç Group.

The company has adopted the vision of "Respects the Globe, Respected Globally". Company "Respects the Globe" because it is environmentally friendly, respects human beings and carries responsibility. The Company is "Respected Globally" because it always aims beyond the highest.

The Company's main business goals are as follows:

- Realizing sustainable growth and increasing our share in the current markets and getting into new markets
- Perpetuating the profitability level that will enable sustainable growth
- Being R&D, innovation, quality, design, brand and customer oriented
- Improving the capabilities for offering pioneering, innovative and environment and climate sensitive products, solutions and technologies during the product life cycle to provide added value for customers and society
- Developing and retaining global organization and capabilities by managing the differences with human-oriented approach.

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels as well as PDP.

As per the Company's Articles of Association, during the Board Meetings, which are held periodically, Company's targets and performed activities are followed as also covering previous period performances. The current situation of the Company is revised and in case it is deemed necessary in consequence of current situations, new targets and strategies are developed.

5.6. Financial Rights

Covering every kind of right, interest and remuneration, which are provided to the Board Members and Senior Executives and the criteria and remuneration policies that are used to determine these, the "Remuneration Policy for the Board Members and Senior Executives" of our Company has been submitted to the examination of our shareholders on our website through the "Information Document" issued three weeks prior to 29.03.2012 dated Ordinary General Assembly and put into practice upon the approval of the General Assembly. The aforementioned policy which discusses 2017 activities and disclosed to the public through our company's web site, is also put on the agenda of Ordinary General Assembly in which 2018 activities shall be discussed and will be submitted to the opinion of the shareholders. Payments made within the framework of Remuneration Policy for the Board Member and Senior Executives are evaluated by Corporate Governance Committee and the Board of Directors every year. In the footnotes of our financial statements, the payments made to the Board Members and Senior Executives collectively are announced to the public in parallel with common practices. There is no transaction that may cause conflict of interest such as granting loans and credits to our Board Members or Executives, giving guarantees in favor of them.

Stock options or payment plans based on Company's performance are not utilized for the compensation of Independent Board Members.

Arçelik



Global Organization

“

Arçelik's most valuable asset in global competition is its employees who embrace creativity and productivity as a life philosophy. Arçelik contributes to employment by constantly enhancing its organization with innovative human resources practices. Arçelik leaves a distinguishing mark in its industry through qualified and sustainable trainings organized to contribute to the individual and professional development of the creative employees who have an entrepreneurial spirit and interiorize the corporate culture.

”

GLOBAL ORGANIZATION



34 sales and marketing offices, 21 production facilities, 19 R&D and Design Centers, approximately **30,000** employees

Number of applications for **Fresh Start** Internship Program: **12,000**

Arçelik **Engagement Index**: **67** points

Number of employees awarded in "**Congratulations**" reward management system: **8,237**

Employee e-learning trainings: **17.703** hours

Trainings for employees' development programs: **4,305** hours

Technical training given to **230** engineers under **TechPro** Academy: **860** days

Arçelik focuses on sustainable growth with the support of its competent workforce and brings diverse skills together in pursuit of a shared objective to continuously strengthen its organization with dynamism and innovative skills. The Company believes that individual achievements are at the core of organizational achievements and aims at improving its organization structure for future by recruiting highly-qualified young talent and experienced professionals. In line with this vision, various skill management systems are used by Arçelik to determine and evaluate the performance and competences of employees.

Global Organization & Talent Management

Arçelik continues to strengthen its global position through acquisitions, new investments and supporting current investments. As of the end of 2018, Arçelik has sales and marketing operations in 34 countries with 21 production plants and 19 R&D and design centers, and 30,000 employees to provide product and service in 146 countries. Arçelik supports its global growth with a skilled work force and designs and implements global systems and processes to support the improvement of its employees' skills.

With the goal of employing the right talent in the talent wars that shape the new world order, Arçelik uses the best recruitment tools and channels in the industry for recruitment practices. In line with this objective, segmented page structure for LinkedIn, which is managed globally, was established and use of recruiter tool was increased in 2018. The follower growth in LinkedIn was increased by 44% and the number of followers increased to 123,000. The Talent Brand Index, which shows the LinkedIn quality score, shows that the interest of potential candidates who are in the Company's target audience, increased gradually. In 2018, the ratio is increased by 22% compared to the previous year.

With FreshStart Internship Program, Arçelik helps university students to be prepared to the business world and high-potential students to gain experiences that will lead their careers. In 2018, a strong presence was achieved at university campuses within the scope of Fresh Start Internship Program and new graduate recruitment programs. In this context, 20 events were conducted and around 12,000 internship applications were received. In 2018, Arçelik run all the phases of internship recruitment digitally. Furthermore, in 2018 Arçelik continued to conduct University-Industry collaboration activities within the scope of protocols signed with universities.

Arçelik has signed different projects by incorporating 50 foreign trainees in the summer of 2018 to create global talent pools and increase the number of foreign employees. In addition, Arçelik organized many activities within the scope of the CEMS school program, which is carried out jointly with Koç University, hereby promoted its brands on global platforms. Arçelik also sent 7 Turkish students to European affiliates for two and six-month periods to gain internship experience in the summer period, and also strengthened its global company perception by adding 2 foreign nationals to its organization under Aiesec Program, with the condition of working for one year.

The Reverse Brain Drain project was established to ensure students in the targeted universities abroad to become brand ambassadors of Arçelik and to encourage them to continue their careers in Turkey. There were 26 people selected among 500 students within the scope of the project, which was implemented to make Arçelik be the first choice of qualified potential candidates who continue their education in different countries of the world. The students experienced work experience simulations in Arçelik for 3 weeks with Fast Track events and inspiring presentations by the top management. After the program, 3 people were employed.

GLOBAL ORGANIZATION

Sustainable Employee Loyalty

Being aware of the fact that loyalty of an individual to the organization is a determining factor of happiness as well as stimulating competitiveness, Arçelik employs Aon Hewitt, an independent employee loyalty research company, to carry out an Employee Loyalty Survey every year.

In 2018, 86% of Arçelik A.Ş. employees responded to the Employee Loyalty Survey. The survey indicated that Arçelik Loyalty Index has increased by 4.6 percent to 67 compared to 2017. The Loyalty Index has increased by 7.2 percent to 69.9 percent for hourly-paid employees and by 2.9 percent to 58.8 for monthly-paid employees. These figures are the highest in the last five years.

Arçelik focuses on implementing new projects and developing practices that create satisfaction in accordance with the feedback from its employees for increasing employee satisfaction and loyalty every year. With this perspective, in 2018 the company launched KOÇ Hub as a social platform allowing interactive communication for the employees. The platform which can also be downloaded as an app to mobile phones, is open for all KOÇ subsidiaries. Via KOÇ HUB, employees can follow other companies and be informed about inter-company publications. Congratulations Reward Management Program, which recognizes achievements and projects of the employees continued in 2018. Within the scope of the program, 8237 employees were rewarded in 2018.

In 2018, many internal communication activities were conducted to increase the level of loyalty of hourly-paid employees. Senior managers regularly visited plants within the scope of communication activities. The questions that employees ask during the meetings held with employee groups in the visits are answered by the General Manager/Assistant General Manager.

As a company which emphasizes the impossibility of a business without women, Arçelik supports women employees through the Women Impact program. Arçelik undersigns many activities to contribute women's active participation in economic life, strengthen the role of women in business life, support them throughout their careers, increase employment rates, reinforce the ties and support system among women employees of Arçelik. In this context, "She Mate" mentorship program was launched to help women for their return and adaptation to work after coming back from maternity leave. Arçelik also launched Women in Leadership and Wholistic Leadership development programs to support the leadership development of women employees. With the Father Support Program, it was aimed to strengthen the communication within the family, and trainings were organized to minimize violent behaviors. With its vision of being a pioneer in the field of gender equality, Arçelik has brought to life an important project that will raise awareness on gender discrimination in the career choice. Arçelik, which has started a coding education program for daughters of employees in cooperation with "KızCode Platform", plans to expand the project in the coming years. Through this project Arçelik aims to raise awareness of gender discrimination in the society, starting with the employees of the company.

The best practices put into operation in previous years continued in 2018 and projects for improvement areas were launched and implemented. In 2018, the Company focused on diversifying employee benefits and increasing employee engagement. The Blink training module was developed in accordance with the results of the previous year's research, and the new development opportunities were provided by enriching the online educational content. A new performance system focusing on employee performance, development and feedback has been implemented. The reverse mentorship practice brought a breath of fresh air to mentorship programs.

In 2018, employees were able to participate in many entertaining events from concerts to competitions, animations and children's games. The eye screening event carried out for school-aged children, provided them the opportunity to make a healthier start to the education live.

Restructuring and Continuously Improving the Global Organization

Structuring all its business processes within the framework of innovation, Arçelik aims to be a reliable solution partner that will shape the lifestyle of the digitized households by continuously improving itself and the sector. Also, Arçelik continuously reviews its organization in order to accelerate this journey. Arçelik continuously reviews the current capabilities of its organization and the markets in order to continue its operations with more efficient and effective structures. In the light of the data obtained, Arçelik designed its regional structure in line with the principle of simplicity and agility.

In order to better understand market dynamics and to implement a more participatory and collaborative management culture, Arçelik divided the global markets into regions and distributed the responsibilities among top management leaders. Besides the regional structuring, the company adopted functional management structure in order to align its activities in all markets to strengthen the brand perception.

The implementation of Global After-Sales Services unit is one of the most important developments that serves this purpose. Global After-Sales Services unit works to adapt the Company standards to the country organizations, to develop the after-sales service model in related country by working with local teams, to improve and update the customer experience to support the brand values and commitments.

Within the scope of this process;

- A network organization structure has been formed within the management of the global organization to enable the functional managers and business unit managers to manage the teams hand in hand in order to create and spread the standards of business conduct for the units. Within this framework, communication and working platforms have been implemented in order to ensure that the teams working in the same unit in different countries are guided by the vision and goals and to ensure the coordinated work without being limited by geography. For the same purpose, function-based live information and communication meetings that can be followed by thousands of employees from all countries, began to be held.

- Along with the regional structuring, processes of related functions were reviewed to prevent additional management and control layers. Task sharing between units has been organized to increase efficiency, agility and expertise in local markets.
- For the simplification of processes and decision-making mechanisms, the process management program that reveals the relation between all processes of Arçelik still continues. Within the scope of this program, by evaluating the automation opportunities in order to support digitalization, it is aimed to enable the labor force to work in a more value-added, competitive way focused on innovation and improvement instead of working on operational activities.

Human Resources Infrastructure for the Global Organization

Global deployment efforts are in progress in line with the global organizational growth of Arçelik and new affiliates in foreign markets. Functional management roles implemented in the infrastructure for all related units the global organization, hereby the basic need has been completed for the realization of functional roles in the business processes. In this way, functional managers' participation in approval and information processes were ensured in line with their roles in workflows.

Categories and the number of employees rewarded within the scope of the "Cheering for You" reward management program in 2018:



GLOBAL ORGANIZATION

Digitalization in Talent Management

The Digital Transformation Program carried out by Human Resources, which aims to make the ties of employees with other individuals in the organization, the Company and business processes more transparent and perpetual, continued in 2018. This program addresses the entire employee life cycle from a wider perspective; from employers brand communication to attracting potential talents to the Company and termination of employment.

Online Mentorship Program: With the online mentoring system launched in September 2018, mentees began to select their mentors through the system. Thanks to the application, instant mentor support is provided to the mentees, without having to wait for a new mentoring program to start.

Learning in Digital Environment: Various video and collection solutions were offered to the employees via LMS. A total of 17.703 hours of e-learning training was given. 754 employees benefited from 26 collections that feature 636 development activities. The online library that consists of 53 short videos was accessed 1.342 times in 2018. The library can also be accessed via mobile applications and Soundview Library was integrated with LMS. Personal Data Protection, Information Security and Company Orientation Programs are also made available online for the employees.

Continuous Improvement and Feedback Oriented Performance Management: A new generation of performance management system that supports high performance and learning culture based on continuous feedback has been started. The infrastructure preparations of the system began in 2018 and the international deployment will start in 2019. Within the scope of this performance management system, trainings and tools to support goal setting, development dialogues, feedback culture and performance evaluation processes were presented to the employees.

Continuous Improvement and Feedback Tools: The competencies within the Arçelik Leadership Model, which were formed with the continuous development and feedback approach, were included in the performance management process in 2018. Thus, the Arçelik Leadership Model, which focuses on recruitment, career management, training and development processes, has also become a part of performance evaluation and the employees have been evaluated in terms of their business goals and competency targets. Development planning and 360° assessment tools have been integrated into the performance system in order to

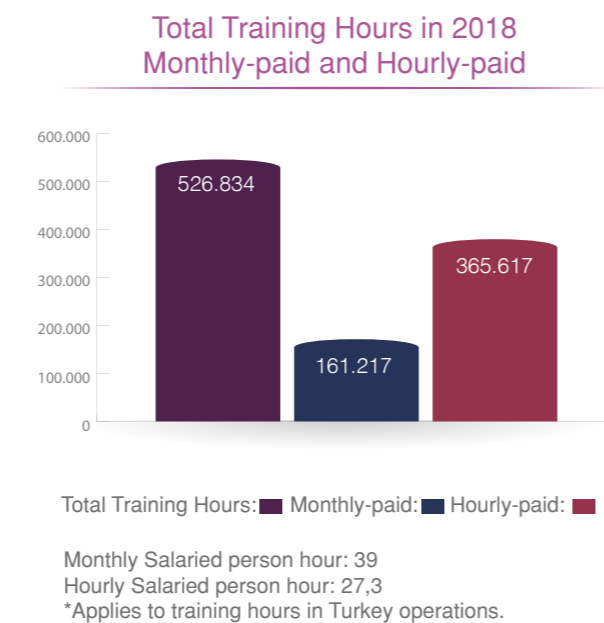
effectively monitor the development of these competencies. 1.452 of the 2,775 employees included, planned their development targets and followed throughout the year, while 478 employees received feedback from 4,614 employees.

Human Resources in Mobile Environment: Mobile applications, which help to ensure the continuity of the communication among the employees and the continuity of the processes, eliminating the disruptions caused by the time differences in a global organization by making it independent from time and place, have an important role in the HR Digital Transformation program. As of 2018, assignment and promotion processes also became available through Success Factors application in addition to position and candidate approvals.

At the same time through this application, processes such as viewing the organization chart, planning of personal development activities, calendar display, participation in electronic training, performance management etc. can also be carried out in the mobile environment.

Forming High Performance and Continuous Learning Culture

526.834 (*) hour training took place as part of training solutions, which is managed within three main categories and which support personnel's' expertise and/or leadership developments an



Leader In You

Empowering leadership is among top priorities of Arçelik. Trainings and programs organized for Arçelik managers at every level, are monitored within Leader In You program. In this context, 83 executives, who are assigned to managing positions for the first time, started their leadership journey with Leadership Journey program. Within the program, 415-hour coaching sessions and 5229-hour training was given. The program organized for managers from 10 different countries is completed in 5 classes; 2 global and 3 local.

With the mentorship program which aims to support the development of managers who are assigned to managing positions for the first time, 25 mentees are matched with their mentors and received leadership development support.

In Management Catalogue Trainings, 38 class trainings for 19 various subjects provided, 649 managers participated in these trainings. The main subjects of Catalogue Trainings, in accordance with company strategies are: coaching skills, strategic communication, visionary leadership, transformation, managing differences & collaboration.

Within the Leadership Impact program which aims to support the role of senior management in creating leadership culture, 23 senior managers completed survey and feedback processes based on leadership styles and organization climates.

31 managers participated in the Women Leadership program, which is launched to strengthen women leaders.

Managers are also supported by various training programs organized by Koç Holding. In this context, 24 senior managers participated in PDP (Personal Development Program) program, which aims to support senior management in their journeys. In this program, which is a first in Turkey in terms of content, executives are supported by online trainings, individual coaching and training camps. In addition, during 2018, 1 senior manager attended Advanced Management Program which is one of the Leadership Development programs in Harvard University, 2 attended The Innovative Technology Leader Program organized by Stanford Business of School, 15 managers attended Harvard Business School Online courses. 9 managers attended Prosci Change Management Certificate Program designed together with Koç University.

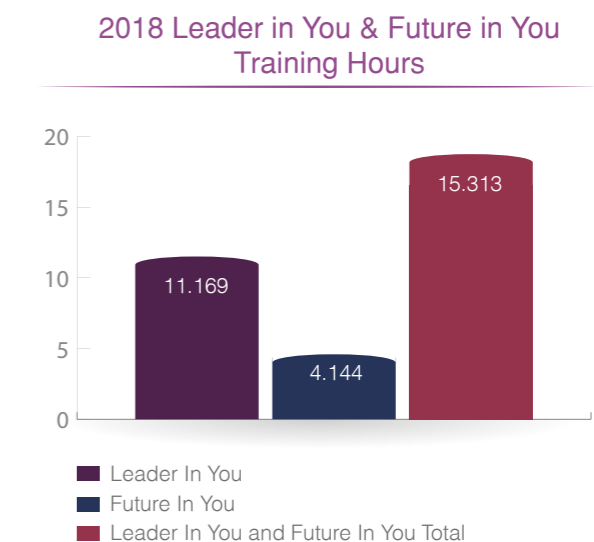
Future In You

4305 hours of training have been provided within Future in You development programs, which aims to prepare employees to their future roles by focusing on their knowledge, skills and competencies. Within Leadership Insight Program under this umbrella, 67 high-potential employees are supported for their career development throughout the year. Attendees received 6 day of in-class trainings and 116 hours of coaching sessions, and also attended Koç Holding Potential Development Programs and Competency Trainings. In addition, department presentations and meetings with leaders are organized for the participants to understand Arçelik Global organization better.

Following the Assessment Center process, managers who are prepared for senior management positions are supported with 1-year development consultancy. Managers in this group received 45-hour of Development Coaching during 2018.

In addition, during the year employees attended Koç Holding Potential Development Programs in line with their development needs. 57 employees completed these programs which are customized for employee and team management roles.

The Global Manager program, which is designed in partnership with Koç University to support development of employees who are candidates of positions abroad and to prepare them for their new positions, has been redesigned in 2018.



