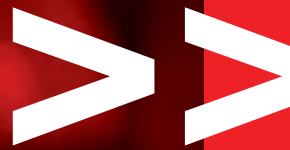




Arçelik

**ANNUAL
REPORT
2019**





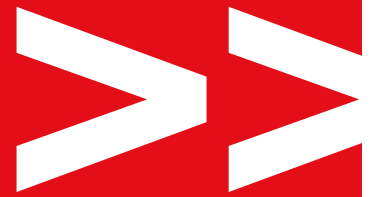
I live and prosper with
my country.

As long as democracy
exists and thrives, so
do we.

We shall do our
utmost to strengthen
our economy.

As our economy
prosper, so will
democracy and
our standing in the
world.

VEHBI KOÇ





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Adopting the vision of “Respecting The World, Respected Worldwide”, Arçelik aims to ensure profitable and long-term sustainable growth, increase its market share based on a global target market approach, reach more consumers with innovative products and services in a rapidly changing world, and ensure a secure future with an awareness of corporate responsibility. Being a global organization, Arçelik integrates its sustainability approach into its business model throughout the value chain.

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January | February | March

- Arçelik was listed for the 3rd time in the FTSE4Good Developing Markets Index. Developed by FTSE Russell, a global index and data provider for the London Stock Exchange, the FTSE4Good Developing Markets Index measures companies' ESG performance.
- Beko Sardis Payment Terminal developed by the FT company Token was granted with the Consumer Technology Association's CES Innovation Award.
- Being listed in the 2019 Sustainability Yearbook, which showcases the best performing companies in terms of sustainability, was another great achievement accomplished by Arçelik.
- Arçelik was recognized as a role model for its progress in sustainability in the private sector in OECD's 2019 Environmental Performance Review for Turkey.
- Arçelik launched its AutoDose dishwashers, that automatically adjusts the optimal amount of detergent for the selected wash cycle.
- Arçelik was granted with the 2018 Climate Leadership Award for Turkey by the Carbon Disclosure Project (CDP), a global initiative known for its efforts on climate change.
- Arçelik's subsidiary Ardutch B.V. signed an agreement to buy out Retail Holdings Bhold B.V. in the Netherlands. The Dutch company owns 57% of Singer Bangladesh Limited, the largest white goods manufacturer in Bangladesh.
- Arçelik's Cooking Appliances Plant was granted with the TPM Part 4 Advanced Special Award for TPM as a result of the audits conducted by the Japanese Institute of Plant Maintenance (JIPM).
- In recognition of the International Women's Day, Beko Turkey launched a new project titled "Beko is seeking 100 new female retailers" to increase the participation of women in the retailers ecosystem.
- Arçelik opened its office at CoZone at Middle-East Technical University's Technopark.
- Arçelik signed a credit agreement of TRY 1 billion (EUR 150 million) with EBRD to invest in energy and resource efficiency, and R&D infrastructure of its facilities in Turkey.
- Arçelik received 4 different awards as part of the iF DESIGN AWARD 2019, one of the most prestigious design awards in the world.

April | May | June

- Arçelik Authorized Dealers Meeting was held in Antalya, and Beko Authorized Dealers and Beko Authorized Services meeting was held in Cyprus.
- Arçelik launched Telve Duo, which has a 3D cooking feature with CooksensePro® induction technology.
- Arçelik CEO Hakan Bulgurlu climbed Mount Everest to raise awareness on the climate crisis.
- Arçelik Pazarlama A.Ş. was recognized as an Energy Efficiency Consultancy Company by the Republic of Turkey Ministry of Energy and Natural Resources.
- Beko announced its official sponsorship of the European League of Legends Championship (LEC).
- Beko entered the Nigerian market.
- Senior managers of the Global Engineering Deans Council (GEDC) Industry visited Arctic's washing machine plant in Ulmi, Romania.
- Arctic's washing machine plant in Ulmi was listed among the 10 smartest plants of the world by the World Economic Forum (WEF).
- Defy invested more than 1 Billion Rand in 3 manufacturing plants to support its operations in South Africa and to position itself as a manufacturing hub in the region.
- Defy Regional Office was opened in Midrand, South Africa.
- Elektrabregenz was again listed among "Superbrands Austria 2019" after accomplishing the same in 2018.
- First Dawlance store in Pakistan was opened.

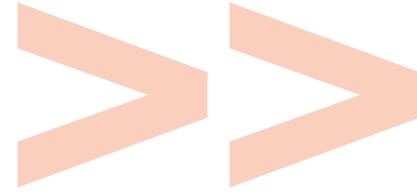
July | August | September

- Arctic's washing machine plant in Ulmi joined in the World Economic Forum's Global Lighthouse Network, which aims to identify and encourage the best of Industry 4.0 worldwide.
- Arçelik launched its new corporate website which runs on servers 100% powered by solar panels.
- 20 Turkish senior and MBA - PhD students in engineering and technology departments from all around the world came together within the scope of A Ticket for Your Future Project launched by Arçelik in 2018.
- Arçelik awarded 518 inventors for their contributions to convenience technologies at the 21st Invention Day.
- Arçelik was selected as the Durable Household Appliances Industry Leader in the Dow Jones Sustainability Index (DJSI). Arçelik is the only Turkish manufacturing company to make the list in the Emerging Markets category for the 3rd consecutive time.
- Beko PLC officially opened Beko Customer Solution Centre in Stratford Upon Avon, England.
- Beko and Grundig showcased their new products and technologies at the IFA Consumer Electronics Trade Show in Berlin, Germany. Arçelik's CEO Hakan Bulgurlu was among the keynote speakers.
- Dawlance launched two new manufacturing lines for washing machines and water dispensers.

October | November | December

- Arçelik was listed in BIST Sustainability Index for the 6th time. The Index lists the best-performing Borsa Istanbul companies in terms of sustainability.
- Developing technology-based learning solutions, Arçelik won the tender issued as part of the Fatih Project, and signed an agreement with the Republic of Turkey's Ministry of National Education to provide 16,600 Interactive Boards (E-Boards) in schools.
- For the second year in a row, Arçelik offered the coding training program for girls, which had been initiated in collaboration with the KizCode Platform in 2017.
- Arçelik was granted the Zero-Waste Private Sector Award by the Republic of Turkey Ministry of Environment and Urbanization for its zero-waste and waste management efforts along with its recycling plants.
- Arçelik initiated the You are an Engineer, You are With Us Project to empower women in engineering and new-generation R&D.
- Arçelik launched the new production line investment in Eskişehir to double the production capacity for multi-door and large capacity refrigerators.
- Arçelik was ranked second after Koç Holding in Turkey's Most Admired Companies Survey that has been conducted by Capital Magazine for the past 19 years.
- Beko was mentioned in UNICEF's The State of the World's Children 2019 Report as the one and only brand to start an initiative to combat childhood obesity.
- Arctic Ulmi washing machine plant was granted with the LEED Platinum Certificate.

REPORT OF THE BOARD OF DIRECTORS AND MESSAGE FROM THE CHAIRMAN



Esteemed Shareholders,

I offer you my warmest greetings and hope our meeting to share the results from 2019 will be productive for all of us.

A year has passed in which the showdown in global trade and the related ongoing uncertainties in polices put large economies under pressure. The year 2019 was overshadowed by an economic recession and as a result, the global economy recorded its lowest growth rate since the last global financial crisis. The weakness in global growth is mainly caused by the decline in global trade and manufacturing industry, and the decrease in the demand for capital goods.

The US Federal Reserve (FED) had to cut interest rates three times while the US economy grew below expectations. China, the second largest global economy, grew by 6.1%. China's growth slowed for the first time since 1990. The European economy achieved a sluggish growth with the impact of the decrease in demand and the decline in production indices.

According to the forecasts of this year, the prevailing opinion is that the global economy will achieve a mild recovery with respect to 2019. The topics to watch for in 2020 include the positive atmosphere resulting from the first stage trade deal between the US and China, the elimination of the uncertainty caused by the process of the United Kingdom leaving the European Union, the consequences of central banks' expansionary monetary policies, geopolitical risks in various geographies, the Corona virus outbreak and the upcoming US presidential elections.

In Turkey, the past year was marked by relatively balanced economic indicators. Shrinking with the impact of the contraction in the real sector in the first half of the year, our economy is expected to exhibit a limited growth in 2019 due to its performance in the third and fourth quarters based on the recovery in consumer confidence. It is our hope that 2020 will be more positive with the impacts of the revival in demand, the decrease in inflation, and the stability to be achieved in interest and exchange rates.

Our country holds a significant potential and in order to make use of this potential, it is necessary to achieve a level of development that spreads to the whole society by correctly managing the economic and political risks before us. At Arçelik, we have been contributing to our economy for the past 65 years and we aim to fulfill our responsibility and reinforce our achievements by managing the risks in the best manner with our experience and know-how.

Dear shareholders,

With its strong financial structure, Arçelik, one of the leading companies of our Group, has continued its stable growth during a year in which difficulties occurred in the economy on both domestic and global levels. The annual turnover of our company increased by 19% in 2019 to reach TRY 32 billion. Confirmation of our strong balance structure by international credit rating agencies has reaffirmed the confidence in Arçelik.

Our company successfully achieved its strategic targets in 2019, expanded its global field of activity and implemented important operations in new regions and different areas of business. While consolidating our long-standing leadership in our country, we focused on reinforcing our position in the markets we operate and growing with investments in various regions. In this respect, we acquired the majority shares of Singer Bangladesh, which is among the long-established white goods companies of Bangladesh, one of the fastest growing economies in the world. I believe that we have taken an important step with this acquisition to reinforce our presence on the Silk Road, which has an extraordinary economic significance. I believe that we will increase our regional sales with this acquisition in Bangladesh, one of the most populated countries in the world with a population of more than 160 million.

We continued to invest with the Tata Group, our business partner in India. As you will remember, we had introduced Voltas Beko brand products to the Indian market in 2018 and broke ground for our refrigerator plant in the state of Gujarat. Our factory has started production and we will expand our

activities in India, where the demand for white goods is increasing each year. I firmly believe that we will soon reap the benefits of the investment we made in a high-potential market such as India.

Arçelik is continuously increasing its capability and prestige in the field of technological production. Our washing machine factory in Romania made us proud by receiving an important mark from the World Economic Forum (WEF). Joining the Global Lighthouse Network, which showcases the best global examples in manufacturing technologies, was a great achievement for our factory, proving our company's high level of competence in digitalization.

As the pride of both our group and our country, and fully consisting of domestic capital, our company sets an example for the industry by achieving top ranks in the most prestigious global sustainability indices with its vision of respecting the environment and the nature, in addition to the economic value it generates. The fact that we achieved the industry leader position in the prestigious Dow Jones Sustainability Index is very important to us. As I have repeatedly said, the most important factors in Arçelik's past success are also key to its future. These factors include an experienced and competent workforce, superior quality products, respected brands, strong financial structure, wide sales and service networks, and the technology and skill to do business with different cultures.

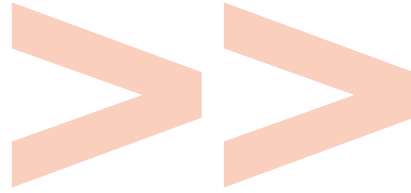
The essential principles of Arçelik include profitable and sustainable growth, creating jobs, bringing foreign currencies to our country through export revenues, creating value for our shareholders, pioneering in R&D studies and being sensitive to natural, environmental and social problems. In the upcoming periods, I am absolutely confident that our company will show growth in its current markets and further strengthen its position by entering new markets.

I would like to express my gratitude in particular to the late Vehbi Koç, our founder, and to our esteemed employees, partners, worker and employer unions, dealers and services, our customers and to you, our esteemed shareholders, who all contributed to our achievements.

I would like to convey my best wishes and respect to all of you.

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

MESSAGE FROM THE GENERAL MANAGER



Dear Shareholders, Partners and Employees,

The past year was marked by increasing geopolitical uncertainties and the global economy delivered a weak performance whereas the economic indicators in our country were balanced.

The trade wars between global powers, the uncertainty of the Brexit process, and economic and geopolitical problems in various regions in the world constituted a risk of recession in the global economy. The central banks in developed countries endeavored to mitigate this risk by both cutting interest rates and starting to regrow their balance sheets. However, the global economy underperformed expectations despite macro measures.

According to the International Monetary Fund (IMF) forecasts, the global economy achieved a growth of 2.9%, the slowest growth performance since the 2008 global financial crisis. The main reasons for such low performance are stated to be the increase in protectionist policies in global trade, commercial and geopolitical uncertainties along with the macroeconomic fragility experienced in the economies of developing countries and the low rate of increase in efficiency in the economies of developed countries.

The global economy is expected to grow by 3.3% in 2020 with the elimination of economic uncertainties based on the first phase of the trade deal signed between the US and China, the completion of the Brexit process, and the impact of the monetary policies implemented by central banks. Growth is estimated to be around 1.6% in developed economies and reach 4.4% in developing countries.

The global white goods market continues to grow

It is estimated that in 2019, the global white goods market grew by 1.5% totaling 535 million units, and by 3% in terms of turnover, which reached USD 209 billion. The TV market was forecasted to grow by 1% to reach a sales volume of 231 million units and a turnover of USD 108 billion. The global white goods market is expected to grow by 2% in 2020.

In Europe, one of our main markets, the white goods market has grown by approximately 2% in terms of units with respect to the previous year. The Western European market grew by approximately 2.8% with the impact of the increase in the British, German, French and Italian markets, while the Eastern European market achieved a growth of approximately 2.8% by showing a strong performance similar to that of Western Europe.

It was another difficult year for the Turkish market. Despite the positive effects of the special consumption tax (SCT) reduction in the first half of the year, the domestic market, which consists of six major product categories, contracted by 6%. We estimate that as the economic indicators turn to positive in 2020, our industry will be positively impacted by such growth. As Arçelik, we aim to continue leading the market by making a difference with our ever-growing number of next-generation stores, innovative products and dynamic services.

We continued our successful performance in global markets

Arçelik has recorded a successful performance in our target markets in the face of the recent developments in the global economy and our industry. We reinforced our leading position in the UK, Romanian, South African, Pakistani and Turkish markets while continuing to strengthen our presence in various other markets with our global brand Beko.

We grew by nearly 4% in Europe, the Middle East and North Africa (EMENA) region, where our company shows the strongest performance in international markets. We increased our sales volume in Europe despite the price sensitivities of consumers and the fiercely competitive markets. In spite of challenging market conditions in the Middle East and North Africa, we managed to achieve a strong growth and increased our profitability in these regions.

Our turnover decreased in Euro terms in 2019 in the Asia-Pacific region, where challenging market conditions were felt strongly. We aim to achieve a much better performance by broadening our sales channels and diversifying our products in 2020 in the region, which holds a high economic potential.

In the Sub-Saharan Africa, we strengthened our position by making new investments with Defy last year. We aim to increase our market share in top loading washing machines with the top loading washing machine production line we launched in the city of Durban in the Republic of South Africa. We aim to transfer our know-how in retail and multichannel management to our partners in the country and the region with the customer experience center we opened in Midrand. We will continue to increase our investments in the region as the only European white goods manufacturer continuing a successful performance with annual sales of 2 million white goods in a total of 34 African countries.

Our turnover continues to increase

Arçelik managed to close 2019 with a high growth in turnover despite the challenging conditions that prevailed in global and domestic economies. Our consolidated turnover reached TRY 32 billion showing an increase of 19%. International markets accounted for 68% of our sales income and our net profit reached TRY 953 million. Our EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) margin rose to 10.5%. The contributions of the Turkish market and the Singer Bangladesh acquisition were the major factors in the increase in our turnover.

The resilience of our balance sheet was once again validated by credit rating agencies S&P and Fitch Ratings and our international long-term credit rating was confirmed as "BB+". While we aim to increase our consolidated turnover by 10-15% on a Turkish Lira basis in 2020, we estimate our EBITDA margin to be around 10.5%.

We are growing with new investments

Developing products that facilitate the daily lives of millions of people in nearly 150 countries in total, our company continues its global growth with firm steps. We reinforced our strategic position by making two significant investments in the Asia-Pacific region, which will be the driving force of growth in the next 10 years in our industry. We acquired the majority shares of Singer Bangladesh Limited, a white goods brand with the largest retail network in Bangladesh, one of the fastest growing economies of the world with a significant potential due to its rapidly increasing middle-class and young population. We believe we will manage to create strong synergies in production, purchasing, retail and product technologies with this investment that conforms to our aim to create a “Beko Road” on the Silk Road.

We have taken another step to reinforce our position in the market with Voltbek, the joint venture company we established with Voltas, which is owned by the Tata Group, one of India’s leading companies. We have opened the refrigerator plant which we broke ground in 2018 in the state of Gujarat and plan to expand our operations with the production of washing machines. Our investment will initially meet the needs of the Indian market and will become a significant base of production for the Asia- Pacific region in the long term. We aim to become one of the leading brands in the white goods market of India, which grew by an average of 9 percent in the last decade.

We create value with our strength in R&D and innovation

Thanks to our R&D, pioneering practices and innovative solutions at Arçelik, we continue to develop sustainable products with high added value for our customers.

With the ideas developed in our fifteen R&D and design centers together with our five R&D offices, we climbed to top ranks in global indices that confirmed our pioneering position in this field. We have climbed four more steps to rank 67th on the list of "Companies That Filed the Most International Patent Applications" issued by the World Intellectual Property Organization (WIPO).

Our vision of digitalization in manufacturing technologies was certified by the World Economic Forum (WEF), one of the world’s most respected organizations. Our washing machine plant located in Ulmi, Romania, which started operating in 2018 as the white goods manufacturing facility with the highest level of automation in Europe, managed to join the Global Lighthouse Network of WEF that includes the best examples of manufacturing technologies. At Arçelik, our aim is to expand the smart processes and algorithms we developed in our factory to our whole production network and to further improve our competence in digitalization.