GLOBAL ORGANIZATION

Talent In You

Functional, technical and professional development trainings that will contribute to personal development and professional careers of all hourly-paid and monthly-paid employees, orientation programs to help newcomers quickly adapt to work, development programs including technical and occupational trainings aimed to develop functional competencies, foreign language trainings, online trainings, various hobby and social responsibility trainings are presented under this category.

In addition to ongoing programs, primary subjects and programs focused in 2018 are listed below:

- Reaching the technical competencies to global competitiveness
- Improving digital and new generation competencies
- Enriching critical expertise lines
- Developing Industry 4.0 competencies of technicians and operators in production technologies

Tech Pro Academy

TechPro Academy aims to empower all engineers, experts and senior experts working in the Production and Technology Group with competencies of the future to, to carry these competencies to a level that will compete with the world and to support multi-disciplinary working environment. Within TechPro Academy in 2018, 230 engineers received 860 days of training in partnership with Koç University.

Digital Transformation Competency Activities

In line with the company's digital transformation strategy, a roadmap has been developed to improve the digital competencies of the employees. In 2018 trainings were organized to provide related competencies to employees, strengthen and transform them.

A special development program has been designed for Business Accelerators team who are united to accelerate work processes and to support digital transformation. Business Accelerators team received 412 man-day trainings in total, including seminars and technical and leadership trainings aimed at realizing digital transformation.

Online programs, focusing on critical competencies for digital transformation are provided for employee development. 70 employees attended the programs in 2018.

Critical Expertise Project

It is aimed to define expertise as a "Career Path" in the company and to increase the engagement and motivation of critical experts so they can disclose their real potential and confidence. The project targeting R&D departments is in 2018.

19 specialists have been promoted to technical leader and higher positions, and the value of employees and the subject was emphasized by personalized letters sent by CTO and HR Director. For a better comprehension of this transformation throughout the organization, the approach, method, and the expectations are shared through a letter sent by the CTO. Layer reduction in R&D management levels have been ensured by transformation to expertise-based organization.

Technical Academy 4.0

In order to develop technical competencies of technicians and operators at the facilities in line with Industry 4.0, an academy has been designed. Academy aims at enhancing target audience's Industry 4.0 compatible competencies, engagement, awareness and reliance to work processes.

To improve technical competencies within the academy, the focused concepts are lean and agile manufacturing, digital transformation in manufacturing, data analytics and security. The Academy intends to enhance technical competencies of hourly-paid personnel who want to work in these areas in the future, as well as automation, maintenance, process technicians and operators.

Business Excellence

Arçelik Business Excellence Approach is implemented as a whole body of systems, through which business processes and business results are managed on the basis of sustainability and the current vision. In accordance with the goal of achieving excellence, effectiveness, efficiency and continuity of all business processes are improved and a total management approach was adopted on the basis of the following management systems and methodologies.

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 14064-1 Green House Gas Emission Reporting System
- ISO 10002 Customer Satisfaction Management System
- ISO 27001 Information Security Management System
- ISO 17025 Laboratory Management System
- OHSAS 18001 Occupational Health and Safety Management System
- BSCI (Business Social Compliance Initiative) Social Responsibility System
- Sedex (Suppliers Ethical Data Exchange) Social Responsibility System
- PCI-DSS Payment Card Industry Data Security Standard
- ISO 20000 Information Technologies Service Management System
- ISO 22301 Business Continuity Management System
- TQM/GEN/T02 Terminal Quality Management System
- AA1000 Assurance Standard for Water Withdrawal
- EFQM (European Foundation for Quality Management) Excellence Model
- Six Sigma and Advance Data Analytics Techniques (Process Improvement)
- Total Productive Maintenance (TPM)

Arçelik has started systematic quality efforts through implementation of Quality Circles in the early 1980s. These efforts are then incorporated and developed under Total Quality Management in the early 1990s. Arçelik adapts the process excellence (Total Quality Management) approach for all processes until the final product and is granted with European Foundation for Quality Management (EFQM) Quality Achievement and TUSIAD - KalDer (Turkish Quality Association) Quality Grand Awards.

All management systems defined by international standards in Arçelik are certified by independent regulatory organizations. Compliance with standards is evaluated by regular audits and continuously improved.

Arçelik utilises Six Sigma Methodology to increase competitiveness and to reach perfection through ranging up efficiency to the top level in all business processes. By means of Six Sigma, the target is;

- To improve processes,
- To make processes transparent and manageable,
- To enable a data-driven decision mechanism,
- To build a profit-incentive platform,
- To synchronize organization and process objectives,
- To ensure customer orientation,
- To enhance creativity through developing a common language

Total Productive Maintenance (TPM), which includes all levels, departments, and functions in the organization, has been in operation since 1996. The purpose of TPM is to eliminate all factors that has a direct or indirect negative impact on productivity and make the most effective use of resources.

Local and foreign production plants of Arçelik receive conformity reports through audits by independent audit organizations in accordance with the criteria of BSCI (Business Social Compliance Initiative) and SEDEX (Suppliers Ethical Data Exchange) social responsibility organizations, which are broadly accepted in the European Union.



**Consolidated
Financial Statements
and Independent
Auditor's Report**

BOARD OF DIRECTORS 2018



Rahmi M. Koç
Chairman

A graduate of Johns Hopkins University in Business Administration, he joined the Koç Group in 1958 at Otokoç. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. Apart from Koç Holding, he also serves as a Member / Chairman of the Board of Directors of other Koç Group companies. In addition, Rahmi M. Koç is or has been affiliated with philanthropic, social and Professional organizations including Vice Chairman of the Board of Trustees of Vehbi Koç Foundation, Honorary Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founding Member of TURMEPA/The Turkish Marine and Environment Protection Association, Honorary Chairman of the Advisory Board of the Turkish Industrial and Business Association (TÜSİAD), Member of the Advisory Board of the Turkish Employers Association, The Metropolitan Museum of Art, New York City, Honorary Trustee, Founding Chairman of the Global Relations Forum, Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE). Under the CMB's Corporate Governance Principles, Rahmi M. Koç, who is not assigned to executive function, is not an independent member.



Ali Y. Koç
Member

He received his bachelor's degree from the Management Faculty of Rice University and MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information Technologies as well as President of Corporate Communications and IT Group. After serving as Member of the Board of Directors at Koç Holding for over 8 years, he was elected as Vice Chairman in February 2016. Since April 2016, Ali Y. Koç also serves as Chairman of the Board of Directors of Koç Financial Services, Yapı Kredi Bank, Ford Otosan, Otocar as well as several other Koç Group companies. In addition to being Chairman and Vice Chairman at Turkey's largest companies and financial institutions, Ali Y. Koç also contributes to the country's social and economic development and currently is the President of Fenerbahçe Sports Club and the National Competition Research Association (URAK), Member at the Foreign Economic Relations Board (DEİK), Member of the Global Advisory Council of Bank of America, Harvard University and Council on Foreign Relations. He is also a Member of the Panel of Senior Advisers at Chatham House and recently joined the Trade and Investment Council at the Confederation of British Industry. Under the CMB's Corporate Governance Principles, Ali Y. Koç, who is not assigned to executive function, is not an independent member.



Ömer M. Koç
Vice Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year and completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined the Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of the Energy Group. He became Member of the Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, Chairman of Tofaş, Tüpraş and Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Member of the Board of Directors at other Koç Group companies. He is also the Chairman of Turkish Educational Foundation Board of Trustees and Chairman of the Board of Directors of Geyre Foundation. Under the CMB's Corporate Governance Principles, Ömer M. Koç, who is not assigned to executive function, is not an independent member.



Levent Çakıroğlu
Member

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakıroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakıroğlu is also Chairman of the Board of Directors of Arçelik- LG and TürkTraktör as well as the Vice Chairman of Otocar and Member of the Board of Directors at various Koç Holding companies. Under the CMB's Corporate Governance Principles, Levent Çakıroğlu, who is not assigned to executive function, is not an independent member.



Semahat S. Arsel
Member

She began her career in 1964 as a Member of the Board of Directors of Koç Holding, a position she continues to hold. In addition, she is Chairman of the Board of Directors of Vehbi Koç Foundation and the Divan Group, President of the Semahat S. Arsel Nursing Education and Research Center and Founder of the Koç University School of Nursing. She also serves as Member of the Board of Directors of other Koç Group companies. She is Second Chairman of the Florence Nightingale Foundation as well as Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat S. Arsel has received an "Honorary Doctorate" degree from Istanbul University. Under the CMB's Corporate Governance Principles, Semahat S. Arsel, who is not assigned to executive function, is not an independent member.



Robert Sonman
Member

Robert Sonman earned his graduate and M.A. degrees from McGill University (Canada) in architecture. He is currently the Chairman of Board of Directors in Burla Group Companies which are shareholders in Arçelik A.Ş. He has been a Member of Board of Directors of Arçelik A.Ş. since April 1994. He speaks English and French. Under the CMB's Corporate Governance Principles, Robert Sonman, who is not assigned to executive function, is not an independent member.



Dr. Fatih K. Ebiçlioğlu
Member

After graduating from Ankara University, Faculty of Political Science, Department of International Relations, Fatih Ebiçlioğlu received a Master's degree in Finance from the Virginia Commonwealth University, and earned a PhD degree in Finance-Accounting from Ankara University Faculty of Political Science. Between 1989 and 2002, Mr. Ebiçlioğlu worked as Assistant Tax Auditor at the Ministry of Finance, and later as Tax Auditor and Senior Tax Auditor. In addition, he served as a part-time instructor at Hacettepe, Bilkent and Atılım Universities from 1998 to 2002. He joined Koç Holding in 2002 as Financial Coordinator. Subsequently, he served as Audit Group Coordinator of Koç Holding (2004-2005), and Deputy General Manager of Arçelik (2005-2015). Mr. Ebiçlioğlu has been the President of the Consumer Durables Group at Koç Holding since February 2015. He is also a Member of the Board of Directors of TÜSİAD and Turkish Exporters Assembly (TİM). Under the CMB's Corporate Governance Principles, Dr. Fatih K. Ebiçlioğlu, who is not assigned to executive function, is not an independent member.



K. Ömer Bozer
Member

After receiving his degree in business administration from the Middle East Technical University, Kamil Ömer Bozer completed a master's degree at Georgia State University in U.S.A. He began his career as a management trainee at Koç Holding A.Ş. in 1985. After serving as Deputy Chief Executive of Maret A.Ş. from 1990 and as General Manager of Düzey A.Ş. from 1995, he became General Manager of Migros Türk T.A.Ş. in 2002. He was appointed President of Food, Retailing and Tourism Group in 2005. He served as President of Food and Retailing Group between 2006 and 2008, and once again as President of Tourism, Food and Retailing Group from 2009 to April 2011. As of March 19, 2018, K. Ömer Bozer serves as independent member in the Board of Directors of Arçelik A.Ş.



Hakan H. Bulgurlu
Member

Following a bachelor's degree at Economy and Mechanical Engineering Departments of Texas University, Hakan Bulgurlu completed the joint MBA program at North-western University, Kellogg School of Management, and Hong Kong University of Science and Technology. He started his professional life in Ram Foreign Trade Inc. in 1995. He worked as the Sales Manager in Ram Pacific until 1996. He worked as the Far East Representative of Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret from 1996 to 2000. In 2000, he was assigned as Ram Pacific General Manager. He worked as Arçelik-LG Air-Conditioner General Manager between 2007-2010. He served as the Deputy General Manager Responsible for Sales in Arçelik A.Ş. Europe, USA, Asia-Pacific in 2010. Hakan Bulgurlu was assigned as Arçelik A.S. General Manager as of February 17, 2015. Bulgurlu is a Board Member of Foreign Trade Association of Turkey (TURKTRADE) and Chairman of Turkey - Thailand Business Council under Economic Relations Board (DEİK) and Member of the Executive Board of European Committee of Domestic Equipment Manufacturers (APPLI/CECED). Hakan Hamdi Bulgurlu has executive authorities and is not an independent member as per CMB Corporate Governance Principles.



M. M. Gülay Barbarosoğlu
Member

Professor M. M. Gülay Barbarosoğlu graduated from Robert College in 1974 and got her bachelor's degree from the Department of Industrial Engineering in Boğaziçi University in 1978, and doctorate in 1985 from the same department and university before she became a professor of industrial engineering in 2000. Prof. M. M. Gülay Barbarosoğlu served as the rector of Boğaziçi University from 2012 to 2016, and vice rector of research at Boğaziçi University from 2008 to 2012. She undertook various administrative tasks at Boğaziçi University, and besides being the manager of Kandilli Observatory and Earthquake Research Institute (KRDAE) from 2002 to 2006, she also served as the manager of the Center of Disaster Management, and chair of the Department of Industrial Engineering and Financial Engineering Programme. Having undertaken significant international tasks, Prof. M. M. Gülay Barbarosoğlu was a member of the Board of Directors of European University Association from 2013 to 2017. Moreover, in addition to her duties as the Vice Chair of the Association of European Operational Research Societies (EURO) from 2003 to 2007 and the national representative at NATO Research and Technology Organisation from 2002 to 2010, she has been in close collaboration with various European universities, states and non-governmental organisations. Prof. Gülay Barbarosoğlu retired from Boğaziçi University in December 2016. As of March 19, 2018, M. M. Gülay Barbarosoğlu serves as independent member in the Board of Directors of Arçelik A.Ş.



K. Kaynak Küçükpınar
Member

He graduated from Napoli Technical University, Italia, Faculty of Shipbuilding Mechanical Engineering in 1968. He started his career in 1970 in Tofaş Turkish Automobile Factory. He was Purchasing Director of Tofaş Factory in 1975 and Asistant General Manager (Asistant Manager of Factory) of Tofaş A.Ş. between 1986-1993. He was Mako Elektrik Sanayii A.Ş. General Manager between 1994 - 2000. He retired in 2001 and he was Member of Mako A.Ş. Board of Directors until the end of 2002. As of March 28, 2013, he serves as independent member in the Board of Directors of Arçelik A.Ş.



M. Cem Kozlu
Member

M. Cem Kozlu got his bachelor's degree from Denison University. He holds an MBA degree from Stanford University and a PhD degree from Boğaziçi University. Dr. Mehmet Cem Kozlu, Ph.D., served in executive positions at NCR in the USA and at Proctor&Gamble in Switzerland. He served as the Managing Director at Komili for 12 years. He served as the Chairman at Türk Hava Yolları from 1988 to 1991 and again from 1997 to 2003 and General Manager from 1988 to 1991. Starting in 1996, Mr. Kozlu undertook various responsibilities at The Coca-Cola Company. Before his retirement in 2006, he was the President of Central Europe, Eurasia and Middle East Group responsible of 51 countries. Between 2007-2015, he worked as Consultant to Eurasia & Africa Group of The Coca-Cola Company. M. Cem Kozlu has 10 books published and TV series on management. As of March 19, 2018, M. Cem Kozlu serves as independent member in the Board of Directors of Arçelik A.Ş.

MANAGEMENT 2018



Hakan H. Bulgurlu | Chief Executive Officer

Following a bachelor's degree at Economy and Mechanical Engineering Departments of Texas University, Hakan Bulgurlu completed the joint MBA program at North-western University, Kellogg School of Management, and Hong Kong University of Science and Technology. He started his professional life in Ram Foreign Trade Inc. in 1995. He worked as the Sales Manager in Ram Pacific until 1996. He worked as the Far East Representative of Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret from 1996 to 2000. In 2000, he was assigned as Ram Pacific General Manager. He worked as Arçelik-LG Air-Conditioner General Manager between 2007-2010. He served as the Deputy General Manager Responsible for Sales in Arçelik A.Ş. Europe, USA, Asia-Pacific in 2010. Hakan Bulgurlu was assigned as Arçelik A.S. General Manager as of February 17, 2015. Bulgurlu is a Board Member of Foreign Trade Association of Turkey (TURK-TRADE) and Chairman of Turkey – Thailand Business Council under Economic Relations Board (DEİK) and Member of the Executive Board of European Committee of Domestic Equipment Manufacturers (APPLIA/CECED).



C. Can Dinçer | Chief Commercial Officer - Turkey & Pakistan

Can Dinçer got his bachelor's degree in Mechanical Engineering Department in Istanbul Technical University in 1989 and master's degree in Department of Business in Stevens Technology Institute, USA in 1993. Having started his professional life as a Trainee in Arçelik A.Ş. Finance Department in 1993, Mr. Dinçer served as the Regional Sales Manager in Export Department in 1995. He worked as International Sales Manager - CIS and Other Countries between 2000-2005, as International Sales Director – European Foreign Markets between 2005-2009 and as Sales Director - Europe, USA, Asia-Pacific between 2009-2012 and as Sales Director - Subsidiaries, USA, Asia-Pacific between 2012-2015. Can Dinçer has been serving as the Assistant General Manager - Turkey Trade since February 2015. In addition to this role, he was assigned as Arçelik Pazarlama A.Ş. General Manager as of December 30, 2016.



C. Ş. Oğuzhan Öztürk | Chief Production and Technology Officer

Assistant General Manager Production and Technology Cemal Şeref Oğuzhan Öztürk graduated from Aeronautical Engineering at Istanbul Technical University, and earned his Master's degree from the Faculty of Mechanical Engineering at the same university. He began his business career as a Research Assistant at the Material Sciences and Production Technology Application and Research Center at Istanbul Technical University in 1982. Öztürk joined Arçelik A.Ş. as a Quality Control Engineer at the Eskifehir Compressor Plant in 1987. After serving in various managerial positions across quality, manufacturing and product development processes at Arçelik A.Ş. Compressor and Refrigerator Plants, he was appointed as Arçelik A.Ş. Refrigerator Product Director, S.C. Arctic S.A. General Manager, Arçelik A.Ş. Washing Machine Product Director, Grundig Elektronik A.Ş. General Manager and Arçelik A.Ş. Supply Chain Director. Öztürk served as Assistant General Manager responsible for Purchasing and Supply Chain at Arçelik A.Ş. between 2010 and 2015. Oğuzhan Öztürk is the Assistant General Manager "Production and Technology" since October 2015.



M. Ragıp Balcıoğlu | Chief Commercial Officer-Europe, Middle East and North Africa

After receiving his bachelor's degree from Industrial Engineering Department of Istanbul Technical University in 1989, Ragıp Balcıoğlu completed Executive MBA Program in Koç University in 1996. Ragıp Balcıoğlu started his professional life as Marketing Manager in Data Hidrolik Makine Sanayi A.Ş. in 1990. Working as an Imported Materials Planning and Purchasing Specialist between 1992-1996 in Arçelik A.Ş., Mr. Balcıoğlu was assigned as Trade Manager in Beko UK in 1996. Balcıoğlu was assigned as Product Marketing Manager in 2003 and then respectively assigned as Product Marketing Unit Director in 2004 and as Product Management and Procurement Director in 2006. Balcıoğlu worked as Sales Director between 2008-2010, as Country Manager - UK and Ireland, Beko PLC General Manager between 2011-2015 and has been working as Assistant General Manager - International Trade since February, 2015.



Polat Şen | Chief Financial Officer

Polat Şen received his bachelor's degree in English Department of Economics in Marmara University in 1998 and master's degree in International Finance Department in Bradford University in 1999. Starting his professional life as Junior Auditor in Koç Holding A.Ş. Control Group Department in 2000, Mr. Şen worked as Senior Auditor in Koç Holding A.Ş. between 2002-2004. Mr. Şen was assigned as Arçelik A.Ş. Internal Audit Manager in 2004, as Financial Affairs Group Director in Grundig Electronics / Grundig Multimedia B.V. in 2008, and he worked as Grundig Multimedia B.V. Financial Affairs Director between 2009-2010. He served as the Purchasing Director between 2010-2015 and has been working as Assistant General Manager - Finance and Accounting since February 2015.



Zeynep Yalım Uzun | Chief Marketing Officer

Zeynep Yalım Uzun studied economics and psychology at Agnes Scott College in the USA. She started her career in 1990 as a Training Expert at Şark Sigorta. In 1992, she started to work for Unilever as the Komili Brand Manager. In 1998, she was assigned to Unilever Poland and served as the Central & Eastern Europe marketing director of Rama brand in 22 countries. In 2001, she returned to Turkey and worked as Knorr & Calve Marketing Manager, Home Care Marketing Manager and Unilever Africa, Middle East and Turkey Home Care Director. In 2007, she was assigned as Unilever Turkey Home & Personal Care Group Assistant President and Unilever Turkey Board Member. From 2012 to 2017, she served as the Global Assistant President of Omo, one of the most important brands of Unilever, based in London. Zeynep Yalım Uzun was assigned as the Marketing Assistant General Manager of Arçelik A.Ş. as of October 2017. She is a Founding Member of Turkishwin, Consultancy Board Member at Bin Yaprak and a 'Women as Board Members' mentee. Uzun is also a Consultancy Board Member of TEDx Reset and a member of the board of trustees at Koruncuk Child Protection Foundation.



Utku Barış Pazar | Chief Strategy and Digital Officer

Holder of an Electrical and Electronic Engineering degree from the Middle East Technical University in 2000, Utku Barış Pazar later had his postgraduate degree in 2010 from the Emory University Goizueta Business School. Utku Barış Pazar started his career at Nokia Networks as Mobile Infrastructure Technical, and after a series of roles at Nokia (Siemens) Networks - North America and McKinsey&Company, he has served the Doğuş Media Group as Assistant General Manager - Technology Management and Technical Services. He joined Koç Group in 2015 as Strategic Planning Director at Arçelik A.Ş., and he was appointed as Strategy and Business Development Director of Koç Holding A.Ş. in 2016. Utku Barış Pazar has been working as Arçelik Chief Strategy and Digital Officer since October 2018.

Abdi Ayhan Önder	Product Director - Cooking Appliances	
Abdurahman Şahin	Product Director – Dishwasher	
Ahmet Hasanbeşeoğlu	Digital Transformation Director	Resigned on 29.06.2018
Akın Garzanlı	Global Customer Care Director	
Ali Tayyar	Accounting Director	Retired on 31.12.2018
Alp Arbatlı	Country Manager – Ukraine, General Manager - Beko LLC Ukraine	
Alp Karahasanoglu	Product Director - Dryers and Electric Motors	
Arel Fatih Atakol	Beko Sales Director-Arçelik Pazarlama A.Ş.	
Atila Uz	Product Director - Washing Machine	
Brigitte Petit	Country Manager - France, General Manager - Beko France S.A.S.	
Buket Çelebiöven	Human Resources Director	
Burak Kiroğlu	Country Manager-Serbia, General Manager Beko Balkans	
Cann Song	Country Manager - China, General Manager - Beko Electrical Appliances Co. Ltd.	
Cem Kural	Product Sourcing Director	
Cemil İnan	Product Management Director	
Chan Lock	Country Manager - Malaysia, General Manager Beko Appliance Malaysia	
Christian Schimkowitz	Country Manager-Austria, General Manager-Elektra Bregenz A.G.	
Dusan Podmajersky	Country Manager-Slovakia, General Manager-Beko Slovakia	Resigned on 31.06.2018
Murat Büyükerk	Country Manager-Romania, General Manager Arctic S.A.	
Erhan Akdoğan	Alternative Channels Sales Director - Arçelik Pazarlama A.Ş.	
Erkan Duysal	Innovation Director – General Manager, Token Finansal Teknolojiler A.Ş.	
Evren Albaş	Regional Director Sub- Sahara, General Manager Defy Appliances	
Fatih Özkadı	Sustainability and Corporate Affairs Director	
Fikri Özdemir	Operations Director, Voltbek	
Florian Marius Stoica	Financial Planning and Corporate Performance Director	
Francesco Nicola Misurelli	Country Manager - Italy, General Manager - Beko Italy S.R.L.	
Gabriela Geana	Marketing and Product Management Director-Europe&MENA	
Hakan Kozan	Purchasing Director	
Haldun Dingaç	Product Director – Refrigerator	
Hande Sarıdal	Finance Director, Finance and Accounting Director- Token Finansal Teknolojiler A.Ş.	
Hasan Ali Yardımcı	Country Manager - America, General Manager - Beko -US Inc.	
Hilmi Cem Akant	Country Manager - Spain, General Manager - Beko Electronics Espana S.L	
Ho Xuan Loc	Country Manager – Vietnam, General Manager – VietBeko	
Hüseyin Öner	Information Technologies Director	
Hüseyin Şerif Beyaztaş	Consumer Care Director – Arçelik Pazarlama A.Ş.	
İsmail Kürşat Coşkun	Regional Director, Middle East and North Africa	
John Brown	Country Manager – Australia, General Manager – Beko A and NZ Pty Ltd.	
Maciej Mienik	Regional Director-Eastern Europe, General Manager – Beko SA	
Marian Serban	Production and Technology Director – Arctic S.A.	
Mario Vogl	Regional Director-Northern Europe	
Mehmet Tüfekçi	Marketing Director – Arçelik Pazarlama A.Ş.	
Meral Mirella Kaspi	Global Brand and Marketing Communications Director	
Mustafa Esenlik	Production Technologies Director	Retired on 31.12.2018
Mustafa Soylu	Supply Chain Director	
Nihat Bayız	R&D Director	
Oğuz Sülek	Finance and Accounting Director-Voltbek	
Onur Aydın	Transformation &Customer Experience Director - Resigned on 11.05.2018	
Onur Dostel	Country Manager – Egypt, General Manager – Beko LLC Egypt	
Orhan Sayman	Country Manager Russia and Ukraine, General Manager Beko LLC	
Özkan Çimen	Enterprise Risk Director	
Per Kristian Ervik	Country Manager – Nordic, General Manager – Grundig Nordic No AS	
R.C Oğuzkan Şatroğlu	Arçelik Sales Director – Arçelik Pazarlama A.Ş.	
Roman Kantor	Country Manager Czech Republic, General Manager Beko SA Czech Branch	
Salih Arslantaş	Country Manager – Pakistan, General Manager – Dawlance	
Serdal Korkut Avcı	Industrial Design Director	
Sibel Keşler	Finance and Accounting Director – Arçelik Pazarlama A.Ş.	
Süheyl Semerci	Country Manager – Germany, General Manager – Grundig Multimedia, Beko Deutschland GmbH	Resigned on 31.12.2018
Teresa Arbuckle	Country Manager – UK, General Manager – Beko PLC	
Veli Ağ	Product Manager-Electronics	
Zafer Üstüner	Regional Director – Asia Pacific	
Zeynep Özbil	Corporate Communications Director	

AGENDA

AGENDA FOR ORDINARY GENERAL ASSEMBLY MEETING OF ARÇELİK A.Ş. DATED 19/03/2019

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2018 Annual Report prepared by the Company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2018 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2018 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2018,
6. Acceptance, acceptance after amendment or refusal of the offer of the Board of Directors in accordance with the Company's profit distribution policy regarding the distribution of the profits of 2018,
7. Determining the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,
8. Informing and approval of the Shareholders about the Remuneration Policy for the Members of the Board of Directors and Top Managers and the payments made within the scope of the policy in accordance with the Corporate Governance Principles,
9. Determining annual gross salaries of the members of the Board of Directors,
10. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
11. Informing the shareholders about the donations made by the Company in 2018 and determining an upper limit for donations to be made in 2019,
12. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2018 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
13. Authorising the shareholders holding management capacity, the Members of the Board of Directors, top managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2018 as per the Corporate Governance Communiqué of Capital Markets Board,
14. Wishes and opinions.

Meeting Place and Time: Divan İstanbul Oteli,
Asker Ocağı Caddesi, No:1, 34367, Elmadağ - Şişli, İstanbul
19 March 2019, Time 15:00

PROFIT DISTRIBUTION PROPOSAL

Esteemed Shareholders,

According to our Financial Statements for the financial year between 01.01.2018 and 31.12.2018 which were issued by our Company in compliance with International Financial reporting Standards in line with the Communiqué no 14.1 (Serial II) published by the Capital Markets Board and which was audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., our Company made and raised a "Consolidated" Net Financial Year Profit amounting to 855,841,911.90 TL, and out of this profit, 851,756,724.49 TL is the net financial year profit made and generated by our Company.

It was calculated that the sum of 861,749,491.27 TL which is the aggregate sum when a donation of 5,907,579.37 TL made to taxexempt foundations and associations during the year was added constitutes the first dividend basis; that according to the records prepared according to the Tax Procedure Law (VUK), the amount of funds available for distribution is 1,417,695,949.46 TL in aggregate provided that the sum of 1,146,044,956.92 TL comes from after-tax net financial year profit.

- The general statutory reserve fund at a rate of 5% that must be set aside as per the Article No 519 of the Turkish Commercial Code should not be set aside for 2018 since the current general statutory reserve fund in TPL record reached the 20% limit of the capital as of 31.12.2018
- In line with the Capital Markets Legislation and Article 18 of the Articles of Partnership and our Profit Distribution Policy approved by the General Assembly on 27.03.2014, in order to increase the free cash flow of our Company in a high interest rate environment and to optimize financial expenses and to further strengthen the balance sheet structure no dividend distribution to be made this year.
- The current year profit of 1,146,044,956.92 TL calculated based on our legal records prepared according to the Tax Procedure Law to be allocated as extraordinary reserves; consolidated net financial year profit amounting to 855,841,911.90 TL calculated based on Turkish Accounting Standards (TMS/TFRS) to be transferred to retained earnings.

The above mentioned are submitted to the approval of General Assembly.

May 2019 be a prosperous year for our country and our Company.

With our kind regards,



Rahmi M. Koç
Chairman of the Board

INDEPENDENCY STATEMENTS OF CANDIDATES FOR INDEPENDENT MEMBERS OF BOARD OF DIRECTORS

15 January 2019

STATEMENT OF INDEPENDENCE

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

- a)** There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b)** I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory
- c)** I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- ç)** I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- d)** I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- e)** I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favourably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- f)** I will be able to spare enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full,
- g)** I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,
- ğ)** I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- h)** I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME SURNAME: KAMİL ÖZEL BOZEL
SIGNATURE: 

15 January 2019

STATEMENT OF INDEPENDENCE

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

- a)** There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b)** I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c)** I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- ç)** I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- d)** I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- e)** I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favourably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- f)** I will be able to spare enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full,
- g)** I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,
- ğ)** I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- h)** I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME SURNAME: Müzeyyen Müminire Gülay Barbarosoğlu
SIGNATURE: 


15 January 2019

STATEMENT OF INDEPENDENCE

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

- a)** There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b)** I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c)** I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- ç)** I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- d)** I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- e)** I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favourably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- f)** I will be able to spare enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full,
- g)** I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,
- ğ)** I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- h)** I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME SURNAME: MEHMET CEM KOZLU
SIGNATURE: 


15 January 2019

STATEMENT OF INDEPENDENCE

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Arçelik A.Ş. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

- a)** There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,
- b)** I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,
- c)** I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,
- ç)** I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation,
- d)** I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193,
- e)** I have professional prestige and reputation and experience as well as strong ethical standards to make me competent enough to favourably contribute to the corporate operations, to maintain my neutrality in conflicts of interest between the company and the shareholders and to freely decide by taking into consideration the rights of interest holders,
- f)** I will be able to spare enough time to follow up the process of company operations and fulfil all requirements of the duties I undertake, in full,
- g)** I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,
- ğ)** I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,
- h)** I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

NAME SURNAME: Ahmet Tulu
SIGNATURE: 

AFFILIATED COMPANIES REPORT

PREPARED WITHIN THE SCOPE OF 199TH ARTICLE OF TURKISH COMMERCIAL CODE

As per the 199th Article of 6102 numbered Turkish Commercial Code entered into force on July 1, 2012, the Board of Directors of Arçelik A.Ş. is obliged to prepare a report on relations in previous activity year with controlling company and its dependent companies within first three months of the current activity year and to include the conclusion of this report in the annual report. The necessary declarations of Arçelik A.Ş. on transactions performed with related parties are included in the 33-numbered financial report footnote.

In February 18, 2019 dated Report, prepared by the Board of Directors of Arçelik A.Ş. following declaration was included: "It has been concluded that in all transactions made within 2018 with controlling company and its dependent companies, based on the situations and conditions to the best of our knowledge at the time of transaction or taken precaution or avoiding to take the precaution, in every transaction a proper counter performance has been provided and there was no precaution taken or avoided to be taken that may damage the company and there was no transaction or precaution that may require balancing in this context."

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS



Arçelik A.Ş.
 Merkez : Sütüce Karaağaç Cad. No.2/6
 Beyoğlu 34445 İSTANBUL
 Tel. : (0 212) 314 34 34
 Faks : (0 212) 314 34 92
 Teleks : 34138 arc tr.
 Vergi Dairesi: Büyük Mükellefler 073 001 8000
 Tic. Sic. No: 549 57 / 004388
 www.arcelikas.com.tr


**STATEMENT OF RESPONSIBILITY
 ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S
 COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING (NO. II-14-1.)**


DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING
 THE FINANCIAL STATEMENTS: **30/01/2019**
 RESOLUTION NO: **980**

Under the Capital Markets Board Regulations, within the framework of the information provided to us in relation to our tasks and responsibilities related to the Company, we hereby announce and declare that the consolidated Balance Sheet, Statement of Income, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity along with the related Notes ("Financial Statements") prepared by the Company and audited by the Independent auditor PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the period of 01.01.2018-31.12.2018 under the CMB Financial Reporting Communique numbered as II-14.1. in accordance with Turkish Accounting Principles / Turkish Financial Reporting Standards (TAP / TFRS) and in line with the compulsory formats determined by the CMB


- have been reviewed by us;
- do not contain any inaccuracy in all material respects and are free of omissions that may be regarded as misleading as of the issue date
- The financial statements prepared in line with the Communique present fairly the assets, liabilities, financial position and the results of operations of the Company as well as of the companies included in the scope of consolidation.

Regards


Kamil Ömer BOZER
 Chairman of the Audit Committee


Müzeyyen Münire Gülay BARBAROSOĞLU
 Member of the Audit Committee


Özkan ÇİMEN
 Accounting Director


Polat ŞEN
 Assistant General Manager
 (Finance and Accounting)



STATEMENT OF RESPONSIBILITY FOR ANNUAL REPORT



Arçelik A.Ş.
 Merkez : Sütluce Karaağaç Cad. No.2/6
 Beyoğlu 34445 İSTANBUL
 Tel. : (0 212) 314 34 34
 Faks : (0 212) 314 34 92
 Teleks : 34138 arc tr.
 Vergi Dairesi: Büyük Mükellefler 073 001 8000
 Tic. Sic. No: 549 57 / 004388
 www.arcelikas.com.tr

**STATEMENT OF RESPONSIBILITY
 ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S
 COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING (NO. II-14-1.)**

DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING
 THE ANNUAL REPORT: **21/02/2019**
 RESOLUTION NO: **987**


Attached is presented our Annual Report for the year 2018 prepared by in accordance with Turkish Commercial Code and CMB Financial Reporting Communique numbered as II-14.1 and the formats determined in 2014 by the CMB with the resolution dated 10.01.2019, audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. according to Capital Markets Board Regulations including the Corporate Governance Principles Compliance Report.

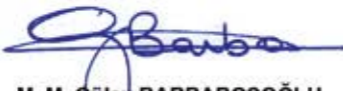
We hereby announce and declare that, in accordance with the CMB regulations, the annual report prepared by our Company is;

- has been reviewed by us;
- does not contain any inaccuracy in all material respects and is free of omissions that may be regarded as misleading as of the issue that:
- presents fairly the progress and the performance of the business, the financial position of the Company and the companies included in the scope of consolidation together with the material risks and uncertainties.

Regards,
 21 February 2019

Arçelik A.Ş.