A first in our sustainability journey

We continue our sustainability journey with significant breakthroughs in accordance with our vision “Respecting the World, Respected Worldwide”. We achieved a first by being selected as the Industry Leader in the Dow Jones Sustainability Index (DJSI), which is the gold standard in corporate sustainability evaluating the sustainability performance of the largest global companies. Managing to make it to the DJSI Developing Markets Category for three years in a row, our company is the only Turkish manufacturing company listed on the index.

Adopting sustainability as a business model, our company was awarded the Zero Waste Special Industry Award by the Ministry of Environment and Urbanization due to its works on zero waste, its success in Waste Electrical and Electronic Equipment (WEEE) management and WEEE recycling facilities. We are proud to be supporting the Zero Waste Project by recycling our products and utilizing them as resources as a responsible manufacturer.

Rated by the MSCI Sustainability Index with AAA - the highest rating - since 2015, our company also managed to make the list for the fourth time 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 environmental, social and governance issues. We have made the list for the sixth time in the BIST Sustainability Index, which includes publicly traded companies with a high corporate sustainability performance.

Showcasing sustainable products at IFA

Our success in the sector is based on our vision of sustainability and the eco-friendly and energy- efficient products we developed with a commitment to this vision. We showcased these products at the IFA, one of the largest trade shows in the industry, receiving positive feedback from industry representatives and participants.

Our featured innovations included the washing machine with a synthetic microfiber filtration system that filters microfibers which enter into the oceans and seas, at a rate above 90%; a washing machine and washer drier tub manufactured with recycled PET bottles; an oven made of high-performance plastic materials obtained from recycling polyamide based waste containing fishing nets and fabrics; a bio refrigerator produced using bioplastics and composites, and a solar refrigerator that operates with solar power and eliminates the need for a battery and inverter.

The products that set us apart in the market include the Grundig Fire TV Edition series we launched in cooperation with Amazon by combining the OLED TV technology with Amazon's personalized Fire TV smart experience and our HarvestFresh technology, which ensures that fruits and vegetables can be stored to maintain their farm-fresh texture and vitamin content for longer.

We continue to contribute to social initiatives

We continue to contribute to social initiatives thanks to the new collaborations we made with our global brand Beko. Following our partnership with the Fenerbahçe Men’s Basketball Team in the Eat Like a Pro Project, the global social initiative we started in 2017 with FC Barcelona, we became the official supplier in the European Championship of League of Legends, the world’s number one e-sports game. Through this cooperation, we aim to expand our healthy nutrition initiative among e-sports players and viewers.

Dear shareholders,

We aim to achieve higher performance and strengthen our position in the global white goods market in 2020 following 2019, which we closed with success despite challenging and competitive market conditions in different geographies.

Our priorities include maintaining our profitability at maximum levels by keeping our operating expenses at an optimum level and steadily increasing our revenues. In 2020, we will be introducing new product platforms in order to comply fully with the new energy label regulation that will come into effect in the European Union in 2021. We aim to increase our market share particularly in the built-in and small home appliance segments while focusing on growth in primary product groups without compromising on quality. As for our global growth strategy, we will continue to use the opportunities for organic and inorganic growth in new markets.

I would like to take this opportunity to express my gratitude and respect to our shareholders who have always supported us in reaching these high 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 with their dedicated work, and to our customers who show us their appreciation.

Hakan H. Bulgurlu
General Manager
Arçelik A.Ş.

INDEPENDENT AUDITOR'S REPORT CONCERNING THE ANNUAL REPORT



**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 period 1 January - 31 December 2019.

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 7 February 2020 on the full set consolidated financial statements for the period 1 January - 31 December 2019.

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 Trade and other relevant institutions.

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

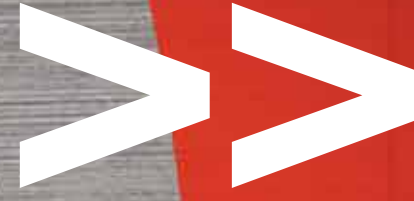
Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in 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

İstanbul, 27 February 2020



SUSTAINABLE Sustainable Growth

Arçelik has achieved a net profit of TRY 953 million in 2019 thanks to its sustainability-focused corporate culture together with a strong financial structure driven by technology, quality and social purpose.

NUMBERS

ARÇELİK

Operating Profit (*)

₺ 2,296
million

Net Profit

₺ 953
million

Net Sales

₺ 31,942
million

FINANCIAL STATEMENT SUMMARY 2019

The consolidated net sales revenue in **2019** has reached TRY **31,942** million, corresponding to an increase of **18.7%** as compared to 2018.

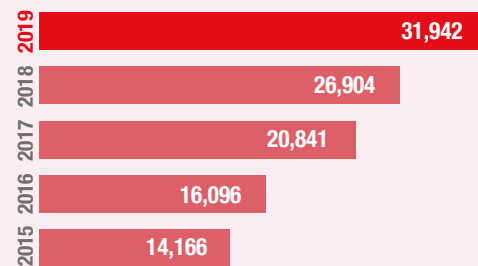
The consolidated operating profit for the year **2019** was TRY **2,296** million, and the net profit was TRY **953** million.

68% of consolidated sales in **2019** were generated by international sales.

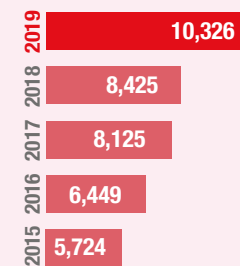
The consolidated capacity utilization ratio for **2019** was **72.4%**.

Net Sales | 2019

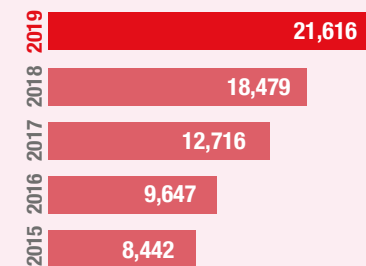
31,942
million ₺



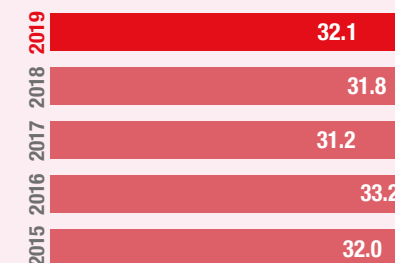
Net Sales - Turkey 2019



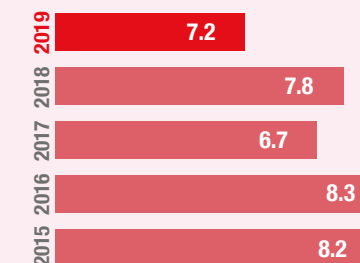
Net Sales - International 2019



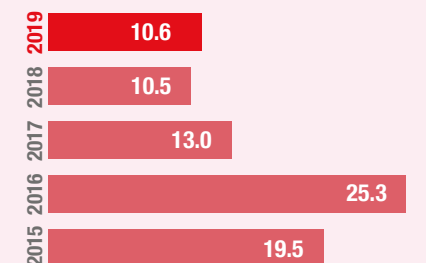
Gross Profit Margin (%)



Operating Profit Margin* (%)



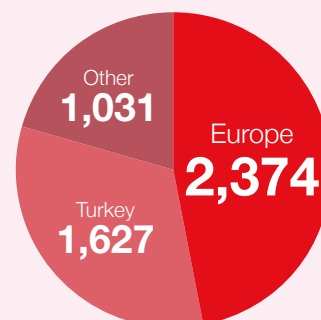
Return on Equity



Net Sales by Product Group EUR million 2019



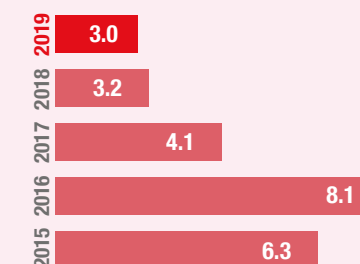
Regional Distribution of Net Sales EUR million 2019



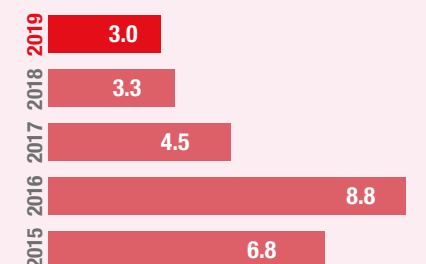
Earnings before interest, tax, depreciation and amortization* (%)



Net Profit Margin



Return on Assets



* Operating profit margin and EBITDA margin were calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment in order to maintain consistency with the presentation of prior periods.

FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW

EUR Million	2019	2018	2017	2016	2015
INCOME STATEMENT					
Net sales	5,032	4,757	5,063	4,819	4,692
Gross profit	1,616	1,511	1,581	1,599	1,502
Operating profit	362	373	341	398	383
Profit before tax	176	168	199	360	260
Net profit	150	151	205	390	296
Depreciation and redemption	166	122	133	131	122

BALANCE SHEET

Year-end cash and cash equivalent	1,043	886	572	658	682
Inventory	847	844	837	744	673
Current assets	3,486	3,184	2,990	2,961	2,960
Tangible assets	908	752	723	741	647
Total assets	5,222	4,706	4,526	4,558	4,324
Total short-term liabilities	2,213	2,073	1,861	1,781	1,648
Total liabilities	3,746	3,343	2,994	2,939	2,852
Minority interest	24	6	8	7	6
Equities	1,476	1,363	1,531	1,619	1,471

CASH FLOW

Net cash flow from operating activities	500	297	143	619	571
Net cash flow from investment activities	-301	-315	-260	-299	-198
Net cash flow before financial activities	199	-18	-117	320	372
Dividends paid	0	77	103	78	116
Capital expenditures	220	320	242	251	217

SHARE-BASED DATA

Dividends (Euro)	0.117	0	0.156	0.188	0.128
Year-end share price (Euro)	3.13	2.62	4.73	5.74	4.40
Price-earningearnings ratio	15.22	12.52	17.26	11.02	10.59
Dividends/net profit (%)	54.05	0	51.6	32.7	29.4
Year-end market value	2,117	1,770	3,198	3,861	2,971

PERSONNEL INFORMATION

Number of employees	31,534	29,530	28,103	29,551	26,337
Blue-collar	23,530	22,658	21,447	24,048	21,760
White-collar	8,004	6,872	6,656	5,503	4,577

SHAREHOLDERS

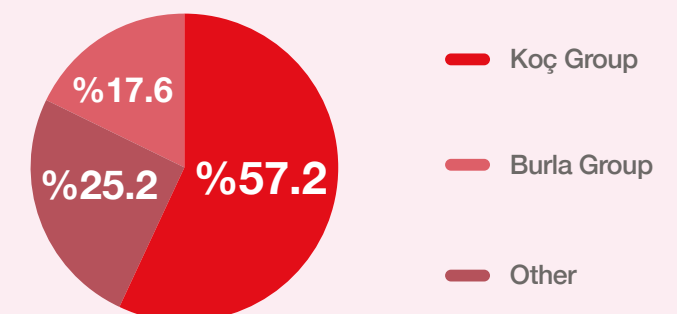
Based on our financial statements for the fiscal year between January 1, 2018 and December 31, 2018, the Shareholders' Ordinary General Meeting held on March 19, 2019 resulted in the decision to withhold the distribution of dividends in 2019; to allocate as a reserve fund the current year profit of TRY 1,146,044,956.92, which was calculated in accordance with the Tax Procedure law records; and to transfer to retained earnings the net profit of TRY 855,841,911.90 shown in the financial statements prepared in accordance with the principles of TAS/IFRS all in an effort to increase our company's free cash flow, optimize our financial expenses, and strengthen our balance sheets in the existing high-interest rate environment.

As of 2019, the company's issued and fully paid-up capital was TRY 675,728,205, which is divided into 67,572,820,500 registered shares, each with a nominal value of 1 Kurus. 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 Kurus is entitled to one vote in General Assembly meetings.

Shareholders	Share amount (TRY)	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 2019.



DIVIDENDS PAID

The amount of dividends paid on the revenues from 2014 to 2018, and the distributable profit as of the related years and their ratio to the capital are shown below:

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)
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
2018	675,728	0	0	0	1.261

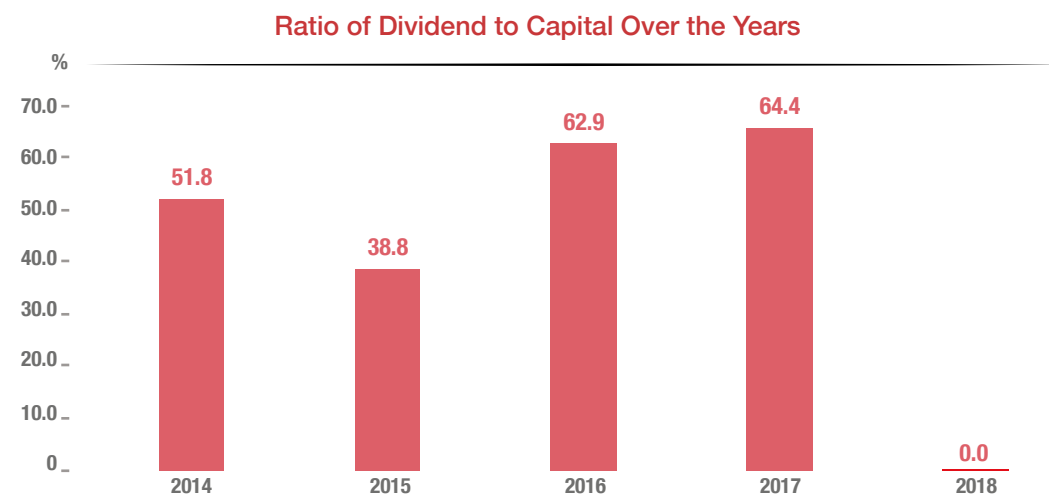
Ratio of Dividend to Capital Over the Years

Our Dividend Distribution Policy for 2013 and the subsequent years reads: "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 the 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 a maximum of one month after the General Assembly meeting, during which a decision will be made regarding the date of distribution of dividends. The General Assembly or Board of Directors, if so authorized, may decide on the 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 advances provided that this is authorized by the General Assembly and complies with the Capital Market Regulations'.



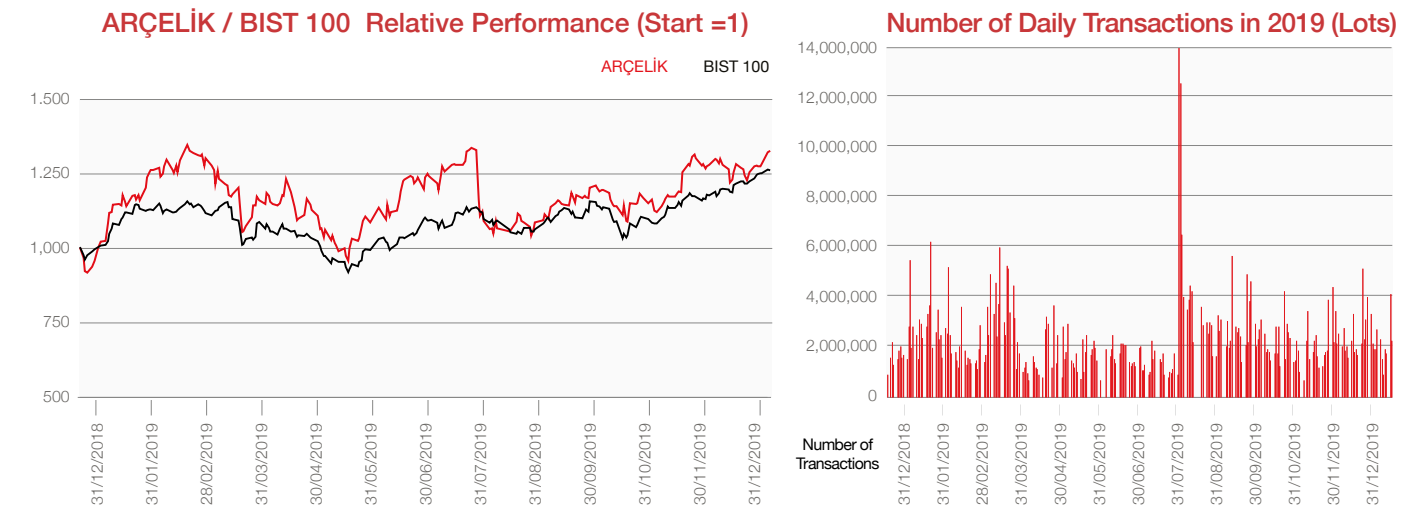
SHARE PERFORMANCE

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

Share Data	2019	2018	2017	2016	2015
Lowest price (TRY) (*)	14.49	11.83	18.61	12.60	12.18
Highest price (TRY) (*)	21.18	21.04	26.27	20.89	15.35
End-of-year price (TRY) (*)	20.84	15.79	20.77	19.89	12.84
End-of-year price (TRY)	20.84	15.79	21.52	21.20	13.97
Issued capital (TRY Thousand)	675,728	675,728	675,728	675,728	675,728
Market Value (TRY Thousand)	14,082.176	10,669.748	14,541.671	14,325.438	9,439.923
Market Value (USD Thousand)	2,370.657	2,020.403	3,816.311	4,056.129	3,246.637

(*) Corrected with respect to capital.

The following chart shows the performance of shares from January 1, 2019 to December 31, 2019. Accordingly, the share price of the Company and the BIST 100 index increased by 32% and 25.4%, respectively.



The daily average transaction volume of company shares in 2019 was 2,348 lots. As of the end of 2019, approximately 74% of the shares of the Company that are traded in Borsa Istanbul are retained by foreign investors.

The following is a list of Borsa Istanbul indexes that feature the Company as of the end of 2019. For the purpose of index calculations, the retention rate is 25% and the weight of shares in BIST 100 is 1.3258%.

Arçelik A.Ş. is listed in BIST Star, BIST 30, BIST 50, BIST 100, BIST All, BIST Corporate Governance, BIST Sustainability, BIST Dividends, BIST Dividends 25, 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 our disclosure of material events on

July 30, 2009, increased from 8.21 out of 10 (82.09%) on July 30, 2009, to 8.55 out of 10 (85.53%) on July 30, 2010, to 8.59 out of 10 (85.91 %) on August 1, 2011, to 9.11 out of 10 (91.07%) on July 30, 2012, to 9.28 out of 10 (92.80%) on July 29, 2013, to 9.41 out of 10 (94.11 %) on July 23, 2014, to 9.48 out of 10 (94.80%) on July 22, 2015, to 9.52 out of 10 (95.23%) on July 22, 2016, to 9.52 out of 10 (95.23%) on July 21, 2017, to 9.53 out of 10 (95.35%) on July 20, 2018 and to 9.58 out of 10 (95.80%) on July 19, 2019.

Our Company has been included in IMKB Corporate Governance Index since July 31, 2009.

"BIST Sustainability Index" features companies which are traded at Borsa Istanbul and demonstrate top performance in terms of corporate sustainability. The index has been calculated since November 4, 2014 and now includes our Company.

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 eicient 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 M. M. Gülay Barbarosoğlu, 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 ofering 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 efective internal control systems. In this context, the Risk Management Committee held 6 meetings in 2019. Enterprise Risk Management Directorate under the Assistant General Manager of Finance and Accounting uses the risk management systems to manage, coordinate and supervise the inancial, 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 efectiveness 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 considering risk score, inancial impact metrics etc. Hence, the risks to be focused on are determined and risk management is applied on every level of functions and operations to integrate the structure with Senior Management’s decision making mechanism. Risk awareness of all employees is increased within the scope of risk management activities 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 integrated with all business processes in production facilities, headquarter units and foreign subsidiaries of the Company by having an impact on performance evaluation process of the risk responsables.

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 the actions assigned to their organizations for the mitigation of risks’ impact and probability 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 deined and prioritized in 5 main categories: inancial, 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 2019 are summarized below:

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. Moreover, loss of reputation/brand damage, business interruption, failure to innovate, cyber attack and information security risks stand out as globally emerging risks.

Energy effectiveness, nanotechnology and emission plan programs are developed in order to manage climate change risks. In addition, we actively participate in international organizations and events related to climate change. In order to prevent loss of reputation, income, market share or brand value due to cyber-attacks and information security risks; 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.

The Company conducts projects to manage its global geography and HQ's processes in an integrated way and take actions mitigating the impact and probability of the risks covering all the geographies in order to monitor loss of reputation, business interruption and failure to innovate effectively.

Cyber Risk Management

The studies on project conducted to determine the risk control strategies and cyber risk proile of the Company to transfer/mitigate the cyber risk are completed with collaboration of all relevant departments including Information Technology Directorate. Hence, in order to mitigate the impact and probability of the risk, various tools are implemented -particularly cyber risk insurance policy-.

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 ailiate locations can maintain their products and services at an acceptable level following an interruption. Project is aimed at swift and efective management of unexpected business interruptions and crises under emergency

response, crisis management and business recovery management plans; and ensuring business continuity by eliminating impacts of real events on Company production facilities, operations, inances, reputation and stakeholders. In this context, we aim at using resources efectively and timely in addition to efective 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 including claim advocacy, measuring, evaluating, monitoring, mitigating by controlling, reporting and management. 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 ofer 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 efective 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.

Modelling studies are being conducted including risk transfer related to Group's Emergency response, crisis management and business recovery management requirements and related processes are being coordinated with all business units.

The main goal is to monitor and report operational risks eiciently within the scope of digital transformation project. Moreover, to minimize the operational risks of the Group, studies are being conducted and trainings are being coordinated with all business units depending on needs.

Risks on Receivables

International Receivables Risk Management

The consolidated receivables risks arising from Arçelik A.Ş.'s direct exports and Subsidiaries' local and/or export sales are managed by International Receivables Risk Management Department. Needs and risks in line with the growth in the wide geography are determined and within this scope; Agreements are signed for ensuring security of receivables risks and these risks are transferred to the Global Credit Insurance Companies. In addition to Global and Local Credit Insurance Agreements, other security instruments such as letter of credit, letter of guarantee etc. are utilized and Counterparty Bank risks are also transferred under Global Risk Management Policies.

Monthly consolidated receivables risks are reported to the committees consisting of Company Senior Management, risks monitored within the framework of the Global Risk Management Policies are evaluated and approved by the related committees. In order to support the comprehensive analysis of receivables risks, risk scores are calculated on a customer basis and the whole process can be monitored by ERP systems.

Domestic Receivables Risks

In order to mitigate domestic receivables risk, the adequacy of the guarantees provided by dealers/ customers is monitored. Receivable risks are reported monthly and evaluated quarterly with the participation of Senior Management.

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 inancial 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 low. Short-term liquidity management is performed by ensuring coherence between the duration of receivables and payables and by efective 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 inancial 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 signiicant risk in terms of inancial results due to the interest sensitive assets and liabilities on the Company balance sheet. This risk is managed by establishing a balance between the amounts and terms of ixed and variable interest rate items or by using inancial interest rate derivative tools when necessary.

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

Foreign Exchange Risk

Arçelik A.Ş. is subject to a signiicant foreign exchange risk due to its production and sales activities through various currencies across many countries. As of December 2019, 32 diferent currencies are being used in operational business. 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 luctuations 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 2019, following the annual review meetings and some stress tests applied, both institutions conirmed the credit rating of our Company as BB+ due to its well diversiied geographical and operational risks and its strong cash structure. Company's credit note (S&P BB+; Fitch BB+) is above Turkey's sovereign note according to S&P and Fitch; 3 and 2 notches, respectively.



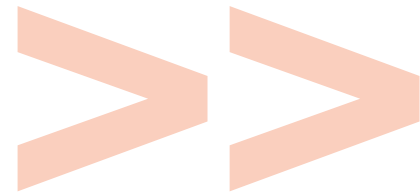
OUR TARGET MARKET:

Our Target Market: The Globe

Focusing its know-how and experience on manufacturing value added products, Arçelik offers extraordinary products and services that meet customer expectations. As a responsible global company, Arçelik develops plans and strategies with its objective of achieving sustainable growth in the global arena.



BRANDS



arçelik

As the leading brand of home technologies, Arçelik offers innovative products and services for customers by combining latest technology with the best designs. Offering the widest service and sales network in Turkey, Arçelik has been selected as a Lovemark for the last 12 years in addition to being the most preferred brand by consumers.

beko

Facilitating the lives of consumers with its innovative solutions since 1955, Beko is the leader of the freestanding white goods market in Europe and the overall white goods market in Eastern Europe, UK and Poland. Beko is one of the dominant players in the market with its white goods, freestanding products, built-in products, small domestic appliances, air conditioners and home electronics.

ALTUS

Altus is a brand that offers durable and cost-effective products to meet the needs of its customers.

Blomberg

seit 1883

A 136-year-old long-established German brand that offers a range of freestanding and built-in appliances. Offering its products to consumers with the motto "In Harmony with You", Blomberg has distinguished itself by combining technology, ease of use and eco-friendly features with an aesthetic understanding of design.



A traditional brand in the British freestanding cookers market, Leisure offers gas and/or electric range cookers and built-in appliances.

elektabregenz

Elektabregenz is a long-established Austrian brand with a history that dates back 127 years.

arctic

Arctic, one of Romania's oldest and most well-known brands, has succeeded in becoming the top choice of consumers for generations. Arctic has a proven track record of success and is the leader in the white goods market.



As one of the best-known white goods brands of the UK and Ireland, Flavel offers an affordable range of products to meet the freestanding and built-in white goods needs of consumers.

GRUNDIG

Grundig delivers an excellent product and service experience to consumers through a wide array of products since 1945. Ranging from white goods to consumer electronics and from small domestic appliances to personal care products and sound systems, its wide product range focuses on delivering high-quality, innovative, modern and timeless products.

DEFY

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

Dawlace

As the leading brand of the household appliances market in Pakistan, Dawlace focuses on providing "reliable" solutions to consumers since its inception.

VOLTAS · beko

Voltas Beko offers a broad range of household appliances in the Indian market, ranging from refrigerators to washing machines and from microwave ovens to dishwashers.

GLOBAL OPERATIONAL NETWORK

Production Plants



1. Refrigerator Plant – Eskişehir, Turkey
2. Compressor Plant – Eskişehir, Turkey
3. Cooking Appliances Plant – Bolu, Turkey
4. Dishwasher Plant – Ankara, Turkey
5. Washing Machine Plant – İstanbul, Turkey
6. Electronics Plant – Tekirdağ, Turkey
7. Tumble Dryer Plant – Tekirdağ, Turkey
8. Electric Motors Plant – Tekirdağ, 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*
22. Refrigerator Plant – Dhaka, Bangladesh
23. TV, A/C, Furniture – Dhaka, Bangladesh

Associates and Joint Ventures



1. Arçelik-LG Klima Sanayi ve Ticaret A.Ş. – Turkey
2. Voltbek Home Appliances Private Limited – India

R&D Offices



1. Beko PLC R&D Office – Cambridge, Britain
2. Arch R&D Office – Wuxi, China
3. Electronic and Optical Applications R&D Office – Taipei, Taiwan
4. Arctic R&D Office – Gaesti, Romania
5. Beko Thai R&D Office – Rayong, Thailand

Subsidiaries and Branches

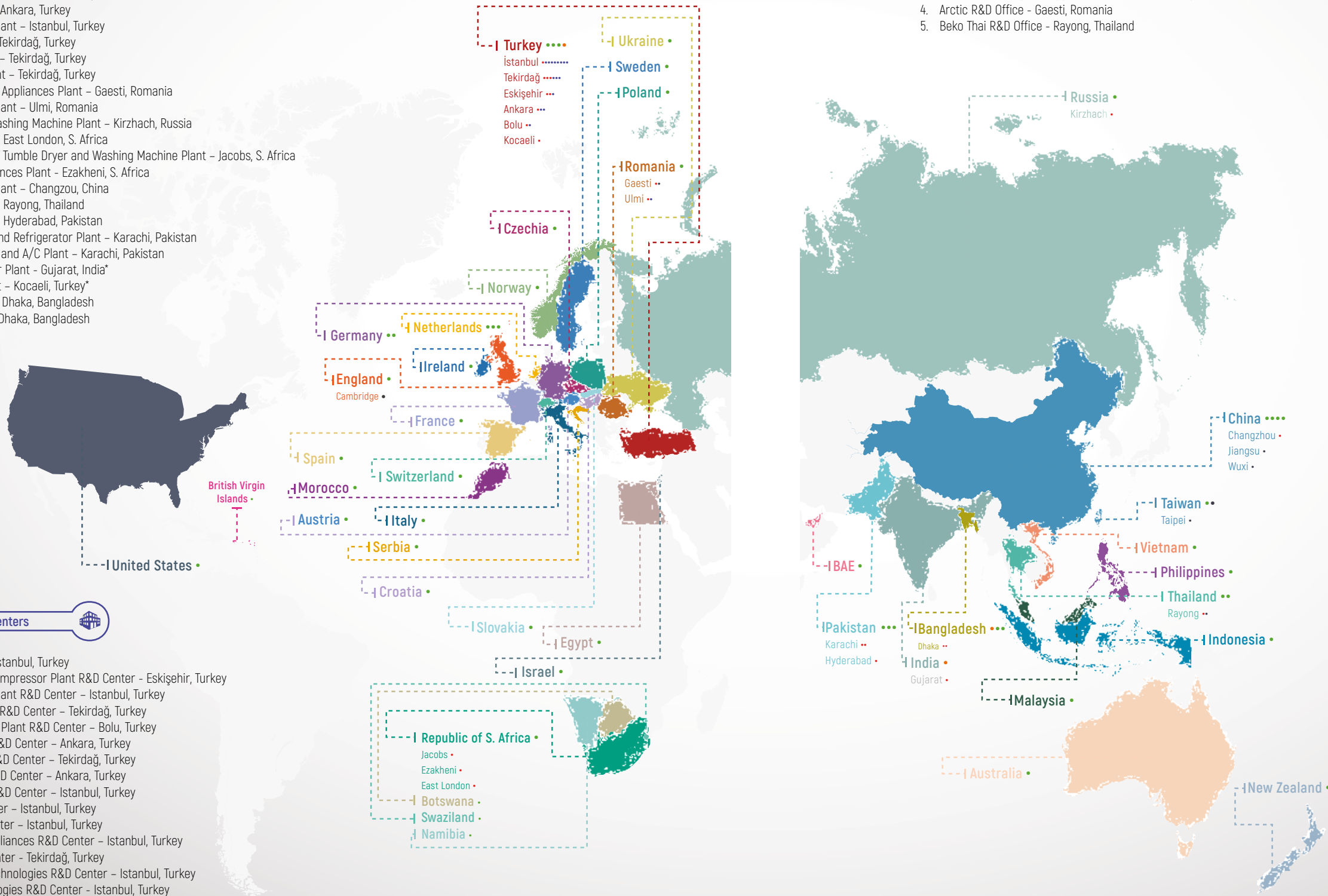


1. Arçelik Pazarlama A.Ş. – Turkey
2. Wat Motor San. ve Tic. A.Ş. – Turkey
3. Token Finansal Teknolojiler A.Ş. – Turkey
4. Ardutch B.V. – Netherlands
5. Ardutch B.V. – Taiwan
6. Arch R&D Co. Ltd. – China
7. Beko A & NZ Pty Ltd. – Australia, New Zealand
8. Beko APAC IBC Co. – Thailand
9. Beko Appliances Malaysia Sdn. Bhd. – Malaysia
10. Beko Appliances Indonesia, PT – Indonesia
11. Beko Balkans D.O.O. – Serbia
12. Beko Deutschland GmbH – Germany
13. Beko Egypt Trading LLC – Egypt
14. Beko Electronics España S.L. – Spain
15. Beko France S.A.S. – France
16. Beko Gulf FZE – United Arab Emirates
17. Beko Hong Kong Ltd. – Hong Kong, China
18. Beko Italy SRL – Italy
19. Beko LLC – Russia
20. Beko Plc. – UK, Republic of Ireland
21. Beko Slovakia S.R.O. – Slovakia
22. Beko S.A. – Poland, Czechia
23. Beko Shanghai Trading Company Ltd. – China
24. Beko Thai Co. – Thailand
25. Beko Ukraine LLC – Ukraine
26. Beko US INC. – USA
27. Changzhou Beko Electrical Appliances Co. Ltd. – China
28. Dawlance (Private) Ltd. – Pakistan
29. Defy Appliances (Proprietary) Ltd. – Republic of S. Africa
30. Defy (Botswana) (Proprietary) Ltd. – Botswana
31. Defy (Namibia) (Proprietary) Ltd. – Namibia
32. Defy (Swaziland) (Proprietary) Ltd. – Swaziland
33. DEL Electronics (Pvt.) Ltd. – Pakistan
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
44. Beko Israel Household Appliances – Israel
45. Beko Morocco Household Appliances Sarl – Morocco
46. Retail Holding Bhold BV – Netherlands
47. Singer Bangladesh Ltd. – Bangladesh
48. International Appliances Ltd. – Bangladesh
49. Beko Philipinas Inc. – Philippines

R&D and Design Centers



1. R&D Directorate – İstanbul, Turkey
2. Refrigerator and Compressor Plant R&D Center – Eskişehir, Turkey
3. Washing Machine Plant R&D Center – İstanbul, Turkey
4. Tumble Dryer Plant R&D Center – Tekirdağ, Turkey
5. Cooking Appliances Plant R&D Center – Bolu, Turkey
6. Dishwasher Plant R&D Center – Ankara, Turkey
7. Electronics Plant R&D Center – Tekirdağ, Turkey
8. METU Teknokent R&D Center – Ankara, Turkey
9. ITU Arı Teknokent R&D Center – İstanbul, Turkey
10. Arçelik Design Center – İstanbul, Turkey
11. Beylikdüzü R&D Center – İstanbul, Turkey
12. Small Domestic Appliances R&D Center – İstanbul, Turkey
13. WAT Motor R&D Center – Tekirdağ, Turkey
14. TOKEN Financial Technologies R&D Center – İstanbul, Turkey
15. Production Technologies R&D Center – İstanbul, Turkey



*A plant of an associate or joint venture.

INTERNATIONAL MARKETS

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

Growth of 37.9% on turnover basis in terms of Turkish Liras in the global small domestic appliance market

Annual sale of 2 million white goods in 34 African countries with Defy brand

Global brand **Beko**; **leader** in the freestanding white goods market in Europe, **leader** in the white goods market in Eastern Europe, UK and Poland, **number 1** in the freestanding white goods market in France

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



White Goods

The global white goods market continued to grow in 2019. Reaching 535 million units with a growth of 1.5% on a unit basis, the market achieved a growth of 3% on the basis of turnover. Total turnover reached USD 209 billion. In Europe*, the white goods market has grown by approximately 2.0% in terms of units when compared to the previous year. The white goods market in Western Europe grew by approximately 2.8% with the impact of the increase in the markets of Britain, Germany, France, Italy and Spain. A growth of 4.5% was recorded in Britain despite the impacts of the Brexit process and nearly 2% growth was achieved in Germany, which is the largest market in the region.