K. Ömer BOZER
 Chairman of the Audit Committee
 Member of the Board of Directors
 Responsible from Financial Reporting


M. M. Gülay BARBAROSOĞLU
 Member of the Audit Committee
 Member of the Board of Directors
 Responsible from Financial Reporting


Polat ŞEN
 Assistant General Manager
 Finance and Accounting
 CFO



INDEPENDENT AUDITORS' REPORT



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

To the General Assembly of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
 BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
 T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015

INDEPENDENT AUDITORS' REPORT



3. Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
<p>Recoverability of trade receivables</p> <p>Trade receivables from third parties (TL 7,779,942 thousand as of 31 December 2018), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.</p> <p>Please refer to notes 2.3, 8 and 34 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy and risk management policy.</p>	<p>We performed the following procedures in relation to the recoverability of trade receivables:</p> <ul style="list-style-type: none"> • Understanding the business process for collections from customers and testing the operational effectiveness of selected key controls, • Understanding, evaluating and testing of credit risk related key controls in the financial reporting process, • Understanding and evaluating the customer and distributor collections process run by the finance department, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. <p>We had no material findings related to the recoverability of trade receivables as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Provision for the impairment of inventories</p> <p>The Group's inventories, amounting to TL 5,087,676 thousand as of 31 December 2018, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit.</p> <p>Please refer to notes 2.3 and 10 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.</p>	<p>Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows:</p> <ul style="list-style-type: none"> • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. <p>We had no material findings related to the provision for the impairment of inventories as a result of these procedures.</p>

INDEPENDENT AUDITORS' REPORT



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Impairment tests of indefinite-life intangible assets</p> <p>The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 1,276,325 thousand and TL 507,966 thousand, respectively, in the consolidated financial statements as of 31 December 2018. In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually.</p> <p>Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit.</p> <p>Please refer to notes 2.3, 13 and 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment tests of brands and goodwill:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management forecasts and future plans based on macroeconomic information, • Comparing forecasted cash flows for each CGU with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Assessing management's sensitivity analysis for key assumptions, • Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets, and evaluating the adequacy of these disclosures for TFRS' requirements. <p>We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.</p>



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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT



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

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

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



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

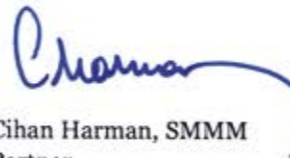
We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 30 January 2019.

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


Cihan Harman, SMMM
Partner

İstanbul, 30 January 2019

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

	Notes	December 31, 2018	Audited December 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	4	5,341,524	2,581,964
Trade receivables			
-Due from related parties	33	12,059	13,609
-Trade receivables, third parties	8	7,744,252	6,504,468
Derivative instruments	7	28,405	9,133
Inventories	10	5,087,676	3,779,928
Prepaid expenses	19	181,987	106,686
Current income tax assets	20	118,220	106,532
Other current assets	22	681,903	398,838
Total current assets		19,196,026	13,501,158
Non-current assets:			
Financial investments	5	1,856	2,552
Trade receivables			
-Trade receivables, third parties	8	35,690	11,970
Derivate instruments	7	166,813	38,249
Investments accounted for using the equity method	11	346,605	282,261
Property, plant and equipment	12	4,534,276	3,264,771
Intangible assets			
-Goodwill	14	507,966	438,112
-Other intangible assets	13	2,600,849	2,140,338
Prepaid expenses		100,033	109,077
Deferred tax assets	31	878,247	648,007
Total non-current assets		9,172,335	6,935,337
Total assets		28,368,361	20,436,495

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

	Notes	December 31, 2018	Audited December 31, 2017
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	4,022,086	2,299,697
Short-term portion of long-term borrowings	6	1,494,640	962,490
Trade payables			
-Due to related parties	33	441,597	550,948
-Trade payables, third parties	8	4,292,847	3,024,620
Derivative instruments	7	251,095	13,888
Employee benefit obligations	21	344,171	323,515
Other payables			
-Due to related parties	33	27,794	19,712
-Other payables, third parties	9	241,069	242,655
Current income tax liabilities	31	42,978	28,053
Provisions			
-Other provisions	17	582,339	430,630
Other current liabilities	22	756,340	506,812
Total current liabilities		12,496,956	8,403,020
Non-current liabilities:			
Long-term borrowings	6	6,431,552	4,113,916
Other payables			
-Due to related parties	33	28,180	40,246
Provisions			
-Provision for employee benefits	18	289,560	241,758
-Other provisions	17	155,868	232,163
Deferred tax liabilities	31	511,386	439,909
Other non-current liabilities	22	235,697	50,406
Total non-current liabilities		7,652,243	5,118,398
Total liabilities		20,149,199	13,521,418

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

	Notes	December 31, 2018	Audited December 31, 2017
EQUITY			
Paid-in capital	23	675,728	675,728
Adjustment to share capital	23	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(177,981)	(112,902)
- Gains/ losses on financial assets measured at fair value through other comprehensive income		1,348	2,009
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		2,871,675	1,622,125
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(601,215)	(419,715)
-Gains/ losses on cash flow hedges		5,405	7,263
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital	23	14,507	14,507
Restricted reserves	23	409,115	368,993
Retained earnings		3,663,309	3,410,341
Net income for the period		851,756	842,949
Equity holders of the parent		8,183,347	6,880,998
Non-controlling interest		35,815	34,079
Total equity		8,219,162	6,915,077
Total liabilities and equity		28,368,361	20,436,495
Commitments, contingent assets and liabilities	16		

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notlar	1 Jan.-31 Dec. 2018	Audited 1 Jan.-31 Dec. 2017
Net sales	3,24	26,904,384	20,840,613
Cost of sales	3	(18,358,622)	(14,334,414)
Gross profit		8,545,762	6,506,199
General administrative expenses	25	(1,209,472)	(936,579)
Marketing expenses	25	(5,094,434)	(4,027,699)
Research and development expenses	25	(204,792)	(170,177)
Other income from operating activities	27	1,324,815	711,838
Other expenses from operating activities	27	(724,557)	(371,751)
Operating profit		2,637,322	1,711,831
Income from investment activities	28	13,278	8,285
Expenses from investment activities	28	(6,795)	(7,347)
Share of profit/loss of investments accounted for using the equity method	11	12,226	39,090
Operating income before financial income/(expense)		2,656,031	1,751,859
Financial income	29	2,965,219	901,539
Financial expenses	30	(4,671,844)	(1,832,501)
Profit from continuing operations before tax		949,406	820,897
Tax income/(expense), continuing operations			
-Taxes on income	31	(248,748)	(194,034)
-Deferred tax income	31	155,183	218,440
Net income		855,841	845,303
Attributable to			
Non-controlling interest		4,085	2,354
Equity holders of the parent		851,756	842,949
Earnings per share (kurus)	32	1.261	1.247
Diluted earnings per share (kurus)	32	1.261	1.247

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Audited	
	1 Jan-31 Dec 2018	1 Jan.-31 Dec. 2017
Net income	855,841	845,303
Other comprehensive income		
Not to be reclassified to profit or loss	(81,719)	(23,012)
Gain/ loss arising from defined benefit plans	(79,884)	(22,491)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(1,139)	(338)
Gain/ loss on financial assets measured at fair value through other comprehensive income	(696)	(183)
Not to be reclassified to profit or loss, tax effect	15,979	4,458
Gain/ loss arising from defined benefit plans, tax effect	15,944	4,449
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	35	9
To be reclassified to profit or loss	1,024,759	484,685
Currency translation differences	1,239,434	604,586
Other comprehensive income related with hedges of net investments in foreign operations	(232,692)	(120,836)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	(1,858)	1,111
Currency translation differences of investments accounted for using the equity method	19,875	(176)
To be reclassified to profit or loss, tax effect	51,192	24,168
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	51,192	24,168
Other comprehensive income/ (loss) (net of tax)	1,010,211	490,299
Total comprehensive income	1,866,052	1,335,602
Attributable to:		
Non-controlling interest	13,844	7,551
Equity holders of the parent	1,852,208	1,328,051

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Paid-in capital	Adjustment to share capital	Share premium /discount	Balancing account for merger capital	Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss		Accumulated profit			Non-controlling interest	Total equity
					Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through other comprehensive income	Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income		
Balance at January 1, 2017	675,728	468,811	889	14,507	2,183	(316,895)	1,022,912	329,872	2,574,550	1,299,912	5,977,947	26,630	6,004,577
Transfers	-	-	-	-	-	-	-	39,121	1,260,791	(1,299,912)	-	-	-
Total comprehensive income	-	-	-	-	(174)	(95,557)	599,213	-	842,949	842,949	1,328,051	7,551	1,335,602
Net income	-	-	-	-	-	-	-	-	842,949	842,949	842,949	2,354	845,303
Other comprehensive income	-	-	-	-	(174)	(95,557)	599,213	-	-	-	485,102	5,197	490,299
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	(425,000)	-	(425,000)	(102)	(425,102)
As of December 31, 2017	675,728	468,811	889	14,507	2,009	(412,452)	1,622,125	368,993	3,410,341	842,949	6,880,998	34,079	6,915,077
Balance at January 1, 2018	675,728	468,811	889	14,507	2,009	(412,452)	1,622,125	368,993	3,410,341	842,949	6,880,998	34,079	6,915,077
Restatements to mandatory changes in accounting policies (Note 2)	-	-	-	-	-	-	-	-	(114,859)	-	(114,859)	-	(114,859)
TFRS 15 impact due to policy change, net	-	-	-	-	-	-	-	-	(111,693)	-	(111,693)	-	(111,693)
TFRS 9 impact due to policy change, net	-	-	-	-	-	-	-	-	(3,166)	-	(3,166)	-	(3,166)
Restated balances	675,728	468,811	889	14,507	2,009	(412,452)	1,622,125	368,993	3,295,482	842,949	6,766,139	34,079	6,800,218
Transfers	-	-	-	-	(661)	(183,358)	1,249,550	40,122	802,827	(842,949)	-	-	-
Total comprehensive income	-	-	-	-	(65,079)	(65,079)	-	-	851,756	851,756	1,852,208	13,844	1,866,052
Net income	-	-	-	-	(65,079)	(65,079)	-	-	851,756	851,756	851,756	4,085	855,841
Other comprehensive income	-	-	-	-	(65,079)	(65,079)	1,249,550	-	-	-	1,000,452	9,759	1,010,211
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	(435,000)	-	(435,000)	(12,108)	(447,108)
As of December 31, 2018	675,728	468,811	889	14,507	1,348	(595,810)	2,871,675	409,115	3,663,309	851,756	8,163,347	35,815	8,219,162

The accompanying notes form an integral part of these consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Audited	
		1 Jan.-31 Dec. 2018	1 Jan.-31 Dec. 2017
Cash flows from operating activities:			
Net income:		855,841	845,303
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes:</i>			
Adjustments for tax expense (income)	31	93,565	(24,406)
Adjustments for depreciation and amortisation expense	26	690,414	548,187
Adjustments for impairment loss	36	65,656	41,995
Adjustments for provisions	36	289,387	304,873
Adjustments for interest expense	30	1,009,229	574,914
Adjustments for interest income	29	(61,644)	(30,578)
Adjustments for undistributed profits of investments accounted for using equity method	11	(12,226)	(39,090)
Adjustments for fair value (gains) losses on derivative financial instruments	29, 30	(278,752)	168,195
Adjustments for unrealised foreign exchange losses (gains)	29, 30	1,021,151	208,648
Other adjustments to reconcile profit (loss)	29, 30	16,641	9,783
Adjustments for income arised from government grants	27	(77,722)	(67,314)
Adjustments for dividend (income) expenses	28	(94)	(93)
Adjustments for losses (gains) on disposal of non-current assets	28	(6,389)	(845)
Net cash flow from operating activities before changes in operating assets and liabilities		3,605,057	2,539,572
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,283,364)	(1,226,705)
Adjustments for decrease (increase) in inventories		(1,348,338)	(1,035,079)
Decrease (increase) in prepaid expenses		(75,301)	(973)
Adjustments for increase (decrease) in trade payables		1,158,876	489,579
Increase (decrease) in employee benefit liabilities		(71,293)	18,819
Adjustments for increase (decrease) in other operating payables		(32,673)	3,949
Increase (decrease) in government grants and assistance		49,803	81,749
Other adjustments for other increase (decrease) in working capital		(216,048)	(117,104)
Income taxes refund (paid)		(105,810)	(163,939)
Cash flows from operating activities		1,680,909	589,868
Investing activities:			
Purchase of property, plant, equipment and intangible assets		(1,797,305)	(987,217)
Proceeds from sales of property, plant, equipment and intangible assets		37,507	18,730
Advances given for fixed assets		9,044	(95,636)
Dividends received		26,265	13,178
Cash outflows from participations and / or joint ventures share acquisitions or capital increase	11	(57,237)	(19,002)
Cash flows from investing activities		(1,781,726)	(1,069,947)
Financing activities:			
Proceeds from borrowings		5,548,940	2,834,707
Repayments of borrowings		(2,288,445)	(1,529,456)
Dividends paid	23	(435,168)	(425,102)
Interest paid		(832,947)	(511,168)
Interest received		58,468	29,727
İhraç edilen tahviller		-	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		368,123	(22,387)
Other inflows (outflows) of cash	29, 30	(16,641)	(9,783)
Cash flows from financing activities		2,402,330	366,538
Net increase/(decrease) in cash and cash equivalents before currency translation differences		2,301,513	(113,541)
Effect of currency translation differences		454,872	252,782
Net increase/(decrease) in cash and cash equivalents		2,756,385	139,241
Cash and cash equivalents at January 1	4	2,580,893	2,441,652
Cash and cash equivalents at December 31	4	5,337,278	2,580,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eighteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand and Pakistan. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 23).

The Company's head office is located at: Karaağaç Caddesi No: 2-6 Sütlüce 34445 Beyoğlu İstanbul / Turkey.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1986. As of December 31, 2018, the publicly listed shares are 25.15% of the total shares. (December 31, 2017: 25.15%)

The average number of personnel employed by categories in the Group in 2018 is 6,767 monthly paid (2017: 6,433) and 23,110 hourly paid (2017: 23,621) totaling to 29,877 (2017: 30,054).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<i>Continuing operations as of reporting date:</i>			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Wat Motor San ve Tic. A.Ş. ("Wat Motor")	Turkey	Production/Sales	Multi-Purpose Motor
Token Finansal Teknolojiler A.Ş. ("Token")	Turkey	Information Techn.	Payment Systems
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") (*)	Taiwan	Purchase	Consumer Durables/Electronics
Arch R&D Co. Ltd. ("Arch R&D") (1)	China	R&D	Developing technology and design
Beko A and NZ Pty Ltd. ("Beko Australia") (*)	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Gulf FZE ("Beko Gulf")	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") (*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D	Software
Dawlance Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics

* Branches of the Subsidiary, which operate in a different country, are separately presented.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<i>Continuing operations as of reporting date:</i>			
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

* Branches of the Subsidiary, which operate in a different country, are separately presented.

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<i>Ceased operations as of reporting date:</i>			
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-

* Branches of the Subsidiary, which operate in a different country, are separately presented.

Associates	Country of incorporation	Core business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing /Communication

Joint Ventures	Country of incorporation	Core business	Nature of business
VoltBek Home Appliances Private Limited ("VoltBek") (*)	India	Production/Sales	Consumer Durables

(*) Voltbek is founded in 2017 to manufacture major domestic appliances and perform sales activities in Indian domestic market.

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2018 has been approved for issue by the Board of Directors on 30 January 2019. These consolidated financial statements will be finalised following their approval in the General Assembly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/TFRS and IFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The TASB issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments, provide requirements on the accounting for;

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments,
- share-based payment transactions with a net settlement feature for withholding tax obligations,
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

The TASB issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRS - 2014-2016 Cycle

POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments of the interpretations will not have an impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements as at December 31, 2018 are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial instruments - Amendments

Effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 16 Leases

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As at the reporting date, the assessment of the Group related to the impacts of TFRS 16 on its consolidated financial statements continues. These studies are managed by the Group including all its subsidiaries. The Group's activities as a lessor are not material.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**IFRIC 23 Uncertainty over income tax treatments**

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

TAS 28 Investments in associates and joint venture

Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Annual improvements 2015-2017

Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations'; – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements'; – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes'; – a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 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.
- TAS 19, 'Employee benefits'; on plan amendment, curtailment or settlement, use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 1 and IAS 8 on the definition of material

Effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to TFRS 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

Financial statements of subsidiaries operating in countries other than Turkey

The Financial statements of subsidiaries operating in countries other than Turkey are compiled by the TAS/IFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are recognised in the "currency translation difference" under the use of equity.

Consolidation principles

- (a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/IFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.
- (b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- (c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2018 and December 31, 2017 (%) and their functional currencies:

Continuing operations as of balance sheet date:	Functional currency	December 31, 2018		December 31, 2017	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Arch R&D ⁽⁴⁾	Chinese Yuan ("CYN")	100.00	100.00	-	-
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar ("SRD")	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Beko Deutschland	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Espana	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira ("EGP")	100.00	100.00	100.00	100.00
Beko France	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Gulf ⁽³⁾	Dirham ("AED")	100.00	100.00	-	-
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Indonesia	Indonesian Rupiah ("IDR")	100.00	100.00	100.00	100.00
Beko Italy	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Malaysia	Malaysian Ringgit ("MYR")	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty ("PLN")	100.00	100.00	100.00	100.00
Beko Russia	Czech Koruna ("CZK")	100.00	100.00	100.00	100.00
Beko Slovakia	Russian Ruble ("RUB")	100.00	100.00	100.00	100.00
Beko Shanghai	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Thailand	Chinese Yuan ("CNY")	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko UK	British Pound ("GBP")/ Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna ("UAH")	100.00	100.00	100.00	100.00
Beko US	US Dollar ("USD")	100.00	100.00	100.00	100.00
CoVii	Euro ("EUR")	51.00	51.00	51.00	51.00
Dawlance Electronics	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Dawlance (Private)	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Swaziland	Svazi Lilangeni ("SZL")	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro("EUR")/ Croatian Kuna ("HRK")	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone ("NOK")	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona ("SEK")	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc ("CHF")	100.00	100.00	100.00	100.00
United Refrigeration Industries	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Pan Asia	US Dollar ("USD")	100.00	100.00	100.00	100.00
Pazarlama A.Ş.	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Wat Motor ⁽¹⁾	Turkish Lira ("TRY")	100.00	100.00	-	-
Token ⁽²⁾	Turkish Lira ("TRY")	100.00	100.00	-	-
Vietbeko	Vietnamese Dong ("VND")	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00

⁽¹⁾ In order to transform the multi-purpose motor production into a more efficient organization that will expand its product range and offer specific solutions to market needs; to transfer the whole of the assets and liabilities for industrial motor production, after-sales services and related R&D activities in the balance sheet without compromising the integrity of the business which is Arçelik A.Ş.'s 100% subsidiary is established with the partial demerger in 2018.

⁽²⁾ In order to transform payment systems by focusing on the field of financial technology into a more flexible and new structure, to create value-added solutions in software-based retail and payment areas and to create new business models, to transfer the whole of the assets and liabilities for payment systems operations and related R&D activities in the balance sheet without compromising the integrity of the business which is Arçelik A.Ş.'s 100% subsidiary is established with the partial demerger in 2018.

⁽³⁾ Established as sales company in May 2018.

⁽⁴⁾ Established as R&D company in December 2018.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (d) Associates and joint ventures are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. 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 date of the caesura of the significant influence, the investment is carried at fair value.

The table below sets out all associates and joint ventures shows their direct and indirect ownership as of December 31, 2018 and 2017 (%):

	2018	2017
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00
Voltbek	49.00	49.00

- (e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value. Any financial investment that is who has no fair value quoted in a stock exchange or whose fair value is not measured reliably are carried at cost value.

- (f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

Going concern

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

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Comparatives and restatement of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

Group has applied consistent accounting policies in the preparation of consolidated financial statements presented except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

Advances given for fixed assets amounting to TRY 109,077 which had been classified under current assets in prepaid expenses account in the consolidated statement of financial position as of 31 December 2017 has been reclassified under non-current assets to prepaid expenses account. Advances given for fixed assets amounting to TRY 95,636 which had been classified in cash flows from operating activities in the consolidated statement of cash flows for the year ended December 31, 2017 has been reclassified in cash flows from investing activities. Borrowings amounting to TRY 1,265,280 which had been classified under current liabilities in short-term portion of long-term borrowings account in the consolidated statement of financial position as of 31 December 2017 has been reclassified under current liabilities to short-term borrowings account. These reclassifications performed in order to conform to changes in presentation in the current period consolidated financial statements are not material to the consolidated financial statements.

Transition to TFRS 15 "Revenue from contracts with customers"

Group has applied TFRS 15 "Revenue from contracts with customers", which has replaced TMS 18, by using cumulative effect method on the transition date, 1 January 2018. In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 15 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 18. In accordance with this method of transition, Group calculated the impact of transition for the active contacts as of 1 January 2018 and recorded the cumulative effect of transition in retained earnings.

Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach.

In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

Financial assets	Original classification under TMS 39	New classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
	Fair value through	Fair value through
Derivative instruments	statement of profit or loss	statement of profit or loss
		Fair value through other
Financial assets	Available for sale financial assets	comprehensive income
Financial liabilities	Original classification under TMS 39	New classification under TFRS 9
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Financial lease liabilities	Amortized cost	Amortized cost
Factoring liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Comparatives and restatement of prior periods' financial statements (Continued)

Explanations related to the effects of TFRS 15 and TFRS 9 are as follows

Effects of the transition to TFRS 15 on the condensed interim consolidated financial statements as of 31 December 2018 are as follows:

December 31, 2018	Balance before new standards applied	Adjustments (*)	Reported
Consolidated statement of financial position			
Deferred tax assets	848,263	29,984	878,247
Other current liabilities	734,002	22,338	756,340
Other non-current provisions	193,485	(37,617)	155,868
Other non-current liabilities	78,740	156,957	235,697
Consolidated statement of income or loss and other comprehensive income			
Revenue	26,933,418	(29,034)	26,904,384
Tax income/(expense), net	(99,016)	5,451	(93,565)
Consolidated cash flows			
Net income from continuing operations	879,426	(23,585)	855,841

(*) Impact from adjustments of extended warranty sales.

Effects of the transition to TFRS 9 on the condensed interim consolidated financial statements as of January 1, 2018 are as follows:

December 31, 2017 restated	TFRS 9 effect	January 1, 2018 restated
Consolidated statement of financial position		
Short-term trade receivables (Net)	(3,941)	6,500,527
Deferred tax assets	775	648,782

Effects of the transition to TFRS 9 and TFRS 15 on the condensed interim consolidated financial statements as of 1 January 2018 are as follows:

Retained earnings - January 1 Reported	2018 Reported
Total adjustments due to the changes in TFRS 15	(111,693)
Total adjustments due to the changes in TFRS 9	(3,166)
Restated	4,138,431

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Restatement and errors in the accounting policies and estimates (Continued)

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- (a) Identification of customer contracts
- (b) Identification of performance obligations
- (c) Determination of transaction price in the contract
- (d) Allocation of price to performance obligations
- (e) Recognition of revenue when the performance obligations are fulfilled

Group recognized revenue from its customers only when all of the following criteria are met:

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Group can identify each party's rights regarding the goods or services to be transferred,
- (c) Group can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliances. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 3). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.2 Restatement and errors in the accounting policies and estimates (Continued)**

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

Financial assets**Classification and measurement**

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(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. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.2 Restatement and errors in the accounting policies and estimates (Continued)****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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 33).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus, these transactions are eliminated in the consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of significant accounting policies (Continued)****Trade receivables**

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 8).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 27).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account. Factoring are not frequently performed in terms of treasury transactions. Therefore, it does not affect the "held to collect" business model of the Group.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 10).

Financial assets**Classification and measurement**

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**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. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

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 provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 6). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 34).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 4). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, plant and equipment and related depreciation

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

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses 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. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 12). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note13).

a) Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Other intangible assets (Continued)***d) Trademark licenses and patents*

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (8, 22 and 50 years).

Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations realized before January 1, 2010 have been accounted for by using the purchase method in the scope of TFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 14). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

TFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, is applied for business combinations realized in 2011.

The revised TFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Financial leases***(1) The Group as the lessee*

Finance leases

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged as expense to the consolidated statement of profit or loss. Depreciation on the relevant asset is also charged to the consolidated statement of profit or loss over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated statement of financial position and rental income is recognized on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 13). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 29 and Note 30).

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 31).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

ARÇELİK ANONİM ŞİRKETİ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Current and deferred income tax (Continued)**

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent can control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 18).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Revenue recognition**

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- 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

Group recognized revenue from its customers only when all of the following criteria are met:

- 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.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 3). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Revenue recognition (Continued)**

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

Accruals for customer premiums

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 23).

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**Warranty expenses**

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 17).

Assembly provisions

Assembly provision includes provision provided for the marketing expenses incurred for the assembly of products bought by the end users. This provision is calculated based on the past statistical information and projections for the future (Note 17).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 16).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 3).

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)
2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 13 and 14). Impairment was not identified as a result of these tests.

NOTE 3 - SEGMENT REPORTING

The reportable segments of Arçelik have been organized by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dish washers, refrigerators, ovens, cookers and the services provided for these products. The consumer goods reportable segment comprises televisions primarily with flat screens, computers, cash registers, other electronic devices and the services provided to consumers for these products. Other segment comprises the revenues from air conditioners, home appliances and furniture and kitchen gadgets except products included in white goods and consumer electronics.

Arçelik's reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows:

- a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2018 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	20,657,411	2,806,453	3,440,520	26,904,384
Gross profit	6,782,022	626,435	1,137,305	8,545,762
Depreciation and amortization	542,092	107,735	53,425	703,252
Capital expenditures	1,571,424	187,669	51,050	1,810,143

- (*) The Group recognised net sales amounting to TRY 26,882,046 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2018.

- b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2017 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	15,255,309	2,726,021	2,859,283	20,840,613
Gross profit	5,052,607	555,007	898,585	6,506,199
Depreciation and amortization	423,232	93,181	42,469	558,882
Capital expenditures	819,701	136,764	41,447	997,912

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash in hand	763	592
Cash at banks		
- demand deposits	569,097	354,745
- time deposits	4,652,265	2,026,021
Cheques and notes	62,200	111,538
Other	52,953	87,997
Cash and cash equivalents in cash flow statement	5,337,278	2,580,893
Interest income accruals	4,246	1,071
	5,341,524	2,581,964

The maturity breakdown of cash and cash equivalents is as follows:

	December 31, 2018	December 31, 2017
Up to 30 days	5,135,129	2,389,520
30-90 days	206,395	192,444
	5,341,524	2,581,964

NOTE 5 - FINANCIAL INVESTMENTS
Fair value gain/ losses of financial assets reflected to other comprehensive income

	December 31, 2018	December 31, 2017
Fair value gain/losses of financial assets reflected to other comprehensive income (*)	1,856	-
Available-for-sale investments	-	2,552
Total	1,856	2,552

(*) Explanations on the accounting policies changes are given in Note 2.2.

	December 31, 2018		December 31, 2017	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	1,777	0.34	2,473
Other		79		79
		1,856		2,552

Available-for-sale investment of the Group includes shares of Tat Gıda Sanayi A.Ş., as a listed company, whose fair value is determined by using the remaining bid offer in BIST as of balance sheet date.

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 661 (December 31, 2017: TRY 174) and net of deferred tax effect amounting to TRY 35 (December 31, 2017: TRY 9) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets" in the year ended December 31, 2018.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 5 - FINANCIAL INVESTMENTS (Continued)

The details of financial investments for the years ended December 31, are as follows:

	2018	2017
As of January 1	2,552	2,735
Change in fair value	(696)	(183)
As of December 31	1,856	2,552

NOTE 6 - BORROWINGS
a) Short-term borrowings

	December 31, 2018	December 31, 2017
Short-term bank borrowings	3,896,688	2,210,542
Payables from factoring activities (*)	124,696	88,681
Other	702	474
Total short-term borrowings	4,022,086	2,299,697
Short-term portion of long-term bank borrowings and interest accruals	1,438,524	921,486
Interest accruals of long-term bond issued (**)	56,116	41,004
Total short-term portion of long-term borrowings	1,494,640	962,490

(*) Factoring liabilities are amounting to TRY 75,179 denominated in EUR (December 31, 2017: TRY 54,361), TRY 49,517 denominated in GBP (December 31, 2017: TRY 34,320) and interest rates are between 0.6 % for EUR (December 31, 2017: 0.6%) and 1.5 % for GBP (December 31, 2017: 1.12%). As of December 31, 2018, there is no factoring liability denominated in USD (December 31, 2017: none).

() Long term bonds issued:**
2014:

The Company issued bond amounting to EUR 350 million, quoted in Ireland Stock Exchange, with re-offer yield 4% and annual interest payment on September 16, 2014. Maturity of the bond is September 16, 2021 and coupon rate is 3.875%.

2013:

The Company issued bond amounting to USD 500 million, quoted in Ireland Stock Exchange, with re-offer yield 5.125% and semi-annual interest payment on April 3, 2013. Maturity of the bond is April 3, 2023 and coupon rate is 5%.

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	21.2	2,306,188,778	2,306,189
EUR	0.5	159,429,560	961,041
PKR	9.3	14,229,053,772	532,025
ZAR	8.2	250,000,000	91,670
RON	4.9	4,478,922	5,763
			3,896,688

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 6 - BORROWINGS (Continued)

As of December 31, 2017, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.8	1,628,458,687	1,628,459
EUR	0.5	60,274,542	272,170
PKR	6.5	5,916,135,178	200,675
ZAR	8.6	310,183,326	95,124
CNY	4.4	23,908,664	13,777
SEK	0.5	569,354	260
USD	2.2	20,366	77
			2,210,542

b) Long-term borrowings

	December 31, 2018	December 31, 2017
Long-term bank borrowings	1,698,024	661,519
Long-term bonds issued	4,730,835	3,451,294
Other	2,693	1,103
	6,431,552	4,113,916

As of December 31, 2018, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	20.0	2,333,785,861	2,333,786
EUR	2.1	90,271,178	544,155
ZAR	9.9	500,000,000	183,340
PKR	10.1	2,013,060,000	75,267
			3,136,548
Short-term portion of long-term loans and interest accruals			(1,438,524)
			1,698,024

As of December 31, 2017, the details of the long-term bank borrowings are as follows:

Para birimi	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.1	1,160,799,167	1,160,799
EUR	2.6	44,454,182	200,733
ZAR	9.9	500,000,000	153,335
PKR	6.3	2,008,803,835	68,138
			1,583,005
Short-term portion of long-term loans and interest accruals			(921,486)
			661,519

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 6 - BORROWINGS (Continued)

As of December 31, 2018, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,002,896	2,656,770
EUR	4.0	353,381,156	2,130,181
			4,786,951
Interest accruals of long-term bonds issued			(56,116)
			4,730,835

As of December 31, 2017, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	504,201,724	1,901,799
EUR	4.0	352,231,061	1,590,499
			3,492,298
Interest accruals of long-term bonds issued			(41,004)
			3,451,294

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	December 31, 2018	December 31, 2017
2019	-	440,344
2020	1,288,120	221,175
2021	2,141,331	1,580,425
2022	63,062	-
2023 to 2027	2,945,761	1,885,950
	6,438,274	4,127,894

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2018	December 31, 2017
Up to 3 months	3,214,446	1,730,745
3 - 12 months	2,145,905	1,482,809
1-5 years	5,770,250	2,088,609
Over 5 years	409,904	1,885,950
	11,540,505	7,188,113

Net financial debt reconciliation

As of December 31, 2018, and 2017, the net financial debt reconciliation is as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	5,341,524	2,581,964
Borrowings and bill of exchange – repayable within one year	(5,516,726)	(3,262,187)
Borrowings and bill of exchange – repayable after one year	(6,431,552)	(4,113,916)
Net debt	(6,606,754)	(4,794,139)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 6 - BORROWINGS (Continued)
Net financial debt reconciliation (Continued)

	31 Aralık 2018	31 Aralık 2017
Cash and cash equivalents	5,341,524	2,581,964
Borrowings and bill of exchange - fixed interest rates	(10,425,910)	(6,800,998)
Borrowings and bill of exchange – floating interest rate	(1,522,368)	(575,105)
Net debt	(6,606,754)	(4,794,139)

2018	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1st	(3,262,187)	(4,113,916)	(7,376,103)
Cash flows	(2,023,471)	(1,237,024)	(3,260,495)
Changes in interest accruals	(176,282)	-	(176,282)
Changes in factoring liabilities	(36,015)	-	(36,015)
Currency translation adjustments	(18,771)	(1,080,612)	(1,099,383)
Financial debt as of December 31th	(5,516,726)	(6,431,552)	(11,948,278)

NOTE 7 - DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through marketing to market value at the date of valuation and the fair value of these instruments are disclosed as asset or liability in the statement of financial position.

	December 31, 2018		December 31, 2017	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Held for trading:				
Short-term derivative instruments				
Forward transactions	6,184,770	11,761	(20,200)	1,539,368
Foreign currency swap contracts	5,906,441	16,644	(230,895)	2,868,887
	12,091,211	28,405	(251,095)	4,408,255
Long-term derivative instruments				
Cross-currency fixed interest rate swap (*)	3,540,742	166,813	-	2,596,351
				38,249
				-

(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long-term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April 2013.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2018	December 31, 2017
Short-term trade receivables:		
Trade receivables	6,011,821	4,871,934
Notes receivables	1,625,067	1,545,334
Cheques receivables	393,722	273,545
Short-term trade receivables (gross)	8,030,610	6,690,813
Provision for doubtful receivables	(207,121)	(167,090)
Unearned credit finance income	(79,237)	(19,255)
Short-term trade receivables (net)	7,744,252	6,504,468

As of December 31, 2018, the Group has offsetted TRY 1,182,846 (December 31, 2017: TRY 833,682) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 78,018 related with its local bank borrowings (December 31, 2017: TRY 18,483).

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2018	2017
As of January, 1 - calculated under IAS 39	167,090	137,168
Impact due to the changes in TFRS 9 (Note 2.1)	3,941	-
As of January, 1 – restated	171,031	137,168
Current year additions (Note 27)	35,512	28,853
Provisions no longer required (Note 27)	(4,844)	(1,867)
Write-offs (*)	(12,550)	(4,932)
Currency translation differences	17,972	7,868
As of December, 31	207,121	167,090

(*) Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

	31.12.2018	31.12.2017
Long-term trade receivables:		
Trade receivables	41,450	12,429
Unearned credit finance income	(5,760)	(459)
	35,690	11,970

	December 31, 2018	December 31, 2017
Short-term trade payables:		
Trade payables	4,032,950	2,845,593
Debt accruals	314,565	216,562
Unearned credit finance charges	(54,668)	(37,535)
	4,292,847	3,024,620

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 9 - OTHER PAYABLES

	December 31, 2018	December 31, 2017
Taxes and duties payable	175,158	162,273
Dividend payables to shareholders	20,219	6,141
Deposits and guarantees received	3,400	5,272
Other	42,292	68,969
	241,069	242,655

NOTE 10 - INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials and supplies	2,042,764	1,460,439
Work in progress	149,579	122,335
Finished goods	2,141,994	1,778,062
Trade goods	858,126	504,068
Inventories (gross)	5,192,463	3,864,904
Provision for impairment on inventories	(104,787)	(84,976)
Inventories (net)	5,087,676	3,779,928

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 176,263 related with its local bank borrowings (December 31, 2017: TRY 37,727).