Similar to that of Western Europe, the Eastern European market also delivered a positive performance in 2019 and grew by 2.8%. The white goods market in Russia, the largest in the region, shrank slightly whereas the Polish market, the second largest market in the region, grew by 4.7%. Growth was approximately 6% in Romania and approached 10% in Ukraine.

The South African white goods market shrank by 1% on an annual basis with the impact of the slowdown in the second half of the year.

* Turkey included.



In 2019, Arçelik achieved a growth of approximately 4% in Europe and MENA, two of the international markets in which it has the strongest presence. Arçelik continues to increase its sales especially in the highly competitive European markets despite competitive approaches and the price sensitivity of consumers.

A significant growth and increase in profitability were also recorded in MENA despite challenging market conditions.

Arçelik maintains its growth target in the Asia-Pacific region where its turnover decreased by 15% in Euros with respect to the previous year. The turnover in Pakistan grew by 4.9% in local currency with the Dawlance brand. Voltas Beko brand products are now being sold in the promising Indian market. Allowing Arçelik to gain a significant stronghold in the Sub-Saharan African markets, the Defy brand continued its successful performance with an annual sale of 2 million white goods in 34 African countries. As the global white goods producer and the largest Turkish investment in the home appliance industry operating extensively in the region, Arçelik continuously increases its resources allocated to the region.

Grundig, the one and only German-origin brand of Arçelik offering high-quality products in all categories of home electronics, achieved 20% growth in terms of Turkish Lira in 2019.

Consumer Electronics

Television

The global TV market reached 231 million units with 1% growth and a turnover of USD 108 billion in 2019. The Ultra HD technology that is more widespread in developed markets and the OLED TV technology that delivers more life-like images drew the attention of developing markets in 2019. Rapidly increasing OLED TV sales have a market share of 11% on a value basis in Europe.

Strengthening its product range and sales channels in accordance with market needs, Arçelik operates in international markets with products in a broad spectrum ranging from 24" to 75" screen sizes.

Increasing its Ultra HD sales turnover to 65% of its product range in the European market, Arçelik launched the world's first Hands-Free Fire TV Edition OLED TV under the Grundig brand. Released to the market in cooperation with Amazon, Grundig Fire TV Edition brings the latest smart TV experience to consumers. Grundig Fire TV Edition includes Alexa voice control system and offers fully voice-activated TV controls enabling the user to issue thousands of voice commands including managing smart domestic appliances, playing music, doing shopping, receiving news and weather forecasts, and managing daily calendars.

* Applicable to Arçelik Group as of 2019 in 24 countries including Turkey.

Home Audio Systems

In 2019, there was a 3% growth in consumer electronics audio systems market. Impacted from the horizontal course in Europe, the market size reached USD 15 billion. Since the early 2010s, the technological transformation has triggered the growth of the home audio systems market. While mobile phones have become an indispensable part of life, traditional audio systems have been replaced by portable speakers. Thanks to new and improved technologies, the battery life of portable devices is extended, which paves the way for both portable speakers and TWS (True Wireless) headphones to take a larger share in the consumer electronics market.

Showing its strength in Europe with the Grundig brand, Arçelik introduced its new products to consumers at the 2019 IFA Consumer Electronics Trade Show held in Berlin. Arçelik showcased its HIFI models which deliver a refined and strong sound performance along with products that offer integrated and surround sound features providing a cinematic experience at home. The HIFI model, which is being sold under code CMS5000, includes all platforms with Internet Radio, CD, USB Playback, BT and Spotify features. The product features a 3-way speaker technology from treble to bass sounds.

The Grundig DSB2000, another prominent product showcased at the IFA, is supported by the Dolby Atmos Codec technology which allows sound to be heard in a 360-degree pattern. The sound system offers a home theatre experience by generating a total of 280W power for the product.

Small Domestic Appliances

Arçelik achieved growth above the market in 2019 with its performance in the global small domestic appliances category. While the market grew by 8% in terms of Euros with respect to the previous year, Arçelik's turnover increased by 24.2% in terms of Euros and 37.9% in terms of Turkish Liras.

Arçelik adopted an aggressive growth strategy in the main markets in 2019. Focusing on the markets in Turkey, Germany, Poland, France and the UK, Arçelik positioned these countries as the driving force in their respective regions in order to better respond to regional product and service needs.



The main focus subcategories in small domestic appliances in 2019 included Turkish coffee machines, cordless and bagless vacuum cleaners, breakfast sets, new-generation hair care products and healthy food preparation products. The success of this strategy is evident in the business results and the prestigious awards the products have received.

In 2019, Arçelik has made its way into 2 biggest channels of the critical UK and Poland markets by focusing on specific product ranges. A sustainable growth is aimed with these strategic channel collaborations.

In addition to making a strong impression in many channels including the IFA thanks to special kitchen series developed with world-renowned chef Massimo Bottura, other innovative products were started to be designed with kitchen professionals in collaboration with the Culinary Arts Academy (MSA), one of Turkey's pioneering institutions in this field. Preliminary works have been initiated to develop ambitious projects on preparing recipes and dishes.

Battery technologies accelerated the development of cordless vertical vacuum cleaners, robot vacuum cleaners and cordless electric toothbrushes, and the healthy living trend, which is becoming more popular, resulted in a demand for new-generation deep fryers and power blenders. The sales numbers for fully automatic espresso machines also increased with the rising expectation for a professional experience at home. In light of these developments, all the products in question have been categorized as products that shaped the global market in 2019.

The fastest growing categories in Turkey were electric toothbrushes and Turkish coffee machines. Maintaining a sustainable and profitable growth is the aim for the domestic market in 2020 with innovative products.



Air-Conditioning

The home air conditioner market grew by 14% on a unit basis and the sales turnover grew by 15% in terms of Euros with respect to the previous year.

Aiming to achieve further growth with eco-friendly products, the Company introduced 290 new portable gas air conditioners to the European market in 2019. Beko has maintained its leadership position with this product range in the portable air conditioner category in France in 2019.

Growth was achieved in the construction market chains in Italy thanks to new semi-commercial multi split air conditioners that rolled out to the European market, and the annual turnover increased by 14.8% in terms of Euros.

The Company continued its growth in 2019 in the Turkic Republics including the Kazakhstan market.

The portable, split and semi-commercial air conditioner ranges of the Defy, Beko and Grundig brands operating in the Sub-Saharan African region were introduced to consumers featuring a new design.

In the Asia-Pacific region, the sales of Beko air conditioners doubled in existing and new markets, and air conditioners were sold for the first time in the Indonesian market.

Achieving a significant growth rate in 2018, air conditioner sales in the Pakistani market increased by 9% in terms of units in 2019.

In parallel with rising urbanization, the main product categories which contributed to the global growth were home air conditioners, air purifiers, air conditioning products, and water purification appliances.

Acquisition of Singer Bangladesh

In the scope of its leadership strategy in the countries on the Silk Road, Arçelik made another significant investment and acquired for USD 75 million the Dutch-based Retail Holdings Bhold B.V., which is the majority shareholder of Singer Bangladesh. Established in Dhaka in 1905, Singer Bangladesh offers a wide range of products from refrigerators to washing machines, from TVs to air conditioners. Ranking second in the market in major home appliances, Singer Bangladesh has the largest retail distribution network in the country with its 403 stores and more than 900 dealers.

During the integration process following the acquisition, Arçelik focused its efforts on quality, efficiency in production, after-sales service and supply chain. The turnover was in line with the expectations thanks to the recruitment of experts, improvement of production processes and precise management of expenses. Having more than 1,500 employees, the turnover of Singer Bangladesh increased from approximately USD 164 million in 2018 to nearly USD 181 million in 2019. In 2020, a fast-paced growth is aimed through strategic planning including the opening of the first Singer customer service center.



Beko

Beko is a brand that has offered solutions to facilitate the daily lives of consumers since 1955. Focusing all its operations on innovation and consumer satisfaction, Beko continues to operate as the number one freestanding white goods brand in Europe.

Working with the motto “Respecting the World, Respected Worldwide”, Beko has adopted the mission of ensuring a healthy life for future generations.

To do its part in preventing childhood obesity, Beko has provided aid through UNICEF programs to more than 500,000 children in Latin America, where over 23% of children at primary school age are obese. The Company donated nearly 1 Million Euros to relevant programs throughout 2019.

Forming collaborations with FC Barcelona, Fenerbahçe Men’s Basketball Team and E-Sports through Eat Like A Pro Initiative, Beko has acted as a responsible company to ensure that future generations can have a healthier life.

Beko also continued to introduce the Eat Like A Pro Initiative in 2019 to visitors at the IFA, which is known as the largest global consumer electronics fair.

Arctic

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

Making a difference with value-added services it offers to its customers, Arctic expands its loyal customer portfolio by working to better respond to the expectations modern society and consumer demands.

Arctic redesigned its brand identity and received the “Best Product” Best Price-Quality Ratio Award in January 2019 from ICERTIAS. Based on a survey conducted with 1,200 participants, the award was used for promotional purposes in various channels.

A campaign titled “Arctic presents life features” was launched in 2019. The aim was to explain the advantages of the products, raise awareness among young people about main product technologies and improve brand perception.

The Company organized a campaign in the “We know the Romanian families” communication platform in cooperation with MagiCAMP, Romania’s most famous non-governmental organization. Supporters were chosen to convey the message in social projects that focus on love, friendship, family and joy, which represent Arctic’s brand values. The campaign was supported in both conventional and digital channels through promotional advertising.

Elektrabregenz

Elektrabregenz, one of the most established white goods brands of Austria, was established in 1893. It was acquired by Arçelik in 2002. Elektrabregenz has more than 300 products in cooling, freezing, dishwashing, laundering, drying and cooking categories. The company won the Red Dot Design Award and the Plus X Award with its innovative and durable products, and the Green Brand Award with its environment-oriented technologies. The company also received the Super Brand of the Year Award in 2019 given by an independent board in Austria.

Blomberg

Having celebrated its 136th anniversary as a manufacturer, Blomberg combines technology, ease of use and eco-friendly features with an aesthetic design concept. Blomberg offers nature-friendly, stylish, practical and futuristic products that allow electricity and water savings.

Blomberg continues to receive appreciation from its customers for its eco-friendly products including in particular its A+++ -30% washing machines, A+++ refrigerators, A+++ -10% dishwashers, A+++ tumble dryers and A- 40% built-in ovens. Blomberg is ambitious in the high energy-saving white goods group.

Having won the Energy Star® Award of the US Environmental Protection Agency (EPA) consecutively in 2018 and 2019, Blomberg continues to be the first choice of consumers wishing to contribute to a sustainable future.



Defy

Defy, the number one domestic appliance producer of South Africa, has four production plants:

- Cooking appliances and tumble dryer plant
- Top-loading washing machine plant in Jacobs
- Refrigerating appliances plant in Ezakheni (Ladysmith)
- Refrigerator plant in East London

All the plants operating under the Defy brand as part of Arçelik since 2011 have ISO 14001 accreditation. Defy increased the production capacity of the Ezakheni (Ladysmith) Refrigerating Appliances Plant by 50% by maximizing production efficiency. The number of units produced per shift was increased to 900 as a result of the increased capacity, and plans are underway to further expand the factory and reduce the production costs in the future.

Cooking appliances has been the foundation of Defy's product range, and they turn home cooking into an entertaining ritual. The Gemini Collection of Defy has a stylish and sophisticated design, and allows cooking multiple dishes at once with its Feast Master feature.

Defy's Slimline Product Group allows cooking multiple dishes at the same time without mixing odors or aromas thanks to the proprietary Thermofan+ Technology.

Defy also offers a range of cooling products and no-frost refrigerators that feature Dual Cooling technology. Keeping food fresh for longer, these products offer a high performance in humidity and odor control as well as energy efficiency.

With a width of almost one meter, Defy refrigerators offer consumers the largest storage capacity in the market. Defy washing machines maximize efficiency and allow optimum utilization of detergents.

The Defy Aquawave Drum Technology delivers an easy and efficient washing experience with front and top loading options. Small domestic appliances including mixers, juicers and coffee machines are the new products on Defy's portfolio.

The Steam Cure Front Loading Product Group released for sale in 2019 offers a unique experience to consumers with its steam application for softening and reducing creases. A new dishwasher, tumble dryer and air conditioner group was also released to the market in the same period.

Dawlance

As the leading domestic appliances brand of Pakistan since 1980, Dawlance was acquired by Arçelik in 2016.

Creating a difference with its innovative products, Dawlance introduced an IoT-based solution named "Sync powered by HomeWhiz" in 3 product categories in 2019.

Achieving a high customer satisfaction rate by resolving complaints within 24 hours with its aftersales service network in Pakistan, Dawlance started local production in two main categories. Dawlance produces automatic and semi-automatic washing machine series as well as water dispensers.

With a strong commitment to aftersales services, Defy opened 7 Authorized Service Centers that employ qualified technicians in various regions.

Aiming to leave a better world to future generations, Defy develops projects under Arçelik's global strategy. In this context, the brand has recently received ISO 14001 certification from the British Standards Institution (BSI).

Actively supporting women's economic empowerment as part of its corporate strategy, Defy increased its female employee ratio from 27% to 30% in 2019.



Grundig

Operating under Arçelik since 2007, Grundig offers service to consumers in more than 65 countries. With a wide range of products from televisions to refrigerators and from personal care products to sound systems, Grundig products feature design, quality and sustainability with no compromise. Taking care to utilize natural resources efficiently and sustainably in all its production processes, Grundig offers innovative, high-quality, timeless and inspiring products for a better future.

Shaping its product range accordingly, the innovations in the Grundig product range can be listed as interconnected white goods, the HotAero Pro technology, which allows perfect cooking results at home while reminding to respect the food, the FlexiSmart Induction Hob that uses sensor technology to enhance cooking capabilities, the Fresh Meter® that can track the freshness of the meats in the refrigerator and the ColdFresh technology that ensures that the meats in the refrigerator can stay fresh for 10 days without freezing, the innovative Airtouch® technology that allows drying even very delicate clothes labeled as “do not tumble dry”, the InterAct® dishwasher that offers a new level of dishwashing experience through artificial intelligence for optimum use of resources, the SilenceDry hairdryer with the Quiet Mark Award allowing for hair drying without disturbing anyone even in the quietest morning hours.

Due to the great partnership with Amazon, Grundig Consumer Electronics has launched “world’s first Hands-Free Fire TV Edition OLED television” where consumer experience reaches a new level with the artificial intelligence technology ‘Amazon Alexa’.

Participating in the IFA 2019 held in Berlin with a 2,200 m2 booth, Grundig showcased more than 450 white goods and home appliances and received full appreciation from consumers with its innovative products. Grundig also launched Germany’s first Fire TV Edition television range which was chosen as the best television of the fair.

As one of Europe’s largest full-scope home appliance producers, Grundig’s mission is based on inspiring people to pursue a better future by saving resources and respecting nature, which would leave future generations a more sustainable world. Many of Grundig’s applications demonstrate its sensitivity for sustainability. In this context, the washing machine and tumble dryer tubs were covered with recycled PET bottles. Microfibers that leak into water are filtrated at a rate above 90% through a filtration system that is integrated into the washing machine. The product is expected to be launched in 2020. Energy-saving vacuum cleaners made of recycled PET bottles, ovens produced using ghost fishing nets with the aim to reduce plastic pollution in oceans, and reducing the use of petroleum-based plastics in refrigerators through bioplastic technology, were the major steps that supported sustainability.

Voltas Beko

Turkey’s largest domestic appliances producer Arçelik established Voltbek Home Appliances Private Limited (Voltbek) in equal partnership with India’s leading air conditioner brand Voltas Limited.

The Voltas Beko brand was launched by the joint venture in September 2018, and within one year received the “Partner of Everyday Happiness” and “Tested by Real Moms” titles in India.

Offering cutting-edge technologies to its customers with innovative refrigerators, washing machines, microwave ovens, stoves and dishwashers, Voltas Beko benefits from the global expertise of Arçelik in product development.

Voltas Beko has a strong brand and distribution network, and continues its rise in the Indian domestic appliances market. The company currently has more than 2,000 customer contact points. The production facility located in the Sanand city of the Gujarat state will start operation in January 2020.

OUR TARGET

MARKET; TURKEY

Leader in the white goods and air-conditioner markets, **leader in terms of units** in TV and small domestic appliances market

Recognized as a Lovemark once again in 2019, Arçelik became **the most preferred white goods brand** of Turkey for the 12th time

Leader both in terms of units and turnover in hot-drink preparation category

The most silent bagless vacuum cleaner in Europe and Turkey: **Imperium SilentPro**

Recycling of 300,000 PET bottles in 30,000 air-conditioners



White Goods

Turkey maintained its position as the biggest manufacturing hub of Europe in white goods industry in 2019. According to data provided by the White Goods Manufacturers Association, domestic sales in the white goods market in Turkey dropped by approximately 6% to 6.5 million in 2019. Although inflation and rising costs played a role in this recession, the drop remained at a low rate thanks to the impact of anti-inflation campaigns. As the largest production base of Europe, the white goods industry in Turkey continued its high performance in recent years by nearly maintaining the number of its exports despite the shrinking domestic market. Total production level remained at 28 million same as in 2018.

According to retail panel data, the TV and air conditioner markets shrank by 14% and 5% in terms of units, respectively. Arçelik maintained its leadership in the domestic market in all categories by continuing its digital transformation and next-generation retailing practices without any interruptions.



Consumer Electronics

Television

As part of its innovative and user-oriented investments in TV products, Arçelik built one of the most modern production facilities in the industry in Çerkezköy. Established with an eco-friendly and sustainable business model, the new Çerkezköy Electronics Plant has a production capacity of 3.2 million television sets.