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

	December 31, 2018	December 31, 2017
Raw materials and supplies	69,929	58,060
Finished goods	27,904	21,587
Trade goods	6,954	5,329
	104,787	84,976

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2018	2017
As of January 1	84,976	92,668
Current year additions (Note 27)	30,144	13,142
Realized due to sales of inventory	(16,605)	(23,846)
Currency translation differences	6,272	3,012
As of December 31	104,787	84,976

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2018		December 31, 2017	
	(%)	TRY	(%)	TRY
Koç Finansman	47.0	149,131	47.0	132,227
Arçelik – LG	45.0	124,716	45.0	116,480
VoltBek	49.0	64,015	49.0	16,496
Ram Dış Ticaret	33.5	5,643	33.5	11,055
Tanı Pazarlama	32.0	3,100	32.0	6,003
		346,605		282,261

The movements of associates for the years ended December 31, are as follows:

	2018	2017
As of January 1	282,261	236,090
Shares of income/loss of associates	12,226	39,090
Shares of other comprehensive income/loss of associates	(2,997)	773
Gross profit elimination on inventory	4,174	567
Dividends received	(26,171)	(13,085)
Share participation in joint venture	57,237	19,002
Currency translation difference	19,875	(176)
As of December 31	346,605	282,261

Shares of income/loss from associates and joint venture:

	2018	2017
Koç Finansman	37,490	36,408
Arçelik - LG	5,115	2,036
Ram Dış Ticaret	1,989	4,351
Tanı Pazarlama	(2,774)	(1,375)
VoltBek	(29,594)	(2,330)
	12,226	39,090

Aggregated summary figures of the financial statements of associates and joint venture:

	December 31, 2018	December 31, 2017
Total assets	6,072,971	5,102,179
Total liabilities	5,321,349	4,476,576
	2018	2017
Net sales	4,041,781	2,763,719
Net income for the period	37,281	87,184

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

					Currency	December 31, 2018
	January 1, 2018	Additions	Disposals	Transfers (*)	Translation Differences	
Cost						
Land	145,375	88	-	-	29,588	175,051
Land improvements	44,304	2,736	(1,220)	44	559	46,423
Buildings	959,896	46,579	(307)	155,995	117,732	1,279,895
Machinery, equipment and moulds	4,714,562	234,827	(107,319)	449,852	382,238	5,674,160
Motor vehicles and Fixtures	718,666	86,077	(9,413)	83,410	50,006	928,746
Leasehold improvements	64,974	4,368	(603)	20,401	8,010	97,150
Construction in progress	502,469	1,096,618	(102)	(751,797)	29,914	877,102
	7,150,246	1,471,293	(118,964)	(42,095)	618,047	9,078,527
Accumulated depreciation:						
Land improvements	(28,259)	(4,868)	1,094	-	(31)	(32,064)
Buildings	(300,393)	(35,592)	104	-	(28,968)	(364,849)
Machinery, equipment and moulds	(3,074,472)	(370,735)	78,344	-	(176,233)	(3,543,096)
Motor vehicles and Fixtures	(433,753)	(90,798)	8,169	-	(30,193)	(546,575)
Leasehold improvements	(48,598)	(6,195)	565	-	(3,439)	(57,667)
	(3,885,475)	(508,188)	88,276	-	(238,864)	(4,544,251)
Net book value	3,264,771					4,534,276

(*) Consists of transfers amounting to TRY 42,095 from property, plant and equipment to other intangible assets (Note 13).

There is no mortgage on property, plant and equipment as of December 31, 2018 (December 31, 2017: None).

					Currency	December 31, 2017
	January 1, 2017	Additions	Disposals	Transfers (*)	Translation Differences	
Cost						
Land	135,074	616	-	30	9,655	145,375
Land improvements	42,488	1,086	-	295	435	44,304
Buildings	888,448	9,814	(3,044)	5,172	59,506	959,896
Machinery, equipment and moulds	4,321,491	63,426	(88,201)	239,713	178,133	4,714,562
Motor vehicles and Fixtures	605,258	75,480	(9,270)	21,984	25,214	718,666
Leasehold improvements	53,867	7,383	(31)	168	3,587	64,974
Construction in progress	185,121	575,539	(119)	(267,362)	9,290	502,469
	6,231,747	733,344	(100,665)	-	285,820	7,150,246
Accumulated depreciation						
Land improvements	(26,277)	(1,977)	-	-	(5)	(28,259)
Buildings	(267,483)	(19,475)	13	-	(13,448)	(300,393)
Machinery, equipment and moulds	(2,766,735)	(307,973)	81,355	-	(81,119)	(3,074,472)
Motor vehicles and Fixtures	(365,894)	(62,041)	8,299	-	(14,117)	(433,753)
Leasehold improvements	(43,059)	(4,245)	2	-	(1,296)	(48,598)
	(3,469,448)	(395,711)	89,669	-	(109,985)	(3,885,475)
Net book value	2,762,299					3,264,771

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 13 – OTHER INTANGIBLE ASSETS

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31, 2018
Cost						
Brands	1,052,282	-	-	-	224,043	1,276,325
Development costs	1,119,297	270,147	-	-	-	1,389,444
Computer software and rights	249,726	64,406	(6,240)	42,095	10,630	360,617
Trademark licenses and patents	33,988	4,297	(650)	-	11,391	49,026
Customer relationships	489,088	-	-	-	50,033	539,121
	2,944,381	338,850	(6,890)	42,095	296,097	3,614,533
Accumulated amortization						
Development costs	(574,775)	(129,133)	-	-	-	(703,908)
Computer software and rights	(168,418)	(38,777)	5,862	-	(8,714)	(210,047)
Trademark licenses and patents	(33,748)	(116)	598	-	(11,282)	(44,548)
Customer relationships	(27,102)	(27,038)	-	-	(1,041)	(55,181)
	(804,043)	(195,064)	6,460	-	(21,037)	(1,013,684)
Net book value	2,140,338					2,600,849

(*) Consists of transfers from property, plant and equipment.

Net carrying value of the development costs as of December 31, 2018 is TRY 685,536 (December 31, 2017: TRY 544,522) and capitalized development costs for the period is TRY 270,147 (January 1 - December 31, 2017: TRY 224,704).

As of December 31, 2018, total amount of borrowing costs capitalized is none. (December 31, 2017: none).

	January 1, 2017	Additions	Disposals	Currency translation differences	December 31, 2017
Cost					
Brands	924,497	-	-	127,785	1,052,282
Development costs	894,593	224,704	-	-	1,119,297
Computer software and rights	212,335	39,864	(7,251)	4,778	249,726
Trademark licenses and patents	28,000	-	-	5,988	33,988
Customer relationships	482,599	-	-	6,489	489,088
	2,542,024	264,568	(7,251)	145,040	2,944,381
Accumulated amortization					
Development costs	(459,894)	(114,881)	-	-	(574,775)
Computer software and rights	(140,157)	(24,527)	362	(4,096)	(168,418)
Trademark licenses and patents	(27,673)	(114)	-	(5,961)	(33,748)
Customer relationships	(3,792)	(23,649)	-	339	(27,102)
	(631,516)	(163,171)	362	(9,718)	(804,043)
Net book value	1,910,508				2,140,338

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 13 – OTHER INTANGIBLE ASSETS (Continued)

The carrying values of the brands of the Group are as below:

	December 31, 2018	December 31, 2017
Grundig (*)	518,782	388,613
Defy (*)	382,156	319,613
Dawlance(*)	266,429	241,703
Beko	81,040	81,040
Other brands (*)	27,918	21,313
	1,276,325	1,052,282

(*) Values of brands in their original currencies are same as of December 31, 2018 and 2017 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2018. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value. Sales forecast beyond the five-year period is extrapolated with 3% expected growth rate. The estimated royalty income is calculated by applying the expected 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 8% to 16% discount rates.

Fair value of brands is around 9.4 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management's estimate, fair value of brands would be 7.9 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 14 - GOODWILL

	2018	2017
As of January 1	438,112	393,752
Currency translation differences	69,854	44,360
As of December 31	507,966	438,112

Details of goodwill are as follows:

	December 31, 2018	December 31, 2017
Defy and its subsidiaries	298,014	249,241
Dawlance and its subsidiaries	194,491	176,441
Other	15,461	12,430
	507,966	438,112

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 14 – GOODWILL (Continued)**Goodwill impairment test**

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2018.

The projection period for the purposes of goodwill impairment testing is approved by the board of directors as 5 years between January 1, 2019 and December 31, 2023.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 1% - 5% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 7.7% - 16% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 25% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 12.2%. Had the compound average growth rate been assumed to be 11.2%, the recoverable amount would have been calculated as 16% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 3%. Had the rate been assumed to be 2%, the recoverable amount would have been 18% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 12.57%. Had the rate been assumed to be 13.57%, the recoverable amount would have been 11% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 57% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 14 – GOODWILL (Continued)**EBITDA growth expectations**

In original assumption, five-year compound average growth rate of EBITDA is 27.6%. Had the compound average growth rate been assumed to be 26.6%, the recoverable amount would have been calculated as 39% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 46% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 16%. Had the rate been assumed to be %17, the recoverable amount would have been 37% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 15 - GOVERNMENT GRANTS

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

- a) 100% exemption from customs duty on machinery and equipment to be imported,
- b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- d) Inward processing permission certificates,
- e) Cash refund from Tübitak - Teydeb for research and development expenses,
- f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
- g) Discounted corporate tax incentive,
- h) Insurance premium employer share incentive,
- i) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Trade.
- j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2018.

Grants which are accounted for under other income from operating activities for year ended December 31, 2018 are as follows:

- i) Research and development incentive premiums taken or certain to be taken amounts to TRY 10,642 (December 31, 2017: TRY 5,010).
- ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Trade amounts to TRY 26,210 (December 31, 2017: TRY 51,010).

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2018, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 255,196,533 (December 31, 2017: USD 301,896,261). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

Future minimum rentals payable under non-cancellable operating lease are as follows:

	December 31, 2018	December 31, 2017
Up to 1 year	82,753	57,426
1-5 years	183,074	139,473
Over 5 years	141,974	90,202
Operating lease commitments	407,801	287,101

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2018 and December 31, 2017 are as follows:

December 31, 2018	Purchase Commitments	Sales Commitments
TRY	2,737,411	1,236,152
USD	2,799,081	576,621
EUR	1,854,102	3,594,909
AUD	33,927	185,130
CZK	-	79,655
CNY	59,464	426,737
DKK	-	64,483
ZAR	-	134,930
GBP	30,008	682,535
SEK	42,101	-
CHF	68,461	-
CAD	-	3,861
MYR	-	15,291
NOK	64,293	12,000
PKR	-	604
PLN	-	171,215
ROL	55,094	543,013
RUB	39,158	45,957
RSD	-	24,341
THB	18,986	-
NZD	-	32,433
	7,802,086	7,829,867

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2017	Purchase Commitments	Sales Commitments
TRY	138,257	565,523
USD	1,981,535	61,536
EUR	1,004,308	1,374,024
AUD	26,446	151,595
CZK	-	51,307
CNY	43,219	224,726
DKK	-	36,331
ZAR	-	92,961
GBP	-	503,539
SEK	31,696	-
CHF	130,967	-
CAD	-	5,255
MYR	-	24,756
NOK	36,577	-
PLN	-	1,828
ROL	-	139,810
RUB	125,833	12,582
RSD	31,534	42,946
THB	22,313	112,638
NZD	-	30,564
	3,572,685	3,431,921

	December 31, 2018	December 31, 2017
Collaterals obtained	3,616,758	2,911,732

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2018 and December 31, 2017 are as follows:

CPMB's given by the Company	December 31, 2018	December 31, 2017
A. CPMB's given for Company's own legal personality	160,425	623,454
B. CPMB's given on behalf of fully consolidated companies	1,356	993
C. CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	161,781	624,447

TRY equivalents of CPMB given as of December 31, 2018 and December 31, 2017 are as follows on original currency basis are as follows:

CPMB's given by the Company	December 31, 2018	December 31, 2017
TRY	68,845	59,250
EUR	43,203	14,814
USD	27,160	532,667
Other currencies	22,573	17,716
	161,781	624,447

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 17 – OTHER PROVISIONS

	December 31, 2018	December 31, 2017
Other short-term provisions		
Warranty provision	333,359	215,208
Assembly provision	108,248	98,210
Provision for transportation cost	41,996	49,303
Provision for lawsuit risks	15,648	9,596
Provision for returns	14,946	10,242
Other	68,142	48,071
	582,339	430,630
Other long-term provisions		
Warranty provision	155,747	232,137
Other	121	26
	155,868	232,163

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

	2018	2017
Warranty provision		
As of January 1	447,345	366,106
Additions	723,400	574,503
Disposals	(752,618)	(533,284)
Currency translation differences	70,979	40,020
As of December 31	489,106	447,345
Assembly provision		
As of January 1	98,210	73,118
Additions	307,055	309,784
Disposals	(297,017)	(284,692)
As of December 31	108,248	98,210

NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
Provision for employment termination benefits	254,904	211,995
Provision for vacation pay liability	34,656	29,763
	289,560	241,758

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 5,434.42 as of December 31, 2018 (December 31, 2017: full TRY 4,732.48) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2018	2017
Net discount rate (%)	5.65	4.95
Turnover rate related the probability of retirement (%)	96.36	96.24

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 6,017.60 (January 1, 2018: full TRY 5,001.76) which is effective from January 1, 2019 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2018	2017
As of January 1	211,995	201,155
Interest expense	6,742	15,122
Actuarial losses	79,884	22,491
Service cost	16,965	14,569
Payments during the year	(62,452)	(42,562)
Currency translation differences	1,770	1,220
As of December 31	254,904	211,995

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

	2018	2017
Turkey	249,190	207,952
Non – Turkey	5,714	4,043
	254,904	211,995

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2018 is below:

Sensitivity level	Net discount rate		Turnover rate related the probability of retirement	
	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Rate	(5.2)	(6.2)	(95.9)	(96.9)
Change in employee benefits liability	11,274	(10,433)	(7,190)	7,914

NOTE 19 – PREPAID EXPENSES

	December 31, 2018	December 31, 2017
Short-term prepaid expenses	156,879	91,686
Advances given for inventories	25,108	15,000
	181,987	106,686

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 20 – CURRENT INCOME TAX ASSETS

	December 31, 2018	December 31, 2017
Prepaid taxes and funds	118,220	106,532
	118,220	106,532

NOTE 21 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2018	December 31, 2017
Payables to personnel	201,246	195,859
Social security payables	103,214	104,492
Accruals for bonuses and premiums	39,711	23,164
	344,171	323,515

NOTE 22 - OTHER ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Other current assets:		
Value added tax and private consumption tax receivable	460,277	291,663
Taxes and funds deductible	127,534	62,911
Income accruals	27,739	7,645
Other	66,353	36,619
	681,903	398,838
Other current liabilities:		
Accruals for customer premiums	620,521	431,528
Advances received	90,532	66,448
Deferred income	35,144	1,119
Other	10,143	7,717
	756,340	506,812
Other long term liabilities:		
Deferred income	178,871	217
Other	56,826	50,189
	235,697	50,406

NOTE 23 - EQUITY
Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of kurus1, Registered and issued share capital of the Company is as follows:

	December 31, 2018	December 31, 2017
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of bonus shares to existing shareholders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 23 - EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2018		December 31, 2017	
	Share (%)	Amount	Share (%)	Amount
Shareholders:				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/IFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

All shareholders of the Company have equal rights and there are no preference shares outstanding.

Contribution to shareholders' equity related to the merger

Contribution to shareholders' equity related to the merger with Grundig Elektronik A.Ş. at June 30, 2009.

Restricted reserves

The Turkish Commercial Code ("TCC") stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

The details of these restricted reserves are as follows:

	December 31, 2018	December 31, 2017
Legal reserves	409,115	368,993

As agreed in the ordinary general meeting dated March 19, 2018, the decision to pay dividend as cash has been taken and the payment was made in March 2018 (previous year in April 2017). The dividend details are as follows: 64.375% (2017: 62.9%) corresponding to gross TRY 0.64375 (full) (2017: TRY 0.62895 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 64.375% (2017: 62.9%) corresponding to gross TRY 0.64375 (full) (2017: gross TRY 0.62895 (full)) and net TRY 0.54719 (full) (2017: net TRY 0.53461 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 23 - EQUITY (Continued)
Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No, II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of December 31, 2018, total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 1,417,696 (December 31, 2017: TRY 715,105).

NOTE 24 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2018	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	8,425,038	13,271,626	1,925,939	2,299,255	982,526	26,904,384
2017	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	8,125,012	8,953,340	1,413,628	1,522,675	825,958	20,840,613

The Group recognised net sales amounting to TRY 26,882,046 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2018.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is 208,329 TL. The Group expects that 178,678 TL portion of amount will be recorded as revenue to financial statements within six years.

The movements of performance obligations for the years ended December 31, 2018 is as follows:

	2018
Impact due to the changes in TFRS 15 (Note 2.1)	179,295
As of January, 1	179,295
Recognized as revenue	(22,338)
Increases due to changes in measurements	51,372
As of December, 31	208,329

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 25 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
Marketing expenses:		
Transportation, distribution and storage expenses	1,591,929	1,220,581
Warranty and assembly expenses	1,030,455	884,287
Personnel expenses	861,582	645,432
Advertising and promotion expenses	849,010	656,153
Depreciation and amortization expenses	122,590	90,662
License expenses	79,339	57,241
Energy expenses	11,204	9,065
Other	548,325	464,278
	5,094,434	4,027,699

General administrative expenses:

Personnel expenses	617,080	491,512
Information technology expenses	119,457	78,097
Insurance expenses	68,354	55,075
Depreciation and amortization expenses	54,464	44,608
Legal consultancy and audit expenses	52,843	38,674
Rent expenses	42,000	31,563
Duties, taxes and levies	28,467	20,777
Energy expenses	12,523	8,580
Donations	11,269	13,016
Repair and maintenance expense	11,061	9,621
Other	191,954	145,056
	1,209,472	936,579

Research and development expenses (*):

Depreciation and amortization expenses	134,236	115,842
Personnel expenses	43,872	34,526
Energy expenses	3,737	3,016
Other	22,947	16,793
	204,792	170,177

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 327,865 in 2018 (December 31, 2017: TRY 268,344).

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 26 - EXPENSES BY NATURE

	2018	2017
Raw materials, supplies and trade goods	16,860,787	13,188,336
Changes in finished goods, work in process and trade goods	(745,233)	(642,515)
Personnel expenses	2,924,665	2,264,310
Transportation, distribution and storage expenses	1,714,956	1,322,636
Warranty and assembly expenses	1,030,455	884,287
Advertising and promotion expenses	849,010	656,153
Depreciation and amortization expenses	690,414	548,187
Foreign exchange loss arising from trading activities	471,119	232,840
Energy expenses	165,176	130,972
Repair and maintenance expenses	116,480	102,005
Insurance expenses	90,372	70,296
License expenses	79,339	57,241
Legal consultancy and audit expenses	71,306	62,070
Credit finance charges arising from trading activities	65,560	8,818
Cash discounts expenses	62,687	39,320
Provision expense for doubtful receivables	35,512	28,853
Provision expense for impairment on inventories	30,144	13,142
Other	1,079,128	873,669
	25,591,877	19,840,620

NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2018	2017
Other income from operating activities:		
Foreign exchange gains arising from trading activities	1,078,169	526,644
Income from claims and grants	77,722	67,314
Credit finance income arising from trading activities	58,142	61,506
Reversals of provisions	8,812	3,132
Reversal of provisions for doubtful receivables (Note 8)	4,844	1,867
Other	97,126	51,375
	1,324,815	711,838
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(471,119)	(232,840)
Credit finance charges arising from trading activities	(65,560)	(8,818)
Cash discounts expenses	(62,687)	(39,320)
Provision expense for doubtful receivables (Note 8)	(35,512)	(28,853)
Provision expense for inventory impairment (Note 10)	(30,144)	(13,142)
Other	(59,535)	(48,778)
	(724,557)	(371,751)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 28 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2018	2017
Income from investment activities:		
Income from sales of property plant and equipment	13,184	8,192
Dividends received from financial investments	94	93
	13,278	8,285
Expenses from investment activities:		
Loss from sales of property plant and equipment	(6,795)	(7,347)
	(6,795)	(7,347)

NOTE 29- FINANCIAL INCOME

	2018	2017
Foreign exchange gains (*)	1,739,314	714,398
Gains on derivative instruments	1,163,350	156,014
Interest income	61,644	30,578
Other	911	549
	2,965,219	901,539

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

NOTE 30 - FINANCIAL EXPENSES

	2018	2017
Foreign exchange losses (*)	(2,760,465)	(923,046)
Interest expenses	(1,009,229)	(574,914)
Losses on derivative instruments	(884,598)	(324,209)
Other	(17,552)	(10,332)
	(4,671,844)	(1,832,501)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Corporation and income taxes	164,206	121,925
Prepaid tax	(121,228)	(93,872)
Tax liabilities (net)	42,978	28,053
Deferred tax assets	878,247	648,007
Deferred tax liabilities	(511,386)	(439,909)
Deferred tax assets, net	366,861	208,098

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 22% in Turkey (December 31, 2017: 20%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expense for the years ended December 31 is as follows:

	2018	2017
Tax income		
- Current period tax expense	(248,748)	(194,034)
- Deferred tax income	155,183	218,440
Tax income	(93,565)	24,406

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Property, plant and equipment and intangible assets	3,274,756	2,762,388	(800,105)	(685,411)
Unearned credit finance income/expense (net)	81,580	58,370	(17,948)	(12,841)
Fair value gain/losses of financial assets reflected to other comprehensive income	1,420	2,116	(71)	(106)
Unused tax advantages (*)	-	-	639,641	588,183
Provision for doubtful receivables	(36,233)	(22,818)	9,736	5,932
Derivative instruments	(59,079)	38,158	12,929	(8,422)
Provision for impairment on inventories	(69,048)	(69,609)	14,879	14,822
Provision for employment termination benefits	(248,744)	(208,146)	49,881	41,639
Provision for warranty, assembly and transportation expenses	(607,584)	(404,231)	132,421	90,683
Unused tax credits	(536,554)	(232,098)	150,445	66,312
Other	(629,971)	(436,188)	175,053	107,307
Deferred tax assets, net			366,861	208,098

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2018 the tax advantage of TRY 639,641 (December 31, 2017: TRY 588,183) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2018	2017
Balance as of January 1– reported	208,098	14,155
Impact due to the changes in accounting policies	30,760	-
Balance as of January 1– restated	238,858	14,155
Deferred tax income recognized in statement of profit or loss	155,183	218,440
Deferred tax income recognized directly in the equity	15,979	4,458
Currency translation differences	(43,159)	(28,955)
Balance as of December 31	366,861	208,098

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 641,213. Maturity analysis of this amount is as follows:

	December 31, 2018
2019	40,284
2020	11,749
2021	61,032
2022	90,416
2023 and after	437,732
	641,213

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2018, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 2,489,837 (December 31, 2017: TRY 2,051,192).

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Reconciliation between tax expenses for the years ended December 31, 2018 and 2017 and calculated tax expense using corporate tax rate in Turkey (22%) is as follows:

	2018	2017
Profit before tax	949,406	820,897
Tax expense calculated using 22% local tax rate	(208,869)	(164,179)
Exemptions	78,072	70,966
Effect of unused tax losses for which no deferred tax asset was recognized	(33,513)	(25,431)
Expenses not deductible for tax purposes	(26,984)	(9,011)
Impact of different tax rates in other countries	(13,518)	(1,166)
Adjustments with no tax effects	25,975	5,784
Effect on deferred tax balances due to change in income tax rate from 20% to 22%	-	927
Utilization of previously unrecognized tax advantages	87,689	156,061
Other	(2,417)	(9,545)
Taxation income recognized in statement of profit or loss	(93,565)	24,406

NOTE 32 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year.

The Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. In earnings per share calculation, this bonus share issuance is accepted as shares issued. Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue.

Earnings per share and dividends paid in terms of share groups are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Profit for the year attributable to shareholders of the Company	851,756	842,949
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	1.261	1.247
Diluted earnings per share (kurus) (*)	1.261	1.247

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 33 - RELATED PARTY DISCLOSURES
(i) Balances with related parties

	December 31, 2018	December 31, 2017
(a) Due from related parties		
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	8,487	4,466
Yapı ve Kredi Bankası A.Ş. (1)	3,340	4,209
Other	232	4,934
	12,059	13,609

(b) Due to related parties:
Current:

	December 31, 2018	December 31, 2017
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	236,701	153,813
Ram Dış Ticaret A.Ş. (2)	95,226	63,685
Arçelik-LG (2)	41,068	256,126
Koç Holding A.Ş. (3)	24,813	21,646
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	16,132	21,658
Bilkom Bilişim Hizmetleri A.Ş. (1)	7,832	2,354
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	2,889	4,243
Other	16,936	27,423
	441,597	550,948

(1) Koç Holding group companies

(2) Associates

(3) Parent company

	December 31, 2018	December 31, 2017
Other payables to related parties - Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	27,253	19,267
Other	541	445
	27,794	19,712

Other payables to related parties - Non-Current:

	December 31, 2018	December 31, 2017
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	27,641	39,357
Other	539	889
	28,180	40,246

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2018. (December 31, 2017: TRY 81,040).

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2018	December 31, 2017
Other payables to related parties (gross)		
Up to 1 year	28,426	20,436
1 to 5 years	28,424	40,872
	56,850	61,308
Future finance charges on other liabilities	(876)	(1,350)
Present value of other payables to related parties (net)	55,974	59,958

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2018	December 31, 2017
Up to 1 year	27,794	19,712
1 to 5 years	28,180	40,246
	55,974	59,958

(c) Deposits:

 Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾

2,433,594	246,664
-----------	---------

(d) Bank borrowings:

 Yapı ve Kredi Bankası A.Ş. and its subsidiaries

-	18,773
---	--------

⁽¹⁾ Koç Holding group companies

(e) Derivative instruments

December 31, 2018	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,583,952	5,080 (2,001)
December 31, 2017	Contract amount	Fair value assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	377.713	158 (401)

(ii) Transactions with related parties
(a) Sales of goods and services:

	2018	2017
Koçtaş Yapı Marketleri Ticaret A.Ş.	30,165	25,599
Yapı ve Kredi Bankası A.Ş.	14,747	19,611
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,938	4,589
Other	6,949	16,084
	55,799	65,883

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)
(b) Purchases of goods and services:

	2018	2017
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,291,196	1,009,125
Arçelik-LG	798,644	635,656
Ram Dış Ticaret	367,168	203,507
Ark İnşaat	131,951	58,938
Bilkom Bilişim Hizmetleri A.Ş.	124,792	190,324
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	86,143	78,391
Setur Servis Turistik (1)	51,317	45,798
Other	163,381	146,326
	3,014,592	2,368,065

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is around sixty days.

The Group purchases air conditioners, produced by Arçelik-LG. Purchasing conditions are determined in line with sales conditions.

⁽¹⁾ Koç Holding group companies

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the year ended December 31, 2018 amounts to TRY 65,242 (December 31, 2017: TRY 53,809). Compensation includes only short-term benefits. There is no redundancy payments made to the senior executives as of December 31, 2018 (December 31, 2017: TRY 2,034)

(d) Other transactions

	2018	2017
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	27,211	18,134
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	5,840	4,934

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Hedging operations and derivative instruments

Liquidity Risk

The risk of failure in settling financial liabilities is eliminated by managing the consolidated financial position statement and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch, to maintain short term liquidity with effective inventory term, trade receivables and trade payables term, net working capital objectives are set and consolidated statement of financial position ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long-term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2018 is as follows:

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Total financial liabilities (non-derivative):						
Financial liabilities	11,948,278	13,483,739	3,312,933	2,868,771	7,038,747	263,288
Trade payables	4,734,444	4,789,337	4,652,447	136,890	-	-
Other payables, related parties	55,974	56,850	6,974	21,452	28,424	-
Other payables, third parties	241,069	241,069	220,426	20,643	-	-
	16,979,765	18,570,995	8,192,780	3,047,756	7,067,171	263,288

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments:						
Derivative cash inflows	-	8,205,070	5,282,213	697,496	2,225,361	-
Derivative cash outflows	-	(8,022,122)	(5,229,922)	(1,053,294)	(1,738,906)	-
Derivative instruments (net)	(55,877)	182,948	52,291	(355,798)	486,455	-

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2017 is as follows:

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Total financial liabilities (non-derivative):						
Financial liabilities	7,376,103	8,331,021	1,775,048	1,775,945	2,846,929	1,933,099
Trade payables	3,575,568	3,613,103	3,432,579	180,524	-	-
Other payables, related parties	59,958	61,308	4,999	15,437	40,872	-
Other payables, third parties	242,655	242,655	228,738	13,917	-	-
	11,254,284	12,248,087	5,441,364	1,985,823	2,887,801	1,933,099

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments:						
Derivative cash inflows	-	3,929,507	2,084,238	181,861	271,577	1,391,831
Derivative cash outflows	-	(3,635,147)	(2,094,448)	(173,579)	(232,063)	(1,135,057)
Derivative instruments (net)	33,494	294,360	(10,210)	8,282	39,514	256,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 (Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed by establishing a fixed-floating balance in the consolidated financial statements and balancing interest rate sensitive assets and maturity with inter balance sheet items and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual re-pricing date of financial liabilities and receivables and "fixed interest/floating interest", "short-term/long-term" balance within liabilities are structured coherently.

Average effective annual interest rates of statement of financial position accounts as of December 31, 2018 and 2017 are as follows:

	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	THB	BWP	VND	PKR	IDR	HKD	
December 31, 2017 (%)																					
Current Assets																					
Cash and cash equivalents	23.02	1.54	3.44	0.62	0.06	7.25	2.96	5.25	-	-	10.39	0.46	5.00	(0.75)	0.70	1.00	1.00	4.83	-	-	0.25
Trade receivables	12.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																					
Short-term bank borrowings	21.22	0.45	-	-	4.94	-	-	8.23	-	-	-	-	-	-	-	-	-	9.31	-	-	-
Trade payables	12.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																					
Long term bank borrowings	20.02	2.11	-	-	-	-	-	9.95	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2017 (%)																					
Current Assets																					
Cash and cash equivalents	13.50	0.02	1.79	0.42	0.91	7.50	1.06	5.25	(0.56)	(0.75)	11.25	0.19	5.00	(0.75)	0.65	1.00	1.00	4.27	4.59	-	0.25
Trade receivables	4.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																					
Short-term bank borrowings	12.83	0.45	2.15	-	-	-	4.35	8.57	-	0.49	-	-	-	-	-	-	-	6.45	-	-	-
Trade payables	4.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																					
Long term bank borrowings	13.14	2.63	-	-	-	-	-	9.94	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2018	2017
Financial instruments with fixed interest rates		
Time deposits	3,211,005	587,579
Borrowings and bonds issued	10,297,821	6,710,740
Other	128,091	90,258
Financial instruments with variable interest rates		
Time deposits	1,445,506	1,439,513
Borrowings	1,522,366	575,105

At December 31, 2018, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 769 (2017: TRY 8,644 lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes negotiated.

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2018 and December 31, 2017 are as follows:

	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
December 31, 2018				
Maximum exposed credit risk as of reporting date (1)	12,059	7,779,942	5,225,608	195,218
Secured portion of the maximum credit risk by guarantees, etc. (2)	-	(6,537,570)	-	-
A. Net book value of financial asset either are not due or not impaired	12,059	7,151,501	5,225,608	195,218
-Secured portion by guarantees, etc.	-	(6,072,337)	-	-
B. Net book value of overdue but not impaired financial assets	-	594,427	-	-
- Secured portion by guarantees, etc.	-	(426,948)	-	-
C. Net book value of the impaired assets	-	38,285	-	-
- Overdue (Gross book value)	-	241,135	-	-
- Impairment (-)	-	(202,850)	-	-
- Secured portion of the net value by guarantees, etc.	-	(38,285)	-	-
D. Expected credit losses (-)	-	(4,271)	-	-
December 31, 2017				
Maximum exposed credit risk as of reporting date (1)	13,609	6,516,438	2,381,837	47,382
Secured portion of the maximum credit risk by guarantees, etc. (2)	-	(5,218,549)	-	-
A. Net book value of financial asset either are not due or not impaired	13,609	5,970,709	2,381,837	47,382
-Secured portion by guarantees, etc.	-	(4,796,631)	-	-
B. Net book value of overdue but not impaired financial assets	-	500,799	-	-
- Secured portion by guarantees, etc.	-	(376,988)	-	-
C. Net book value of the impaired assets	-	44,930	-	-
- Overdue (Gross book value)	-	212,020	-	-
- Impairment (-)	-	(167,090)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,930)	-	-

(1) Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.

(2) Major part of guarantees is composed of mortgages and trade receivable insurances.

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)
a) Credit quality of financial assets which are not overdue and not impaired.

	December 31, 2018	December 31, 2017
Group 1	19,717	11,628
Group 2	6,849,922	5,758,507
Group 3	293,921	214,183
	7,163,560	5,984,318

Group 1 - New customers (customers for a period less than 3 months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

b) Aging analysis of the receivables which are overdue but not impaired

	December 31, 2018	December 31, 2017
0-1 month	298,221	292,347
1-3 months	157,045	100,657
3-12 months	97,192	79,743
1-5 years	41,969	28,052
	594,427	500,799

c) Geographical concentration of the trade receivables

	December 31, 2018	December 31, 2017
Turkey	3,608,325	3,417,146
Europe	2,383,813	1,782,084
Other	1,799,863	1,330,817
	7,792,001	6,530,047

The Group has applied the simplified approach stated in TFRS 9 for the calculation of expected credit loss provision for trade receivables. This approach allows expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group appropriately classified its trade receivables based on maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and forward-looking macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and totals of trade receivable.

As of 31 December 2018, the explanations related to the calculation are as follows:

	Vadesi Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate	0.04	0.08	0.38	0.51	
Gross carrying amount	7,151,501	298,221	157,045	139,161	7,745,928
Loss allowance provision	2,740	229	591	711	4,271

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)
Foreign exchange risk

Since the Group operates in a diverse geographical area, operations are performed using multiple currencies. Therefore, foreign exchange risk is one of the most significant financial risks that the Group is exposed to.

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries' functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

The main principle of foreign currency risk management is to minimize the impact of foreign exchange fluctuations by maintaining foreign exchange asset position close to zero.

Inter balance sheet methods are preferred for the management of foreign currency risk as in other risk items. However, when necessary, derivative instruments are also used for maintaining foreign currency position at a predetermined level.

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2018, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2017: EUR 153,846,154).

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2018	December 31, 2017
Assets	8,419,230	4,582,379
Liabilities	(8,169,123)	(5,639,134)
Net position of financial statement	250,107	(1,056,755)
Net position of derivative instruments	(347,860)	1,086,338
Foreign currency position (net)	(97,753)	29,583

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands ('000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2018 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																				
Trade receivables	428,626	184,618	105,679	621,748	124,607	-	314,323	-	-	155,964	51,586	49,663	1,276	-	1,146	-	560,922	-	385	5,272,472
Monetary financial assets	349,882	115,207	23	-	6	-	-	1,019	-	5	28,505	-	18	-	-	-	1	4	-	2,739,003
Other	20,919	47,406	27	-	-	-	-	-	-	-	-	14	-	504	-	-	37,878	588	-	407,755
Total Assets	799,427	347,231	105,729	621,748	124,607	6	314,323	-	1,019	155,969	80,091	49,677	1,294	504	1,146	-	598,801	592	385	8,419,230
Current Liabilities																				
Trade payables	214,069	225,131	908	18	-	-	-	1,861	1,756	-	2,145	761	-	9,866	-	714	54,671	619	-	2,533,080
Financial liabilities	56,997	6,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,727
Other monetary liabilities	795	8,464	-	-	-	-	-	-	-	-	8,858	515	-	-	-	-	-	-	-	83,939
Non-Current Liabilities																				
Financial liabilities	417,765	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,148,737
Other monetary liabilities	-	5,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,640
Total Liabilities	689,626	744,960	908	18	-	-	-	1,861	1,756	-	2,145	9,619	515	9,866	-	714	54,671	619	-	8,169,123
Net Position of Financial Statement	109,801	(397,729)	104,821	621,730	124,607	6	314,323	(1,861)	(737)	155,969	77,946	40,058	779	(9,362)	1,146	(714)	544,130	(27)	385	250,107
Off-balance sheet derivative assets (*)	450,463	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	5,542,842
Off-balance sheet derivative liabilities (*)	(596,368)	(109,605)	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(50,000)	(1,300)	-	(1,000)	-	(560,000)	-	-	(5,890,702)
Net position of off-balance sheet items	(145,905)	422,449	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(42,500)	(1,300)	-	(1,000)	-	(559,212)	-	-	(347,860)
Net Asset/(Liability) Position of Foreign Currency	(36,104)	24,720	2,227	11,730	2,607	6	(25,677)	(1,861)	(737)	5,969	(2,054)	(2,442)	(521)	(9,362)	146	(714)	(15,082)	(27)	385	(97,753)
Net Asset/(Liability) Position of Foreign Currency																				
Currency Monetary Items	88,882	(445,135)	104,794	621,730	124,607	6	314,323	(1,861)	(737)	155,969	77,946	40,044	779	(9,866)	1,146	(714)	506,252	(615)	385	(157,648)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedged Amount of Foreign Currency Assets	596,368	109,605	102,594	610,000	122,000	-	340,000	-	-	150,000	80,000	50,000	1,300	-	1,000	-	560,000	-	-	5,890,702
Hedged Amount of Foreign Currency Liabilities	296,617	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	4,615,457