Arçelik has collaborated with Pepee TV, Turkey's first digital TV for children. Safe, educational and informative content suitable for specific age groups were delivered through this collaboration. Arçelik's specially designed remote controller prevents children from accessing inappropriate content.

Arçelik has launched Turkey's first "4K All in One" televisions to improve user experience. An integrated solution was developed to allow users to access a wide array of TV series, movies and sports broadcasts with high image quality with a single controller through an internal satellite receiver.

Arçelik users gained access to a rich content and special opportunities with the integrated solution All in One Platform and Online Content Platform. They are provided with special aftersales services in all products in order to ensure VIP service and high level of customer satisfaction.

Impacted by the shrinking global economy, the TV market shrank by 12.5% in terms of units in 2019 and grew by 6.3% in terms of turnover. In contrast, Arçelik led the industry with a market share of 26.5% in terms of units. The company's market share in terms of turnover also increased to 22.7%.

Focusing on strengthening its position in the TV market through its products and services, Arçelik increased its UHD TV sales above 50% and succeeded in increasing its large-screen sales ratio up to around 38%. The company's success in sales numbers is attributable to planning the production processes based on customer feedback, and updating the product range by integrating the latest technologies.



Corporate Displays

In today's ever-digitizing world, companies need professional display screens and systems they can use in all their campaigns and communication efforts. Arçelik acknowledged this need and managed to maximize its digital screen experience. The company continued to invest in broadening its product range from 22 to 98 inch screens.

Arçelik delivers an excellent experience in digital broadcasting to consumers through its Arsigna content management software. Maintaining its targets in Hotel TV solutions, videowalls and PID screens, and offering enterprise solutions under a single roof to companies operating in various industries, Arçelik provides full end-to-end support to businesses.

Further integration of technologies into education such as tablets and smart phones, which are used more often today by students compared to the past, has allowed teachers to provide education through smart technologies and software. Having launched its Smart Board in accordance with this change, Arçelik brings a more dynamic learning experience by connecting to devices that are linked to the system.

Helping to establish an interactive connection between students and teachers, the 65" and 75" Arçelik Smart Board has a touchpad screen which is able to sense and process 10 different points simultaneously. Through the Smart Board, which contributes to enriching education

with more comprehensive content, more colorful images and various examples, users are able to create multiple pages, draw shapes and load worksheets in many different formats. The company will make a significant contribution to the digitalization of education by providing smart boards to private schools as well as public schools in Turkey as part of an agreement signed with the Republic of Turkey Ministry of National Education.

In addition to smart boards, the Arçelik 3D printer system, designed according to the needs of schools and workshops, allows converting 3D-modeled digital designs into 3D objects and taking printouts safely with a user-friendly interface.

Payment Systems

The 2019 agenda of the payment systems industry included the replacement of old generation cash registers. The request from taxpayers and professional associations to postpone the transition process due to the high cost of transformation was approved, so old generation cash registers will remain in use until their storage capacity is full.

The regular Paro discounts, free bank bonuses and company-specific discount campaigns as part of the all-out struggle with inflation contributed to Arçelik's sales. Maintaining its leadership in the industry in 2019, Arçelik increased its market share by 1 point with respect to the previous year to 51%.



Small Domestic Appliances

One of our biggest achievements in 2019 was recorded in the Turkish small domestic appliance market. A growth of 39.2% was achieved in terms of Turkish Liras in turnover in the Turkish market. Arçelik and Beko's aggressive growth and successful campaigns throughout the year were supported by the launch of New Telve and Europe's most silent bagless vacuum cleaner. 62.5% growth in turnover was reported with the Altus and Grundig brands in alternative channels.

In 2019, the Turkish market shrank by 5.2% in terms of units and grew by 19.3% in terms of turnover in Turkish Liras. In Turkey, Arçelik maintained its leadership position in the small domestic appliance market in terms of units and increased its market share by 2.1% points. The company gained 1.7% points in market share in terms of turnover in 2019.

Growing more than double in terms of Turkish Liras in the last 6 years, the volume of the Turkish small domestic appliance market has increased from TRY 2 billion to approximately TRY 5 billion.

The market share of vacuum cleaners in the whole small domestic appliance category has increased by 6 points since 2013 to reach 39% in 2019 due to increased product costs caused by energy efficiency regulations applicable to this product segment, and to consumer preference for bagless import products.

Another high increase was observed in the hot drink preparation category, particularly in Turkish coffee makers. The turnover share of 9.5% in the hot drink preparation category in 2013 has reached 16% in 2019. Continuing to invest in manufacturing Turkish coffee machines and bagless vacuum cleaners, Arçelik is the market leader in terms of both units and turnover in the hot drink preparation category.

Turkey is regarded as one of the focus countries to better respond to regional product and service needs in 2019. Turkish coffee machines and bagless vacuum cleaners were selected as the main focus categories. The success of this strategy is evident in the business results and the prestigious awards the products have received.

Air-Conditioners

The size of the Turkish residential air conditioner market is 750,000 units. Arçelik maintained its leadership position in 2019 with over a 50% share in the market, which shrank by 5% in 2019.

The 15,000 BTU/h product developed as a result of R&D efforts was launched in 2019. Offering products in the range of 7,000 BTU/h and 24,000 BTU/h along with this new product, Arçelik has the widest product range in Turkey.

Recycled PET plastic raw material was used in Arçelik air conditioners for the first time. Arçelik obtained the patent of this eco-friendly technology developed by the R&D team, and recycled 300,000 PET bottles in 30,000 air conditioners in 2019.

The first air conditioner control unit designed by Arçelik stands out with its easy-to-use features and illuminated screen.

The light gray Artcool product was developed in addition to the black Artcool model, and the heating energy efficiency of the most efficient air conditioner with A+++ energy efficiency was increased from A+ to A+++ in 2019.

"Wi-fi ready" feature was added to all Arçelik products that lacks a wireless connection feature. Defined as an after-sale complementary product, the wi-fi ready kit ensures that residential air conditioners can connect to a wireless network.

The productivity and efficiency were increased by 10% thanks to automation and optimization efforts in production. Arçelik is the only manufacturer able to mass produce highly value-added and energy-efficient mini VRF-type commercial air conditioners. Localization works are ongoing in the related product range.



Arçelik

As the most preferred and recognized brand of Turkey, Arçelik has once again received the Lovemark title in 2019, becoming the most loved white goods brand of Turkey for the 12th consecutive year.

Offering cutting-edge products to Turkish consumers, Arçelik launched its newly designed Telve in 2019 featuring a new technology and an elegant style to allow customers to experience an irresistible Turkish coffee taste. Arçelik also developed a dishwasher with the AutoDose smart detergent measuring technology which allows up to one month of use with a single filling.

Having reinforced its strong position in technology and design through innovative products and campaigns, Arçelik continued to invest in its brand perception in 2019. Arçelik strengthened its leadership in the built-in market with the launch of its Grion wide stovetop, which offers the ease of comfortably placing large pans side by side thanks to the larger space between the burners.

Launching the Imperium SilentPro, the most silent bagless vacuum cleaner in Europe and Turkey in 2019, Arçelik put an end to the vacuum cleaner noise, which is one of the most disliked aspects of house cleaning.

By sponsoring the motion picture film “Kara Komik Filmler” by Cem Yılmaz, a popular comedian and filmmaker in Turkey, Arçelik increased its interaction with the young target audience by investing in its brand image.

In 2019, Arçelik continued to place consumer experience at the heart of its business and to invest in all its activities from individual stores to the company website, and from infrastructure to aftersales services. Prioritizing on its identity as a retailer, Arçelik sets an example in the industry with its next generation retailing model.

Beko

Beko supports the health and wellbeing of consumers by offering innovative and eco-friendly technological products. As a partner that facilitates the daily lives of consumers, Beko operates in the global and Turkish white goods, built-in appliances, home appliances, electronics and air conditioning markets.

Developing smart solutions with advanced technology in accordance with today's needs and expectations, Beko aims to offer the best products and services to consumers. Efforts that focus on social initiatives are also gaining significance in the company's marketing strategy.

Supporting sports for nearly 30 years in order to contribute to raising healthy generations, Beko is the sponsor of the Beşiktaş Gymnastics Club. Beko also collaborated with the Fenerbahçe Men's Basketball Team in 2018.

Beko, one of the major sponsors of FC Barcelona, has started the Eat Like A Pro Initiative in collaboration with FC Barcelona and UNICEF in 2018. Beko raises awareness among families and children about healthy nutrition in order to help prevent childhood obesity. The company aims to expand the project to 6 continents in which it operates.



Grundig

Offering its customers high-quality TVs and sound systems, white goods and built-in appliances, small domestic appliances, vacuum cleaners and personal care devices through traditional, organized retail and online channels, Grundig continued to reinforce its competitive position in the market, achieving a sustainable growth in 2019 through new product families in addition to extending its sales network through new channels.

Through brand recognition and sales campaign efforts, Grundig continued to invest in its image as a “brand with a purpose”. The company continued to work on the Ruhun Doysun Project in 2019, which is a major communication project initiated by the company in the last quarter of 2017. The project helped increase Grundig’s brand recognition by 10 points (total recognition) in the television and white goods categories.

Aiming to incorporate conscious consumption habits in cooking and eating into daily living, and to inspire adopting a simple lifestyle, the Ruhun Doysun Project reached a total of more than 60 million people in 3 years by having an active presence on all digital platforms. Reaching over 600,000 followers across all online platforms, Ruhun Doysun continues to be an inspiring project in a category all on its own.

Staying focused on e-commerce channels in 2019, Grundig’s turnover in online channels tripled with respect to the previous year. Gaining popularity in the white goods category in organized retail, Grundig moved its market share to around 5% in the TV category. The brand’s position in the kitchen appliances category was strengthened with new products and channels added to its small domestic appliances portfolio. The quality perception of the brand was improved by enriching the product range in the personal care category with innovative and high-tech products. Grundig has the potential of becoming the 3rd largest actor in the TRY 265 million-market with a total market share of 8%.

Increasing its turnover by 37% in 2019 through efficient channel investments, collaborations, diversified product range and communication efforts, Grundig established a wide-scale partnership in September with the Culinary Arts Academy (MSA), Turkey’s only culinary school that provides training with a curriculum under the Ministry of National Education. Grundig products are used every day in MSA, which instructs more than 1,200 professional chef candidates, hosts 400 workshops and welcomes 22,000 visitors every year. In the framework of the project, product development and research processes including all Arçelik brands were combined with the experience of MSA. Many projects focusing on brand communications, special workshops and sales support setups have been initiated.

Grundig will continue to offer its customers value-added products in 2020.





INNOVATION

Innovation

Operating with the motto "Respecting the World, Respected Worldwide", Arçelik focuses on innovative products and practices for a long-term sustainable and profitable growth. Arçelik reaches more consumers and increases its market share by leveraging innovation in a fast-changing world with its "Our Target Market: the Globe" approach.

INNOVATIVE AND SUPERIOR TECHNOLOGY

5 R&D Offices in UK, China, Thailand, Romania and Taiwan

More than **1,600 R&D** personnel

15 R&D and Design Centers in Turkey

The new washing machine plant in Romania joined in World Economic Forum's (WEF) "**Global Lighthouse Network**"

The only Turkish company in the **top 100 in the World Patent League** – Ranks 67th*

One of the **five** Turkish companies among the "**Top 2,500 Companies That Make the Highest R&D Investment in the World**"*

Digital Transformation

Arçelik manages digital transformation in 4 main areas: "Customers", "Products and Services", "Processes and Systems" and "People". The transformation efforts are selected and designed to serve at least one of the focus areas mentioned. The company strengthens its efforts in these 4 focus areas with "Data Analytics", "Education and Awareness" and "Open Innovation and Cooperation" structures that serve to support and accelerate these efforts.

In addition to working on projects that are designed to support the company's vision for digital transformation, Arçelik establishes technological and organizational structures that would allow the realization of related ideas.

Arçelik's top priorities include Data Democratization* and Company-Wide Deployment of AI Solutions. The purpose of the infrastructure services, which can be described as data engineering investment from an engineering viewpoint that aims to unleash the real power of data for the workforce, is to facilitate access to data for employees in all locations, and help build a "data literate" Arçelik workforce that is capable of using proper methods and tools. To this end, the company's goal is to ensure that AI systems are developed and used at all levels of the organization. There are ongoing efforts to offer training programs to improve data literacy skills, define data governance rules and make them available in various processes.

* Establishing and operating a system that allows employees to access the data they seek through valid infrastructure, methods and rules to help them make data-driven business decisions.



Robotic Process Automation (RPA) is implemented for the purpose of automating manual repetitive tasks which require a high volume of workforce, and for building the integral infrastructure and technology. The goal of this service is to improve employee productivity and job satisfaction, and to decrease risks and costs when necessary. In 2019, a total of 10 business processes were automated with RPA. RPA helped save a total of 15,000 employee hours in 2019, the year it was initiated.

Having focused specifically on the "Employee" aspect of digital transformation in 2019, Arçelik launched Connecta, its new platform for approval processes and workflows, at all locations at the end of the year. In line with the company's vision for digital transformation, the launch event was designed with a gaming concept which was met with the approval of the employees. More than 2,000 employees watched the event which was broadcasted live in all locations in Turkey via Teams, and 500 people played the game through Teams.

The system in place manages more than 5,000 annual leave requests, over 300 advance payment requests and more than 2,500 invoices. The upcoming phases are planned to include time management, cost management and main data updating tasks. More than 1,560,000 hard copy invoices and forms will be digitized by the end of 2020, resulting in decreased paper consumption.

Another technology platform made available at the corporate level is in the areas of collaboration and communication. Microsoft Teams was designated as the main communication and interaction platform at Arçelik, and started to be used at all international and domestic locations as of November. The aim is to remove all desk phones by the end of 2020, and to use Microsoft Teams as the sole communication platform. With its collaboration features, Teams facilitates the lives of Arçelik employees and allows for integration with a number of applications as a multidimensional platform.

* WIPO Top Applicants List
https://iri.jrc.ec.europa.eu/scoreboard/2019-eu-industrial-rd-investment-scoreboard

The key elements of Arçelik's R&D strategy include eco-friendly products that consume less energy and water, smart home systems that communicate with each other, innovative products, and a collaborative technology infrastructure that creates value for the customers in their daily lives.

Recent developments in technology and digitalization reshape business processes, products, services and working methods. They create new opportunities to allow companies to stand out from the competition by responding swiftly to shifts in customer demands. In line with the objective of positioning itself as a global player, Arçelik continues its efforts with a vision to be one of the pioneering companies in digital transformation.

By leveraging digitalization in line with its sustainable and profitable growth strategy, the company continues to create value for its shareholders. Acting on the vision for digitalization, researchers receive training to improve their analyzing skills and digital competencies. As a result, the products are closely monitored in terms of their demographic, technological and environmental impact. Current efforts are focused on products with energy and water efficient designs, eco-friendly and recyclable materials, outstanding user interfaces, health-conscious features, and high quality audio features.

As a company that holds the highest number of R&D and Design Centers in Turkey certified under the R&D law 5746, Arçelik increased the number of its R&D and Design Centers to 15 in 2019.

Arçelik stresses on the protection of intellectual property rights attached to the technologies it develops. The company owns more than 3,000 registered patents, and is ranked in first place in Turkey in this regard. Arçelik ranked in the 67th place in the list of international patent applications issued by WIPO (World Intellectual Property Organization) in 2019. Arçelik is the only Turkish company that made the list.

The new-generation R&D center Arçelik Garage accelerates the process of turning an idea into an actual product and introducing it to the market thanks to its creative and collaborative work environment, design-oriented techniques, and advanced digital prototype infrastructure. Internal researchers and external techno-entrepreneurs are also supported with know-how and technical expertise required to turn their ideas into reality.

In 2019, Arçelik Garage helped develop 1,118 ideas, 93 prototypes and 10 concepts. An Arçelik Garage office employing 10 staff members was opened at Cozone at METU Technocity in Ankara, Turkey to serve entrepreneurs outside of Istanbul.

Manufacturing Value Added Products

Arçelik structures its R&D activities around contributing to a more sustainable future by developing innovative and eco-friendly products, technologies and ecosystems. The top priorities of these efforts include developing eco-friendly and recyclable materials, food products, hygiene products, filtration systems, sensors, advanced data analytics, cyber-security algorithms, remote access protocols, system and component-based modelling and advanced analysis methods.

The projects developed by qualified R&D teams include technologies for filtering microfibers to prevent them from polluting seas and oceans, for using recycled ghost fishing nets in oven parts and for producing washing machine and dryer tubs from recycled PET bottles. Bioplastics, biopolyurethane and biocomposites with egg shells were used together in a refrigerator for the first time in the world. Natural and sustainable materials like corn or soy have less impact on the environment as compared to oil-based alternatives.

The products developed through R&D were showcased at various events in 2019. One of these events was the IFA Consumer Electronics Fair that was held in Berlin, Germany on September 6-11, where Arçelik showcased its products in line with its vision for sustainability, sparking great interest.