(*) Some portion of EUR denominated bonds issued designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent	
December 31, 2018																					
Against TRY	(22,243)	53,018	2,030	11,730	2,607	6	(25,677)	-	-	-	(56)	(1,085)	-	(8,756)	146	-	742	(27)	385	153,401	
Against EUR	-	400	-	-	-	-	-	-	-	5,969	-	-	-	-	-	-	-	-	-	-	4,233
Against RUB	413	(1,252)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,041)
Against PLN	(4)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Against GBP	(2,808)	72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,548)
Against RON	(4,839)	(3,780)	266	-	-	-	-	-	-	(90)	-	-	-	-	-	-	-	-	-	-	(47,358)
Against CZK	(265)	-	-	-	-	-	-	-	(737)	-	-	-	-	-	-	-	-	-	-	-	(1,597)
Against NOK	(1,901)	-	-	-	-	-	-	(1,861)	-	-	(1,908)	-	-	-	-	-	-	-	-	-	(13,428)
Against SEK	3,985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,904
Against CNY	318	1,352	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,571
Against ZAR	-	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,079
Against AUD	1,123	(522)	-	-	-	-	-	-	-	-	-	(521)	-	-	-	-	-	-	-	-	2,181
Against EGP	5	(461)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,395)
Against UAH	(3,093)	(29)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,798)
Against CHF	603	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,598
Against BWP	(519)	(1,100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,940)
Against NZD	377	-	-	-	-	-	-	-	-	(1,357)	-	-	-	-	-	-	-	-	-	-	2,273
Against USD	(5,306)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,965)
Against RSD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Against HUF	33	329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,901
Against THB	-	612	-	-	-	-	-	-	-	-	-	-	-	(606)	-	-	-	-	-	-	3,220
Against MYR	-	(12,671)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,776)
Against VND	(28)	1,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,343
Against AED	(2,100)	(13,094)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,649)	-	-	-	(89,659)
Against PKR	(36,104)	24,720	2,227	11,730	2,607	6	(25,677)	(1,861)	(737)	5,969	(2,054)	(2,442)	(521)	(9,362)	146	(714)	(15,082)	(27)	385	(97,753)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2017 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent	
Current Assets																					
Trade receivables	435,133	183,215	102,917	629,106	126,235	-	292,599	-	-	6	63,538	46,867	689	-	2,633	-	384,145	-	385	-	3,815,591
Monetary financial assets	76,305	29,881	22	-	48	-	7	4	144	5	1,446	(100)	7	-	1	-	1	-	1	-	458,101
Other	14,284	63,451	42	-	-	-	-	-	-	-	-	-	-	26,145	-	-	2,549	-	597	-	308,657
Total Assets	525,722	276,547	102,981	629,106	126,235	48	292,606	4	144	11	64,984	46,767	696	26,145	2,634	-	386,695	598	385	-	4,582,379
Current Liabilities																					
Trade payables	172,891	265,000	1,188	8	-	-	-	-	10	1,518	13,431	288	9,894	148	27,191	-	584	47,684	635	-	1,851,643
Financial liabilities	26,228	11,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,558
Other monetary liabilities	60	5,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,858
Non-Current Liabilities																					
Financial liabilities	372,222	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,566,718
Other monetary liabilities	-	10,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,357
Total Liabilities	571,401	792,060	1,188	8	-	-	-	-	10	1,518	13,431	288	9,894	148	27,191	-	584	47,684	635	-	5,639,134
Net Position of Financial Statement	(45,679)	(515,513)	101,793	629,098	126,235	48	292,606	(6)	(1,374)	(13,420)	64,696	36,873	548	(1,046)	2,634	(584)	339,011	(37)	385	-	(1,056,755)
Off-balance sheet derivative assets (*)	366,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	-	3,663,917
Off-balance sheet derivative liabilities (*)	(304,291)	(16,314)	(99,116)	(660,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(47,000)	-	(1,750)	-	(390,000)	-	-	-	-	(2,577,579)
Net position of off-balance sheet items	61,855	509,027	(99,116)	(620,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(38,000)	-	(1,750)	-	(390,000)	-	-	-	-	1,086,338
Net Asset/(Liability) Position of Foreign Net Asset/(Liability) Position of Foreign	16,177	(6,486)	2,677	9,098	(2,765)	48	2,606	(6)	(1,374)	(13,420)	4,696	(1,127)	548	(1,046)	884	(584)	(50,989)	(37)	385	-	29,583
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(59,963)	(578,964)	101,751	629,098	126,235	48	292,606	(6)	(1,374)	(13,420)	64,696	36,873	548	(27,191)	2,634	(584)	336,462	(634)	385	-	(1,365,442)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	304,291	16,314	99,116	660,000	129,000	-	290,000	-	-	-	60,000	47,000	-	1,750	-	390,000	-	-	-	-	33,494
Hedged Amount of Foreign Currency Assets	216,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	-	2,577,579
Hedged Amount of Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,966,592

(*) Some portion of EUR denominated bonds issued designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent	
December 31, 2017	17,269	49,031	3,194	9,098	(2,765)	48	2,599	4	(49)	11	-	(466)	-	884	(389)	(5,854)	(37)	385	-	274,963	
Against TRY	238	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901
Against EUR	81	144	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	909
Against RUB	2,488	10	(1)	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	11,269
Against PLN	2,431	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,860
Against GBP	(8,793)	(541)	264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40,429)
Against RON	(584)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,637)
Against CZK	1,699	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,284
Against NOK	453	-	-	-	-	-	-	-	(1,325)	-	4,696	-	-	-	-	-	-	-	-	-	7,667
Against SEK	270	107	11	-	-	-	-	(10)	-	-	-	-	-	-	-	-	-	-	-	-	1,679
Against CNY	(256)	(522)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,125)
Against AUD	593	54	-	-	-	-	-	-	-	-	-	548	-	-	-	-	-	-	-	-	4,355
Against EGP	2	(26,074)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(102,374)
Against UAH	742	(27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,536)
Against CHF	(61)	(90)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,886
Against BWP	302	-	-	-	-	-	-	-	-	-	-	(661)	-	-	-	-	-	-	-	-	(4,120)
Against NZD	4,098	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,364
Against USD	(392)	(971)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,556)
Against RSD	-	(850)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,350
Against THB	-	(11,447)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,444)
Against MYR	-	(16,148)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,206)
Against VND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,200)
Against PKR	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,277)
Total	16,177	(6,486)	2,677	9,098	(2,765)	48	2,606	(6)	(1,374)	(13,420)	4,696	(1,127)	548	(1,046)	884	(584)	(50,989)	(37)	385	-	29,583

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2018, and December 31, 2017, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

December 31, 2018	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(209,241)	209,241	(209,377)	209,377
Secured portion from USD risk	222,248	(222,248)	222,246	(222,246)
USD Net effect	13,007	(13,007)	12,869	(12,869)
EUR net asset/liability	158,927	(158,927)	105,281	(105,281)
Secured portion from EUR risk	(180,690)	180,690	(87,952)	87,952
EUR Net effect	(21,763)	21,763	17,329	(17,329)
GBP net asset/liability	69,735	(69,735)	86,654	(86,654)
Secured portion from GBP risk	(68,253)	68,253	(68,253)	68,253
GBP Net effect	1,482	(1,482)	18,401	(18,401)
RUB net asset/liability	4,684	(4,684)	63,241	(63,241)
Secured portion from RUB risk	(4,596)	4,596	(4,596)	4,596
RUB Net effect	88	(88)	58,645	(58,645)
RON net asset/liability	1	(1)	106,047	(106,047)
Secured portion from RON risk	-	-	-	-
RON Net effect	1	(1)	106,047	(106,047)
PLN net asset/liability	17,487	(17,487)	30,264	(30,264)
Secured portion from PLN risk	(17,121)	17,121	(17,121)	17,121
PLN Net effect	366	(366)	13,143	(13,143)
CZK net asset/liability	7,364	(7,364)	12,507	(12,507)
Secured portion from CZK risk	(7,966)	7,966	(7,966)	7,966
CZK Net effect	(602)	602	4,541	(4,541)
NOK net asset/liability	(112)	112	883	(883)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(112)	112	883	(883)
SEK net asset/liability	(43)	43	7,468	(7,468)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	(43)	43	7,468	(7,468)
NZD net asset/liability	275	(275)	275	(275)
Secured portion from NZD risk	(460)	460	(460)	460
NZD Net effect	(185)	185	(185)	185
ZAR net asset/liability	5,719	(5,719)	106,333	(106,333)
Secured portion from ZAR risk	(5,500)	5,500	(5,500)	5,500
ZAR Net effect	219	(219)	100,833	(100,833)
AUD net asset/liability	14,832	(14,832)	8,225	(8,225)
Secured portion from AUD risk	(15,736)	15,736	(15,736)	15,736
AUD Net effect	(904)	904	(7,511)	7,511
DKK net asset/liability	6,283	(6,283)	6,283	(6,283)
Secured portion from DKK risk	(6,448)	6,448	(6,448)	6,448
DKK Net effect	(165)	165	(165)	165
JPY net asset/liability	(45)	45	(45)	45
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(45)	45	(45)	45

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOT 34 - FİNANSAL ARAÇLARDAN KAYNAKLANAN RİSKLERİN NİTELİĞİ VE DÜZEYİ (Devamı)

December 31, 2018	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
CAD net asset/liability	442	(442)	442	(442)
Secured portion from CAD risk	(386)	386	(386)	386
CAD Net effect	56	(56)	56	(56)
THB net asset/liability	(12)	12	53,181	(53,181)
Secured portion from THB risk	-	-	-	-
THB Net effect	(12)	12	53,181	(53,181)
EGP net asset/liability	-	-	4,493	(4,493)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	4,493	(4,493)
UAH net asset/liability	-	-	1,688	(1,688)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	1,688	(1,688)
CNY net asset/liability	41,464	(41,464)	53,086	(53,086)
Secured portion from CNY risk	(42,614)	42,614	(42,614)	42,614
CNY Net effect	(1,150)	1,150	10,472	(10,472)
CHF net asset/liability	(14)	14	25,552	(25,552)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(14)	14	25,552	(25,552)
BWP net asset/liability	-	-	109	(109)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	109	(109)
RSD net asset/liability	-	-	5,325	(5,325)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	5,325	(5,325)
MYR net asset/liability	-	-	689	(689)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	689	(689)
VND net asset/liability	-	-	886	(886)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	886	(886)
PKR net asset/liability	1	(1)	106,993	(106,993)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	1	(1)	106,993	(106,993)
AED net asset/liability	-	-	1,604	(1,604)
Secured portion from AED risk	-	-	-	-
AED Net effect	-	-	1,604	(1,604)
IDR net asset/liability	-	-	1,746	(1,746)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	-	-	1,746	(1,746)
	(9,775)	9,775	545,047	(545,047)

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2017	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(194,446)	194,446	(192,306)	192,306
Secured portion from USD risk	192,000	(192,000)	192,000	(192,000)
USD Net effect	(2,446)	2,446	(306)	306
EUR net asset/liability	47,107	(47,107)	54,245	(54,245)
Secured portion from EUR risk	(39,802)	39,802	27,931	(27,931)
EUR Net effect	7,305	(7,305)	82,176	(82,176)
GBP net asset/liability	51,714	(51,714)	66,251	(66,251)
Secured portion from GBP risk	(50,354)	50,354	(50,354)	50,354
GBP Net effect	1,360	(1,360)	15,897	(15,897)
RUB net asset/liability	4,094	(4,094)	47,505	(47,505)
Secured portion from RUB risk	(4,034)	4,034	(4,034)	4,034
RUB Net effect	60	(60)	43,471	(43,471)
RON net asset/liability	5	(5)	102,933	(102,933)
Secured portion from RON risk	-	-	-	-
RON Net effect	5	(5)	102,933	(102,933)
PLN net asset/liability	13,681	(13,681)	23,801	(23,801)
Secured portion from PLN risk	(13,981)	13,981	(13,981)	13,981
PLN Net effect	(300)	300	9,820	(9,820)
CZK net asset/liability	5,177	(5,177)	10,219	(10,219)
Secured portion from CZK risk	(5,131)	5,131	(5,131)	5,131
CZK Net effect	46	(46)	5,088	(5,088)
NOK net asset/liability	-	-	410	(410)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	-	-	410	(410)
SEK net asset/liability	(63)	63	5,396	(5,396)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	(63)	63	5,396	(5,396)
NZD net asset/liability	147	(147)	147	(147)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	147	(147)	147	(147)
ZAR net asset/liability	(412)	412	80,878	(80,878)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(412)	412	80,878	(80,878)
AUD net asset/liability	10,835	(10,835)	8,036	(8,036)
Secured portion from AUD risk	(11,166)	11,166	(11,166)	11,166
AUD Net effect	(331)	331	(3,130)	3,130
DKK net asset/liability	3,917	(3,917)	3,917	(3,917)
Secured portion from DKK risk	(3,633)	3,633	(3,633)	3,633
DKK Net effect	284	(284)	284	(284)
JPY net asset/liability	(3)	3	(3)	3
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(3)	3	(3)	3
CAD net asset/liability	791	(791)	791	(791)
Secured portion from CAD risk	(526)	526	(526)	526
CAD Net effect	265	(265)	265	(265)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2017	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
THB net asset/liability	(7)	7	24,344	(24,344)
Secured portion from THB risk	-	-	-	-
THB Net effect	(7)	7	24,344	(24,344)
EGP net asset/liability	-	-	(8,965)	8,965
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(8,965)	8,965
UAH net asset/liability	-	-	798	(798)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	798	(798)
CNY net asset/liability	19,534	(19,534)	28,866	(28,866)
Secured portion from CNY risk	(22,473)	22,473	(22,473)	22,473
CNY Net effect	(2,939)	2,939	6,393	(6,393)
CHF net asset/liability	(14)	14	27,098	(27,098)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(14)	14	27,098	(27,098)
BWP net asset/liability	-	-	135	(135)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	135	(135)
RSD net asset/liability	-	-	4,221	(4,221)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	4,221	(4,221)
MYR net asset/liability	-	-	(1,330)	1,330
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	(1,330)	1,330
VND net asset/liability	-	-	(944)	944
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	(944)	944
PKR net asset/liability	1	(1)	93,687	(93,687)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	1	(1)	93,687	(93,687)
INR net asset/liability	-	-	1,799	(1,799)
Secured portion from INR risk	-	-	-	-
INR Net effect	-	-	1,799	(1,799)
	2,958	(2,958)	490,562	(490,562)

ARÇELİK ANONİM ŞİRKETİ
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Original Amount	TRY equivalent	Original Amount	TRY equivalent
EUR	977,477,372	5,646,399	1,022,753,060	4,232,762
USD	369,799,939	1,807,807	300,429,459	1,093,807
GBP	304,627,673	1,995,487	268,704,759	1,263,008
Other		1,089,671		787,646
Total exports		10,539,364		7,377,223
EUR	323,424,961	1,930,426	384,280,363	1,563,160
USD	819,938,934	4,227,079	925,028,469	3,353,607
GBP	1,272,998	8,848	1,030,303	4,833
Other		4,671		5,359
Total imports		6,171,024		4,926,959

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Total financial liabilities (Note 6)	11,948,278	7,376,103
Cash and cash equivalents (Note 4)	(5,341,524)	(2,581,964)
Net financial liabilities	6,606,754	4,794,139
Equity	8,219,162	6,915,077
Total capital invested	14,825,916	11,709,216
Gearing ratio	45%	41%

NOTE 35 - FINANCIAL INSTRUMENTS
Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term.

As of December 31, 2018, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 7,923,499 (December 31, 2017: TRY 5,075,303) (Note 6) and TRY 7,712,416 (December 31, 2017: TRY 5,238,541) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

Fair value hierarchy table

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

- Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)
- Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.
- Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of December 31, 2018 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	195,218	-
Financial investments (Note 5)	1,777	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	251,095	-
---	---	---------	---

Fair value hierarchy table as of December 31, 2017 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	47,382	-
Financial investments (Note 5)	2,473	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	13,888	-
---	---	--------	---

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 36 - SUPPLEMENTARY CASH FLOW INFORMATION

Statements of cash flows are presented within the consolidated financial statements.

Details of "adjustments for provisions" and "adjustments for impairment loss" lines presented in the consolidated statements of cash flows are as follows:

	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
Adjustments for provisions:		
Accrual for customer premiums	188,993	138,614
Warranty provision	41,763	81,239
Provision for employment termination benefits	23,707	29,691
Accrual for bonuses and premiums	16,547	5,606
Provision for legal claims	6,052	95
Provision for vacation pay liability	4,893	3,347
Return provisions	4,704	3,146
Provision for assembly and transportation cost	2,728	43,135
	289,387	304,873
	1 Jan. - 31 Dec. 2018	1 Jan. - 31 Dec. 2017
Adjustments for impairment loss:		
Provision for doubtful receivables	35,512	28,853
Provision for impairment on inventories	30,144	13,142
	65,656	41,995

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

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

NOTE 37 – EVENTS AFTER BALANCE SHEET DATE

None.

.....

General Information

Reporting Period	:	01.01.2018 - 31.12.2018
Trade Name	:	Arçelik A.Ş.
Trade Registry and Number	:	İstanbul Ticaret Sicil Müdürlüğü. No: 54957
HQ Address	:	Karaağaç Caddesi No:2-6 Sütlüce 34445 Beyoğlu - İstanbul
Web	:	www.arcelikas.com
Phone	:	+90 212 314 34 34
Fax	:	+90 212 314 34 63
Call Center	:	444 0 888

Arçelik A.Ş. Contact Information

Polat Şen
Chief Financial Officer
e-mail: polat.sen@arcelik.com
Phone: 00 90 212 314 34 34
Fax: 00 90 212 314 34 60

Arçelik

Karaağaç Caddesi No: 2-6, Sötlöce, Beyođlu 34445 İstanbul | Türkiye

Telefon: +90 212 314 34 34 Faks: +90 212 314 34 63

www.arcelikas.com

[f](#) [t](#) [@](#) /arcelikas