Some of the products developed by the R&D team in 2019 are:

- **HarvestFresh** Lighting Technology which simulates the natural cycle of a day through intermittent use and optimum combination of blue, green and red lights, and darkness to preserve the vitamin contents of the fruits and vegetables in the crisper
- The oven range with the **Steam** Technology which combines traditional ovens with steam in a single product and allows selection of the proper cooking mode for a perfect meal

- **HotAero Pro Technology** which ensures an even distribution of heat through a fan design which optimizes the distribution of air inside the oven. In addition, **Bi-Directional Fan** Technology for homogenous cooking by variable speed and bi-directional rotation based on the type of food
- **Meat Optimizer Pro** measures the temperature of the oven and the food from four different points with the multi-point meat probe and the **SenseSteam Pro Technology** optimizes the level of steam with the humidity sensors of the built-in oven range to keep the meat and vegetables juicy
- **BoilDetect Sensor Technology** on induction hobs to detect boiling and automatically stop or decrease power level
- New high-segment **Induction Platform** with HomeWhiz and Hob2Hood connection technologies which allows the use of pans of different sizes
- **65-cm Gas Hob** for easier use of large pans simultaneously with a larger surface
- **Glass Burner Plate** for easier cleaning of gas hobs
- **AutoDose** dishwasher with automatic dosing of liquid detergent based on the selected program
- **CornerWash** dishwasher with a special spray arm design for effective cleaning covering all corners
- Integrated **HomeWhiz Platform** for white goods, A/C, home security and automation solutions with an updated mobile application. Voice assistant integration with HomeWhiz, Google Home and Alexa
- **Bioplastic Refrigerator** manufactured from plant-based materials with smaller footprint and improved sustainability. The components covered by the project include square fan cover, egg shelf, seals and biopolyurethane. CO2 emissions saved by manufacturing these 4 components from plant-based materials is 7 kg (including bio-PU). 285 refrigerators will save 2.5 tons of CO2 emissions which is equivalent to the amount absorbed by a tree in a year.
- The **FreshGuard®** technology that eliminate bad odors by up to 90% through a specially-coated filter and UV LEDs without using any harmful substances
- **AirTouch Technology** for safe drying of clothes labeled as “Do not tumble dry” as well as training shoes, hats, bags and other accessories
- Washer Dryer with a condenser integrated tub and 17% larger volume. 45cm depth, 7kg washing capacity and 4kg drying capacity

- **Aquatech** washing machine with less mechanical movement and better use of the force created by water. Up to 50% more sensitive and up to 50% faster with A class washing performance
- **Grundig Fire TV Edition** with Alexa for voice control of the complete smart home ecosystem which always delivers new capabilities to the device automatically updates itself with cloud technology
- **Grundig Fire TV Edition OLED TV** with an ultra-thin design offering a movie theater experience with the three-directional sound system, Dolby Vision™ and Dolby Atmos™ technologies
- First ever Fire TV Edition range in Germany
- World's First Fire TV Edition OLED Television with Hands-Free Controls
- **ActiFlex Technology** which ensures that the vacuum cleaner tube is bent with a single button with multiple angles for easy access to hard-to-reach areas like places under the couches and other furniture
- **SelfStand Technology** which allows the vacuum cleaner to be positioned vertically thanks to the locking mechanism on the brush
- **Beko Power Clean** vacuum cleaner for 45 minutes of cordless operation and a fast and efficient cleaning with 165W suction power
- Quiet Mark-awarded **Imperium®** bagless vacuum cleaner, the most silent product in its class, minimizes noise with its special isolation and capsule design.
- **SteamXtra-Pro Generator** iron with 2800W power and 7.2 bar steam pressure, up to 5 times more steam with a continuous flow of 130 g/min, and Smart or Professional use selection with a single button
- **Telve Duo** for a real taste of coal fire cooked coffee thanks to the induction technology for an ideal cooking time and heat, 3D cooking technology for a standard taste each time you cook, foamy Turkish coffee with the patented Cooksense technology. Telve Duo has won the Design Turkey 2019 Superior Design Award
- **Grundig Concorde & Beko Cosmopolis Breakfast Set** specially designed for the UK market in the much-appreciated retro style and listed among “Top 10 Kettles” by UK’s major daily newspaper ‘The Independent’



Industry-Leading Manufacturing Approach

Arçelik's investments on smart manufacturing systems and digital plants are the cornerstones of Koç Holding's vision for digital transformation. In addition to the smart electronics plant established in Çerkezköy in 2018, a new washing machine plant started operating in Ulmi, Romania in full compliance with Industry 4.0. The facility is equipped with cyber physical systems and IoT solutions. All the different machines in the plant are equipped with automation and cyber physical systems as well as IoT applications, and are connected to each other and the cloud. The plant has the highest level of automation in Europe and the costs were reduced by 11% with doubled production speed.

The plant in Ulmi joined in World Economic Forum's (WEF) "Global Lighthouse Network" which aims to expand the use of Industry 4.0 processes. This facility is listed as one in the most advanced manufacturing centers in the world, and among the 44 plants selected to join the network out of 1,000 applicants.

Developing innovative products to help Arçelik increase its profitability, the Manufacturing Technologies Directorate is a registered R&D Center with certification under the R&D Law No. 5746. The Directorate is focused on improving the time-to-market for design products, and developing new manufacturing technologies and processes.

The Manufacturing Technologies Directorate's iRel4.0 and InSecTT H2020 of Ecsel Projects designed for efficient use of raw materials and resources were found eligible to receive funding.



Collaborations

Included in the European Union Horizon 2020 Program, Arçelik made important collaborations in relation to network-connectable products, cyber security, sensors, robotics, cyber physical systems, AI, energy efficiency, circular economy, innovative material technologies and food preserving technologies. In this sense, collaborations such as Marie S. Curie are in progress with more than 500 universities from 20 countries for 19 projects funded in various areas. Arçelik efficiently manages many projects in Eureka and Eurostars Platforms.

In Turkey, 36 PhD students were recruited from 11 '2244 Industry PhD' Programs in collaboration with Koç University, Istanbul Technical University, Middle East Technical University and Sabancı University in 2019.

Arçelik was registered by TÜBİTAK 2232 Program as the organization with the highest number of projects through which 4 researchers with PhD degrees were recruited.



Arçelik was included in two projects led by Boğaziçi University and SUNUM (Sabancı University Nanotechnology Research and Application Center) under TÜBİTAK 1004 Excellence Centers Program. Within the scope of TÜBİTAK SAYEM (Industrial Innovation Network Mechanism) Program, Arçelik became the leader of the project in collaboration with various universities and R&D centers. In 2019, Arçelik collaborated with major US, European and East Asian universities including UCLA Northeastern, Berlin Technical, Johannes Kepler, Universidad Carlos III de Madrid, Dresden Technical, ShanghaiJiao Tong and Donghua.

The Tech Pro Academy operated in partnership with Koç University helps establish new expertise through training programs to support the digital transformation infrastructure. This helps improve the digital skills of researchers and the ecosystem.

Highlights from 2019



June

Arçelik R&D Consultancy Committee held a meeting in June to develop strategies for new technologies and evaluate new lines of business and product. The participants of the meeting included 14 leading academicians from distinguished global universities including MIT, Cambridge, Purdue, Texas, Emory, Munich Technical, Denmark Technical, Tokyo, Nanyang Technology, KAIST, Rome, Bilkent, Koç and METU.



July

- The second two-week **A Ticket for Your Future Program** under “Future of Kitchen as a Living Space” was organized. Participants of the program included nine MBA and two PhD students studying in the Top 110 universities according to the Times Higher Education rankings.
- At the 21st “Invention Day” event, 518 inventors received awards in the following categories: Inventions of the Year, Inventor of the Year, Design of the Year and Sustainability Special Award.



September

Arçelik was the Bronze sponsor of Teknofest Istanbul Aviation, Space and Technology Festival 2019. Products showcased at the event included 3D printers, engine drive platforms, a coffee making robot, face recognition screens and smart boards. The Festival was held at Ataturk Airport between September 17 and September 22.



October

- Arçelik showcased its projects on product quality and security at the Reliability Day event on October 21. Awards were given to several projects during the event.
- Arçelik represented Turkey at the 7th CTO Meeting organized by the STS Forum. The meeting was attended by 35 participants from 10 countries. The purpose of the forum was to create a network of people capable of solving scientific and technological problems.



November-December

Arçelik's Youth Empowerment Program aims to encourage younger generations, especially women, to work in the engineering and new-generation R&D sectors by raising their awareness on R&D. The initial stage of the Program was carried out at Garage between November 29 and December 1 whilst the second stage was carried out between December 6 and December 8 at METU Teknokent in Ankara, where several workshops were also held under the guidance of mentors.

Furthermore...

- Arçelik was among the finalists at the 2019 Plastic Recycling Show Europe with its ‘Plastic Oven Components Manufactured From Waste Fish Nets’ and ‘Dryer Visual Parts Made From Recycled ABS’ Projects.
- Arçelik R&D Centers were granted with the second prize at the Private Sector R&D and Design Centers Summit organized by the Ministry of Industry and Technology.
- Arçelik received the 2019 Global Bioplastics Award at the European Bioplastics Conference in Berlin with its H2020 Bio4Self Project, which had previously won the Techtextil Innovation Award and JEC Composites Innovation Award.

HomeWhiz Dishwashers



Smart (HomeWhiz) Dishwashers that Automatically Order Detergent

Beko dishwashers that make life more comfortable by automatically placing orders to Amazon's DRS platform upon depletion of liquid detergents, tablet detergents and polishers have started being offered for sale in the UK. Thanks to this feature, users no longer have to concern themselves with the lack of detergent.

Harvest Fresh™



Harvest Fresh™

- Harvest Fresh lighting technology which simulates the natural cycle of a day through intermittent use and optimum combination of blue, green, red lights and dark in the crisper
- Long-term preservation of vitamins A and C in fruits and vegetables by implementing the ideal waveforms of daylight to the crisper

70cm Wide Upright Freezer



70 cm-wide No Frost Upright Freezer

- Largest upright freezer offered by Arçelik with a gross volume of 438 liters
- Superior energy efficiency with A+++ energy performance

Multimode Upright Freezer



60 cm No Frost Upright Freezer with Multimode Technology

- 2-section No Frost Upright Freezer with a volume of 300 liters
- Use of the upper section in the cooler, freezer or off mode with the Multimode technology
- A++ energy performance

HomeWhiz Refrigerator



70 cm 560L No Frost Combi Refrigerator with HomeWhiz Platform

- Screen function control with wireless internet connection
- Door open alarm
- High temperature alarm

Ultrafast



Washer Dryer with Ultrafast Drying

- 35% time saving, 5 kg of cotton clothes washed in less than 3 hours
- Less time and better performance

7/4 kg Washer Dryer



7/4 kg Washer Dryer

- 7 kg washing and 4 kg drying capacity, 45 cm depth, 17% larger volume with the same size
- Condenser integrated tub

Volumaxx



Volumaxx, World's First Dryer 7 kg Capacity and A++ Energy Level within 46 cm Depth

- 46 cm product depth
- The one and only drying machine with a capacity of 7 kg and A++ energy level
- Fastest drying machine with a depth of 46 cm and a capacity of 7 kg
- Allergy UK-certified hygiene program

Airtouch®



The Grundig AirTouch® Technology Tumble Dryer That Can Sensitively and Efficiently Dry Even Clothes with "Do Not Tumble Dry" Label

- World's first dryer with programs to dry products labeled as "Do not tumble dry"
- 85% less damage compared to other products while drying fragile fabrics (approved by an independent institution)
- World's first dryer capable of drying shoes and bags without an additional basket
- Wool program approved by Woolmark

Aquatech™



Washing Machines with Aquatech™ Technology

- Up to 50% faster and up to 50% more sensitive washing at the A washing performance with Aquatech technology
- Ensuring better mixture of the detergent with water and better permeation into the clothes with the new water flow design
- Less mechanical movement, harnessing the power of water for washing clothes
- Optimum effect of detergent and water mix on clothes thanks to the special paddle design

Steam Assisted Ovens



Steam-Assisted Oven Range

- Steam assisted by automatically sending the water to the lower part of the oven
- Additional water during the cooking period for better cooking meat and other food which require different levels of steam as compared to poultry

9 Level Gas Hob



Gas Hob with Precise Cooking Level Selection

- Adjustable flame with 9 levels by knobs
- Residual heat indicator
- Timer function allows user to pre-set the cooking time

65 cm Gas Hob



65 cm Gas Hob

- Wider hob surface for easier use of large pans
- Same principles of installation as with other available 60-cm hobs

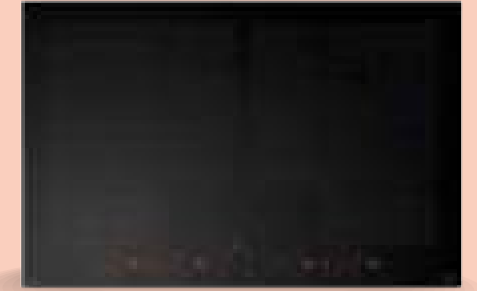
New High-Segment Induction Hob Platform

- Configures the size and number of pans in case of different uses
- Using cooking pans of various shapes and sizes at the same time
- Ease of use with illuminated user interface
- **Move** function to automatically change the power of the zone by moving the pan back and forth
- Connectivity with HomeWhiz and Hob2Hood

Hood with Automatic Temperature Sensor

- Automatic adjustment of the suction level through two communicating temperature sensors placed on the hood
- Energy efficiency through automatic shift in the level of suction as required

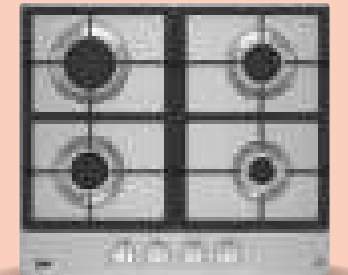
Induction Hob Platform



Sensor Hood



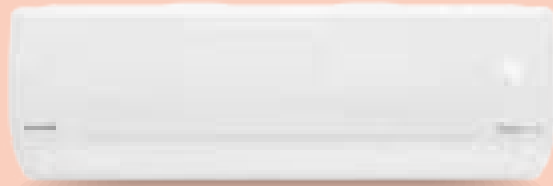
PractiClean



PractiClean Gas Stoves

- Easy cleaning of gas hobs with glass burner plate thanks to special coating
- Easy cleaning and no finger print of hobs with metal burner plate with the new coating

Air Conditioners



Air Conditioners

- An A/C remote control with an innovative design and focused on ease of use was developed based on customer experiences.
- The new A/C models with silent, 7000 Btu/h capacity for bedrooms and 15000 Btu/h capacity for living rooms are launched.
- Split A/Cs with wireless internet connection were launched in 2019 on the HomeWhiz Platform as a part of the shared IoT solutions.
- With wireless connection kit which works on HomeWhiz Platform, A/Cs without this feature can connect to IoT platforms. The A/C product range fully supports wireless internet and allows access to the HomeWhiz Platform for current A/Cs.

CornerWash



CornerWash

- Efficient cleaning with the CornerWash spray arm which reaches all corners
- Rotates through a rectangular space and reaches spaces where traditional spray arms cannot

World's First Fire TV Edition OLED Television with Hands-Free Control

- Navigating through channels, apps and contents with voice commands
- Alexa Built-In technology for smart home control and personal assistant with voice commands
- OLED Technology for infinite contrast, true black and wide color scale
- Dolby Vision, Dolby Atmos, HDR10 and 3-dimensional audio system for a life-like color display and perfect audio quality
- 3,840 x 2,160 pixels UHD resolution for more details and sharp images
- Advanced image processing for fluid and sharp motion
- Micro Dimming technology that highlights details

Peppee TV - Turkey

- Peppee TV and special Peppee TV remote control allows TV access for children without parental control. Safe and educational contents are displayed. The remote control is used solely for Peppee TV contents.

OLED TV



Peppee TV



Imperium



Most Silent Bagless Vacuum Cleaner with Quiet Mark Certification* - Imperium

- Most silent in its class (63 dBA)
- Quiet Mark Certified*
- 3 L capacity
- TrayClean easy-to-clean next generation dust bin
- 99.98% dust re-emission with HEPA13 filter
- Up to 12 meters operating radius with a long cable

** Quiet Mark is the international award programme associated with the UK Noise Abatement Society charity*

Cordless Vertical Vacuum Cleaner – Power Cleaner

- 120000 rpm BLDC motor
- 45 minutes of run-time
- 165 W suction power
- 0,9 L large dust bin capacity
- Easy access to hard-to-reach areas like under the furniture with an ergonomic ActiFlex foldable tube design
- Modular charging deck, mobile or wall-mounted



Power Clean

Steam Generator Iron - Phoenix

- 5 times stronger steam with a constant steam of 130 g/min
- 450 g/min shock steam
- 2800 W power
- 7.2 bar steam pressure
- 1.8 L water tank
- Ultra-light soleplate
- Fast and easy calc-clean solution
- Ease of use with a LED screen and Smart / Professional use with a single button
- Ease of use and storage with the locking mechanism



Phoenix

Telve Duo



Turkish Coffee Machine - Telve Duo

- Induction cooking technology (1200W)
- 6 cups of coffee in a single run
- Cooksense foam sensing technology
- Anti-spill technology
- Single-button control
- Measuring spoon
- Spinjet, water jet and mixing technology
- 1.5 L water tank
- Automatic water intake
- Audio indication
- Water volume selection per cup (60, 70, 80 ml)
- Stainless-steel coffee pot
- Cord Rewinder
- Standby mode
- Compact design for a small footprint (21,5 x 22,8 x 28 cm)

All in One Soundbar

- Designed with a minimalist approach providing a strong sound and movie experience in small spaces
- 2 built-in subwoofers for a perfect movie experience without any additional units
- Efficient performance from low-frequency bass to high-frequency treble with 6 speaker drivers

Soundbar



Concorde & Cosmopolis Series

Kettle

- 3000 W heater power
- 1.7 lt water heating capacity
- Scale filter
- Concealed resistance
- Dry-Boil protection
- 360° rotating base

Toaster

- 1750 W max heater power
- Reheat/Defrost/Cancel functions
- Crumb tray easy to remove and clean
- High-lift function
- 5 level toasting functions
- Wide Slot (145 mm x 130 mm x 40 mm)

Premium HIFI

- Wide-spectrum and refined sound with 3 way speaker system
- Strong and effective sound with 2x50W speakers
- “Bass” and “treble” setting buttons to allow the user to define unique audio characteristics
- 2.4” TFT color screen that makes control easy
- Ergonomic remote control design to manage all functions

Kettle & Toaster



Premium HIFI



INNOVATIVE APPLICATIONS

EUR 3 Billion of total purchasing volume in 2019

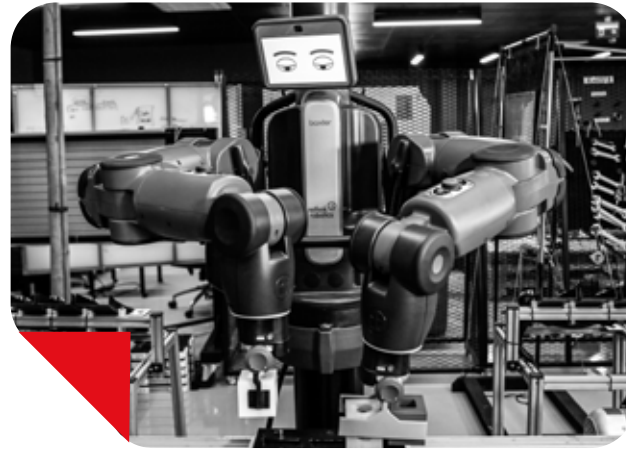
Procurement of materials from **1,800** (direct) sources in **55** countries

66 trainees and **12** graduates from the Purchasing Academy Program

1,161 supplier visits made by the Supporting Industry Development Department

Total of **11,66 million** kWh/year energy savings through **132** energy projects

More than **400** ideas from **70** suppliers and **160** participants in the Supplier Innovation Program



Supply Chain

The Supply Chain Directorate adopts Arçelik's innovative approach and "Respecting the World, Respected Worldwide" vision as the corporate culture, and implements best practices in all projects.

To ensure site productivity, scale automation systems were implemented at Çerkezköy Dryer Warehouse, Çerkezköy TV Warehouse, Central Distribution Warehouse, Ankara OIS Warehouse and Bolu Warehouse.

By managing customs procedures internally, the number of export declarations increased by 45% in 2019. Managing to save on customs commissions associated with its export operations, Arçelik aims to reach the 60% margin in 2020.

Arçelik made a change in its customs procedures and started to use the "integration of declarations" method in maritime transport in 2019.



Arctic/Hakan Türkkan National Distribution Center started its operations...

Arctic/Hakan Türkkan National Distribution Center, Arçelik's gateway to European markets and the market leader of the Romanian Durable Goods Market, started its operations on October 7, 2019. The distribution center has a storage area of 20,000 square meters and an annual dispatch capacity of 8,000 vehicles.

A detailed analysis was performed by benchmarking for the Romanian white goods industry. Alternative scenarios were studied with a focus on primary and secondary distribution networks, and leasing and 3PL options for the selected locations were included in the feasibility study conducted in May. Construction specifications were developed, with the first "inbound" on September 9 and the first "outbound" on October 7.

As part of a year-long project, local distribution operations were centralized and improvements were made in the number of equipment and handling personnel, which helped ensure a reduction in costs. The new location of the warehouse resulted in easy access to major highways, shorter distances with ports and plants, less inbound & outbound operation costs, shorter transit times and an increase in the quality of service. The former location for storing the manufactured goods was transformed into a central warehouse.

With the shift to a new product development process from product management to supply chain, the new product definition and other related ERP processes were reevaluated. A two-phase project was developed to increase business efficiency and automation of manual processes to prevent errors. The initial phase, which included automatic file transfer, was completed in 2019. Full system automation with smart tables is scheduled to be operational in 2020.





STORM (SupplyChainTraceability & OrderManagement)

STORM Project aims to make certain processes simpler and more digitized. These processes include estimations, order tracking, confirmation of opportunities, planning of logistics organization and transportation management, which are currently being managed on Excel files separately for each country.

STORM aims to ensure end-to-end monitoring of processes, fast response time to customers, broadening the scope of the guaranteed terms and meeting the deadlines. STORM officially kicked off in May 2019 under three main project titles, namely order management, transportation management and production planning process design. With these three projects, the company plans proceed to STORM Phase 1 at the end of June 2020. STORM Phase 1 includes manufactured products from Turkey and Romania, and commercial products from Turkey. Phase 1 also covers affiliates/direct sales and domestic markets in relation to orders.

The Supply Chain Directorate, all affiliates, and direct sales and domestic sales teams came together to finalize the project with the assistance of IT and GPO teams. The project is on schedule, and the analyses for order management were completed as the first step of the project. Improvements on the system have already begun. Studies on transportation and production planning started in November and the analyses are being conducted in conformity with the integrity of the process as well as the decisions made in that respect.



RPA – Export Logistics

As a result of the workshops and analyses conducted with the assistance of consultants and IT in 2018, the company reached a decision to use Robotic Process Automation (RPA) for Supply Chain order management and export logistics. The pilot RPA project started with product dispatches from Turkey to France. Turkey was number two in terms of the frequency of orders and operation time in all order management and logistics processes.

GPO Business Unit/Arçelik IT and Koçsistem worked in collaboration through the analysis and development processes, and robot R004 was activated in May at the end of the development process. R004 is active in the time range specified by the business unit in France and creates and archives logistics orders, and reports to the relevant units using SAP, DAYS and Excel files. The robot creates logistics orders based on the manufacturing plans drawn at the beginning of each month, which results in less operational workload.

Global Purchasing

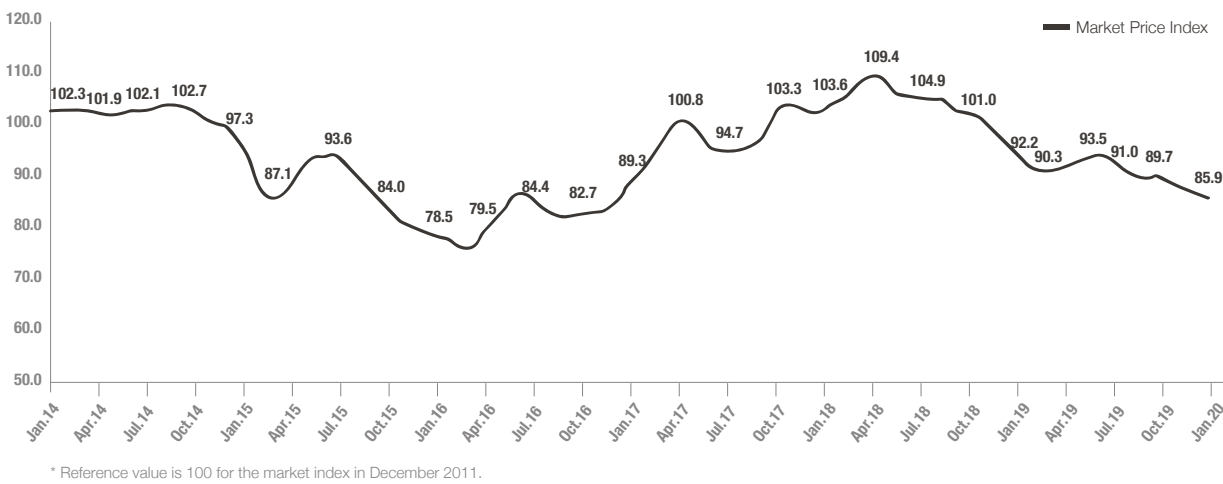
Arçelik strives to develop the best strategy and collaboration model in line with its expanding manufacturing lines, and envisions to position itself as a global brand. In this sense, a category-based purchasing organization was established to make use of the scale economy. Category managers specialize in their relevant categories and handle cost improvement projects along with other projects that create value. The purchasing organization keeps track of many factors which may have an impact on costs, including environmental regulations, fluctuations in commodity prices, local and global economic developments, supplier sustainability risks and customs regulations.

The prices of purchased materials are set by way of price analysis and tenders. Both methods are used to set fair prices with the suppliers. The pricing process is based on economic parameters including the workforce, raw material trends, electricity, fuel and inflation.

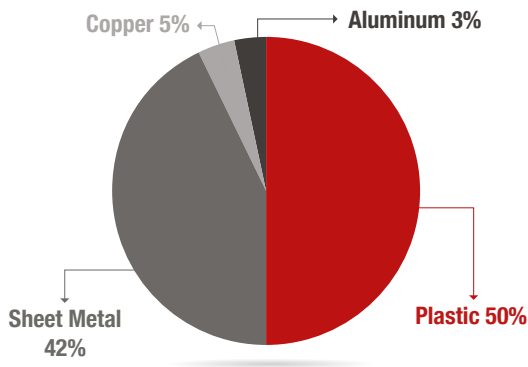
Raw Materials

Despite modest improvements in plastic raw material prices in 2019 Q2, which started to decline in 2018 due to the trade wars, another downward trend started in Q3 owing to the concern about the shrinkage and other uncertainties in manufacturing along with the fact that no positive developments regarding trade wars have occurred. The fluctuations in raw material prices were closely monitored and cost advantages were created thanks to flexible agreements. At the end of 2019, the lowest price level of the last 3 years was achieved, and plans for 2020 Q2 were made after Q1 prices were set. The targeted minimum stock level was mostly achieved in all plants. In addition, increased purchases from low-cost regions and the addition of alternative supply sources to the system helped the company maintain its competitive position in total purchasing costs.

Raw Materials Market Index Graph*



Distribution of Raw Material Purchases 2019



Responsible Purchasing

Arçelik developed the Responsible Purchasing Policy to guide its suppliers in their decisions and actions. Responsible Purchasing Policy is available for suppliers on the Arçelik Supplier Portal (www.supplier.arcelik.com) and the corporate website of Arçelik Global. (<https://www.arcelikglobal.com/media/4661/responsible-purchasing-policy-arcelik.pdf>)

Supplier Innovation Program

Arçelik develops many projects with the suppliers in its ecosystem. One of these projects is the Supplier Innovation Program through which Arçelik conducts R&D efforts in collaboration with the suppliers to design products, technologies and services to help organizations and people progress into the future. In 2019, an innovation workshop was held at Arçelik Garage with the participation of the company's suppliers. More than 400 ideas were presented and 49 presentations were conducted with 70 suppliers and 160 participants. The program will continue with the purpose of supporting the innovation skills of suppliers and improve the collaborative relationship between Arçelik and its suppliers for innovation.

Supplier Sustainability Trainings

Arçelik implemented the Supplier Training Platform to keep suppliers up to date on global developments and share information on sustainability regulations. In 2019, several training programs attended by 300 participants were provided through the platform on environmental regulations, chemicals, business ethics, codes of conduct and occupational safety.

Purchasing Academy

The goal of the Purchasing Academy Program, which kicked off in 2013, is to increase the level of employee awareness and to improve employee knowledge and skills. The program is implemented in collaboration with CIPS (Chartered Institute of Procurement and Supply), an international accredited company that specializes in purchasing. In 2019, 66 participants were trained and 12 participants graduated from the program. Purchasing staff in Romania and Russia were also included in the training process.

Another project by the Purchasing Academy in 2019 included the collaboration made with Ford Otosan on training. The supplier offered training sessions for employees from both companies to equip them with unique perspectives. In 2020, similar collaborations are scheduled with other companies.

Supplier Improvement Activities

The primary goal of Arçelik's Purchasing Department is to increase high-quality production by keeping in mind the main elements of competitiveness, to reduce operating cycles, and to create an active and synergistic portfolio of suppliers. Arçelik Purchasing focuses on cooperating with the suppliers based on mutual trust and shared objectives. In 2019, Supporting Industry Development Department continued its efforts to help suppliers improve their infrastructures and technical competencies. For this purpose, 1,161 supplier visits were conducted.

Regarding training as one of the major elements for supplier improvement, the company offered its suppliers 13 different training programs in 2019. 1,874 person-hours of training was provided for 504 participants on energy efficiency, government incentives and assistance, mold maintenance and polishing, plastic injection, coating, welding, quality, manufacturing technologies and efficiency.

Several projects on efficiency and quality were carried out to enhance the quality performance of suppliers. Within the scope of the projects to increase automation and employee productivity, 87 robots were used by 22 suppliers which helped cut the cost of employing 109 operators.

In 2019, a total of 143 projects were conducted with 62 suppliers. To improve energy efficiency, 132 energy projects were implemented and an annual energy saving of 11.66 million kWh was ensured. This prevented 5,330 tons of CO2 emissions. Packaging improvement efforts helped prevent the use of 365 tons of cardboard and 238 tons of plastic bags.

Arçelik has adopted an approach based on collaboration and "partnership" with each of its suppliers. For this purpose, the company held workshops to secure a better competitive edge in the market. In these workshops, projects were developed from an innovation perspective. 161 workshops were held throughout the year with a focus on process improvement and alternative processes, and 235 potential projects were selected for further study.

Within the scope of Product Sourcing Supplier Development Action Plan for 2019, 14 supplier process audits and 215 product audits were carried out. Furthermore, 76 quality improvement projects, 155 design changes and 46 cost improvement projects were completed. The company helped equip its business partners with skills to manufacture product groups with which they have no previous experience in an effort to increase their business volume and ensure a sustainable, high-quality and low-cost production based on their competencies.

In order to establish a sustainable cooperation with the companies that are currently in partnership, new suppliers were assigned in beverage and cooking appliance product categories in 2019 in addition to supplier development activities offered, and products that provide a cost advantage were included in the company's product range.

1st prize at the "Best Technical Training Program" category, **3rd prize** at the "Best Training & Development Strategy" category at the **Stevies Best Employees Awards** with the Service Academy

11,200 employees, **5,900** service technicians and a fleet of **5,100** service vehicles at **600** points of contact around Turkey

Approximately **15 million** annual service activities

42 Arçelik Authorized Services with Customer-Friendly Organization Certificate

Total of **350,000** person/hours of training to **11,200** authorized service employees



Customer Care - Turkey

The Customer Contact Center serves all brands operating under Arçelik. Customer requests and suggestions come through a number of channels including the call center, e-mail, www.arcelik.com.tr, www.beko.com.tr, www.grundig.com.tr, www.altus.com.tr, live Chat, WhatsApp, social media, fax, letters and dealer channels.

The Customer Contact Center of Arçelik has adopted a customer-focused approach that ensures a system through which customers can convey their requests and suggestions easily; information is traceable, reportable, transparent and secured in a single pool; logs are evaluated in accordance with legal regulations objectively, fairly and confidentially, and processes are continuously monitored and improved. In line with this approach, all processes are integrated with the management system whereby a structure that monitors each process is put in place. Management objectives are also reliant on this system.

Arçelik Customer Contact Center, which puts the customer in the center of all business processes, aims to provide the best service experience to its customers 24/7. One of the main tasks of the Customer Contact Center is to transmit customer feedback on services/products offered by Arçelik brands to other units, and to contribute to the production of new products that will meet expectations.

Service hours were extended in line with the customer-focused approach in our global operations. Call center services for German and Austrian brands are provided by the call centers in Turkey.

In 2019, services were delivered to domestic and international customers through Asist Destek, Koç Finans and Arçelik IT Help Desk. The IT Help Desk team provides assistance 24/7 in Turkish and English at 12 domestic and 17 international locations.

To ensure process optimization, the Customer Contact Center centralized several processes including request management, a move which resulted in maximum efficiency.

In an effort to maintain the same level of quality for each call, the Call Centralization Project was launched. In this sense, customer calls to the authorized service phone numbers are automatically transferred to the call center. Calls made to the phone numbers of 259 authorized services (approximately 50%) were transferred to the call center in 2019. The centralization process will be expanded country-wide in 2020.

In 2019, the Scripting Project was launched via CRM. With this project, agents were provided with recommendations on how to speak to customers, which helped meet customer expectations with minimum mistakes. The project focuses on employee experience, resulting in shorter process times and product training programs. The Scripting Project focuses on providing training on the scope of the work, the philosophy behind the work and brand awareness, which will help increase customer satisfaction.

Another major project in 2019 was the Contact Center Appointment Routing Program. With this program, appointments were given to the customers for the first time at Arçelik.

0850 and 0549 phone lines are used to provide uninterrupted assistance to the dealers.

24/7 services are provided via WhatsApp and various social media platforms.

The internal social media team now monitors customer comments on Ekşi Sözlük and other platforms.

During the "Call Center Day" events held at different locations of the Contact Center, managers and employees received calls in collaboration with customer representatives.

The goal was to allow Arçelik employees from other departments to make direct contact with customers and to develop a customer-focused approach by seeing firsthand the demands and expectations of customers. In order to provide different channels for customers who live in different parts of Turkey, online chat and corporate WhatsApp support line were activated.

The Customer Care Directorate operates in 81 provinces and 227 districts with 11,200 authorized service employees, 5,900 service technicians and a fleet of 5,100 service vehicles at 600 points of contact. In 2019, approximately 15 million service requests were met. A wide network of high-quality services helps increase customer loyalty to Arçelik brands.

The company's business activities in 2019 were audited by the Turkish Standards Institution and subsequently received Customer-Friendly Organization and Customer-Friendly Brand Certifications. As a result of the audits, 42 Authorized Services of Arçelik received the Customer-Friendly Organization (MDK) certification. After the audits conducted on the second phase of the project, Arçelik and Beko brands received the Customer-Friendly Brand (MDK) certification.

Our business activities will be audited annually by independent certification companies with a focus on sustainability.

The Customer Care Directorate focuses on providing a reliable service experience 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 dress code while on duty. Service units are updated for greater comfort, and expert services are provided by fully-trained technicians.



Arçelik aims to increase the perceived quality and the quality of service through efforts on developing concept services. In this sense, new and welcoming product sales and service spaces were designed in an effort to create an innovative and strong image, and to increase the level of customer satisfaction. Arçelik designed fully-equipped kitchens at concept service locations to allow customers to have direct experience with the products and to receive one-on-one instruction from expert technicians on how to use the products.

In order to enhance the quality of service offered to customers, we have set up in service stations welcoming registration areas, customer experience areas, small domestic appliance repair/registration areas, accessory stands, lounges, signboards, signalization and personnel ID tags.

With the service-provider-on-duty practice, Arçelik Customer Care makes a difference by working on weekends and statutory holidays. These authorized services also work until late hours on weekdays. Arçelik Customer Care continues to improve its technology infrastructure by designing the ROTAM Project which aims to ensure the assignment of appointments through all channels, and an effective and efficient management of the workforce and route optimization.

The new generation appointment application system helps customers manage their time better. Customers who reach the Contact Center can make appointments using the advanced digital system. Arçelik Authorized Services assign appointments with 2-hour intervals thanks to the ROTAM Project. Appointment intervals are notified to customers via SMS.

Changes were made in the product exchange process and organization, and the process was centralized to ensure the implementation of optimal and standard practices. Exchanges are approved and controlled by a central unit.

A project was initiated and several teams were formed to ensure a shorter product exchange experience for customers. This resulted in 18% shorter processing times.

Arçelik customers can receive information on assigned technicians via SMS using the Find My Technician App as well as map locations through a link. A photo of the technician is sent to the customer to allow the customer to recognize the specific technician assigned with the task. SMS reminders are sent to the customer on the time of appointment along with a link that provides information on the location of the technician and estimated time of arrival.

Basic information on the contact number and the appointment are shared with the customer through this app. The app, which supports Arçelik's service motto "on time as promised, first time fix, with expert technicians", was made available all across Turkey in December 2019.

Another major project to boost customer satisfaction is the Assistant Technician System. This system dispatches service technicians online to ensure that problems are solved swiftly and with a single visit. Information is provided via SMS for tracking the movement of products and parts while the customer response process is ongoing. This means added value for customers by providing accurate information in a timely manner.

If requested by the customer, authorized service locations offer additional warranty as well as various term options.

A total of 11 million receipts were issued by Authorized Service locations. The receipts were checked by Data Control Teams which have been centralized in 2019. Data Control Teams were previously managed by 12 Regional Directorates. This improvement ensured a 67% increase in efficiency.

Technical assistance services are provided for 27,500 models of products that have been sold in Turkey over the years. After-sales services are certified with ISO 10002 Customer Satisfaction Quality Management System Certificate. The quality of services provided to customers is regularly measured by using the Net Promoter Score (NPS) method. As a result, corrective and preventive actions are taken based on feedbacks.

The technical staff members of the authorized service departments are trained and certified by the Technical Training Department (Service Academy). In 2019, a total of 350,000 person-hours of training were provided for 11,200 authorized service employees. In addition to hands-on training methods and training modules based on personal measurements, an individual training management system in line with new training technologies was employed. The improved remote training methods employed in 2019 helped increase the training efficiency and ensure training continuity.

Payments made by customers via bank transfer to cover price differences in product exchanges are monitored by a robotic system (RPA) whereby receipts are automatically confirmed and the logistics process for the new product is initiated. Thanks to this system, customer wait times are reduced, which helps increase customer satisfaction.





CORPORATE RESPONSIBILITY

Corporate Responsibility

As a global manufacturer, Arçelik continues to operate in line with its business strategy shaped by the principle of “creating value for the community”. Arçelik designs the future with a visionary perspective and a responsible manufacturing approach to build a sustainable future.

CORPORATE RESPONSIBILITY

Arctic Washing Machine Plant is the one and only plant with the **LEED Platinum Certificate** in Romania

Household Durables **2019 Industry Leader** in Dow Jones Sustainability Index

Included in the BIST Sustainability Index for the **6th time**

Received the **Zero-Waste Private Sector Award** by the Rep. of Turkey's Ministry of Environment and Urbanization

Contribution to circular economy by using approximately **11.4 million** recycled PET bottles in washing machine and washer dryer tubs in 2019



ECO-FRIENDLY APPROACH TO PRODUCTS AND MANUFACTURING

Acting on its motto, "Respecting the World, Respected Worldwide", Arçelik structures all its business processes based on the economy, people, environment and society. In line with this vision, Arçelik's top priorities include introducing energy-efficient products and eco-friendly practices to the economy and contributing to sustainability. Based on this perspective, the company manufactures its products around the concepts of efficiency and sustainability.

Focusing on R&D activities to reduce the environmental impact of its products, Arçelik managed to reduce its manufacturing costs. For Arçelik, sustainability is not as an option but a responsibility for future generations, and this approach has helped the company to maintain a competitive edge on the global scale.



Arçelik develops its business processes in accordance with international product and management standards, including ISO 14001 Environmental Management System and ISO 50001 Energy Management System integrated with ISO 9001 Quality Management System. The efficiency and sustainability of Arçelik's management systems are ensured by regular internal system audits in addition to external audits conducted by independent institutions with international accreditation. Emissions resulting from the manufacturing operations of Arçelik have been measured in accordance with ISO 14064-1 Standard at the plants since 2010 in Turkey, since 2015 in Romania, since 2016 in Russia and since 2017 in China. They are also verified by an accredited independent organization at the "reasonable assurance" level.

Arçelik measures the greenhouse gas emissions resulting from its logistics operations since 2013, and has the results verified in accordance with ISO 14064-1 Standard. In this context, the greenhouse gas emissions resulting from domestic, import and export logistics operations of Arçelik products in 2018 were also verified by an accredited independent organization at the "limited assurance" level. Arçelik uses the "sustainability" concept as a guide for its operations, and continues its efforts to install renewable energy systems with various technologies at its domestic and international plants in line with its renewable energy targets set for 2020. Backed by this vision, Arçelik installed a 120 m² SolarWall at the Washing Machine Plant in 2019 in addition to the 930 kWp photovoltaic solar power system and the 700 kWt concentrating solar power system which were installed in 2018.

Combating the Climate Crisis

Arçelik embraces a comprehensive approach to tackle the climate crisis and strives to contribute to related national and international efforts to the maximum extent possible. Arçelik makes solution-oriented international collaborations in order to combat the climate crisis, and supports all actions, policies and pledges in this regard. Having been a part of CDP (Carbon Disclosure Project), the world's most extensive environmental initiative, since 2012, the company participates in the Global Climate Conference and shares best practices at the panel meetings since 2011.

The company attended the UN Climate Change Conference COP25 which was held on December 2-13, 2019. Arçelik participated in the following panel meetings at COP25:

- TÜSİAD 10 Year Countdown to 2030: The Role of Banks in Improving Market Practices
- Özyeğin University and the Ministry of Energy & Natural Resources of the Republic of Turkey: The Role of Public and Private Sectors and Academia in Energy Efficiency Policies and Applications

Compliance with National and International Environmental and Energy Legislations

Arçelik monitors its compliance with all relevant legislations throughout the life cycle of its products. ISO 14001 Environmental Management System and ISO 50001 Energy Management System Standards are used as the basis for monitoring the compliance with the relevant legislation. To comply with WEEE Directive 2012/19/ EU, Arçelik fulfills its legal obligations in the EU member countries through its collection and recycling mechanisms. The company is a member of numerous organizations which provide services for the collection, recycling and disposal of products at the end of their life cycles.

Arçelik fulfills its obligations pursuant to the Regulation on Control of Waste Electrical & Electronic Equipment (WEEE). In 2014, Arçelik built two recycling plants in Bolu and Eskişehir provinces to minimize the environmental impact of the products throughout their life cycles. The plant in Eskişehir is Turkey's first recycling plant that meets all technical specifications required for plants that manufacture refrigerators/coolers/air conditioners. The plant has the capability to collect through a closed system the CFC (chlorofluorocarbon) gases that existed in old refrigerators, which are harmful to the ozone layer.

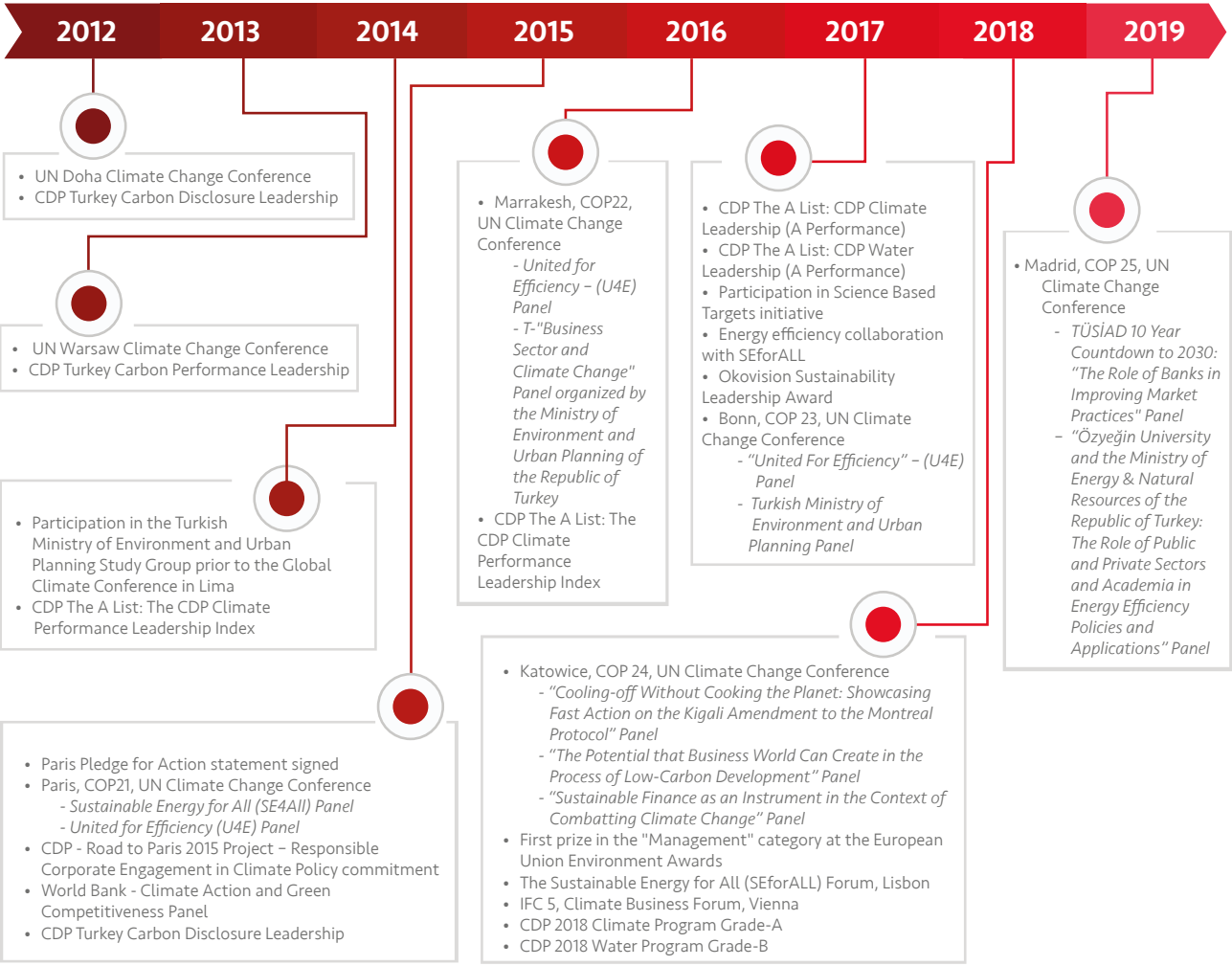
Arçelik also complies with RoHS Directive 2011/65/ EU that superseded the Directive 2002/95/EU which requires the restriction of certain harmful substances in electrical and electronic products. The company adopts and supports REACH Regulation as one of the most important legal initiative for the protection of the environment and human health. The regulation aims to ensure that all chemical substances used are recorded and monitored, the flow of necessary chemical safety information is passed on from the manufacturer to the user, and the information is made available to consumers. At Arçelik, REACH practices are monitored by an expert team. Carrying out all its operations by respecting the environment, Arçelik uses eco-friendly hydrocarbon refrigerants that do not harm the ozone layer and has minimum impact on global warming in all refrigerators manufactured in its plants.



The company tapped into alternative options for refrigerant gas used in dryer heat pumps which has a reduced impact on global warming, and started to use hydrocarbon gases which have almost zero impact. As of April 2018, energy efficiency and environmental impact criteria for water heaters and space heaters were updated and minimum requirements were extended. Arçelik fulfills all its regulatory obligations in this regard.

Being a member of the United for Efficiency (U4E), a global initiative implemented under the leadership of UN Environment Program (UNEP) and Global Environment Facility (GEF), Arçelik supports efforts towards increasing energy efficiency of home appliances, implementing energy policies and enforcing test standards and regulations in developing countries. In accordance with the Energy Efficiency Law, the company employs engineers with Energy Manager Certificate in its plants that exceed the specified energy consumption level defined in legislation. Arçelik implements many energy efficiency projects under the coordination of energy managers to reduce production-based energy consumption. Furthermore, Arçelik's energy consumption data are officially disclosed in the month of March.

The Product Sourcing Directorate is among the key units in realizing our vision "Respecting the World, Respected Worldwide", which was adopted by Arçelik as a business model. The Directorate employs an approach of sustainability in a wide range of efforts from product packaging to user manuals.





ENVIRONMENTAL APPROACH TO PRODUCT AND PRODUCTION

Supply Chain

Within the scope of these efforts in the reorganization of products and manufacturing processes:

- Cellophane materials are no longer used in cardboard boxes of kitchen appliances.
- A project is in progress to print user manuals and make product cardboard boxes using recycled paper and cardboard. Studies are ongoing to ensure the use of recycled plastic raw material in products. Furthermore, the company aims to eliminate the production of new plastic materials and emissions related to manufacturing, and to turn plastic waste, which take years to biodegrade in the nature, into usable raw materials.
- In 2019, 43,183 kilograms of recycled plastic raw materials were used in small domestic appliances.
- As of January 2020, recycled plastic raw materials will be used in the manufacturing of a specific model of vacuum cleaner. In this process, 1 kg of recycled PP raw materials are estimated to be used in each product.
- Studies are ongoing for the use of bioplastics in small domestic appliances. These include testing processes such as using raw materials made from starch mixed with additives such as tomatoes and coffee in constructing the plastic body of the products. Using bioplastics rather than oil-based raw materials will reduce the environmental impact.
- The suppliers with which the company made strategic collaborations are regularly audited by third-party auditors in terms of their compliance with environmental regulations, legislation on chemicals, and business ethics.

Adopting sustainability principles in logistics, Arçelik started using 100% recycled materials in the packaging of several product ranges. 44,000 trees were saved from being cut down in 2019 thanks to the production of television boxes made from 100% recycled materials.

Arçelik takes the necessary steps for combatting the climate crisis in terms of its products, employment policies and business processes.

In this sense, Arçelik decreased the number of LPG-fueled forklifts by 12% and increased the use of maritime transport in exporting as compared to land transport to reduce emissions related to transportation. In 2019, the use of maritime transport increased from 83% to 85%, and the target for 2020 is set at 87%. Arçelik also puts emphasis on railroad transport and aims to increase its use to 4.5% from 3.5% in 2020.

Arçelik measures the emissions related to the transportation of products since 2013. The 2018 data for logistics-based greenhouse gas emissions were certified by an independent organization at the “limited assurance” level.





Customer Care

Arçelik focuses on eco-friendly and high-quality manufacturing of products, and the delivery of products to end customers in a timely manner. The company successfully reduced fuel consumption thanks to the Dynamic Routing System developed for spare parts.

Another step taken to protect the environment while providing customer service in line with our corporate environmental responsibility is the project regarding cardboard boxes used in transportation. As the number of cardboard boxes used in shipment increased in parallel with the increase in orders and as the available boxes were made from non-recyclable materials, the company needed a new project to minimize the cost of 209 service dispatches each day, and as a result, the Foldable Shipping Box Project was initiated.

Within the scope of the project, cardboard boxes are replaced with KTP foldable shipping boxes to decrease costs and use less cardboard. Foldable shipping boxes ensure that the products are delivered undamaged, and that more products can be loaded into transport vehicles. The production of foldable shipping boxes as a replacement to traditional cardboard boxes will start in January 2020.

Arçelik develops specific solutions for its customers through its Corporate Solutions business model in the areas of central air-conditioning (VRF systems, A/C hubs, cooling groups and fan coils), LED lighting, solar power and professional display screens. 140 Arçelik services in Turkey provide inspection, assembly, maintenance and assistance services for corporate customers and chain stores.

Another step taken within the scope of the Corporate Solutions business model is entering the solar power market in 2019. Arçelik intends to assume a leading role in the Turkish renewable energy market with its operations in solar power.



An additional major step is the collaboration made with the Ministry of National Education on smart boards. With this collaboration, Arçelik made a significant contribution to the digital transformation of education in Turkey.

Improving gas leakages caused by assembly kits by 7 times with the new assembly kit, the company aims to prevent 1,863 tons of CO2 emissions annually.

Arçelik Customer Care works in close collaboration with internal stakeholders in meeting its liabilities as per the WEEE Regulation. Since 2014, WEEEs are taken from the homes of customers for recycling. Customer care representatives received related training, which resulted in an increase in customer satisfaction.

Orders with a service receipt are dispatched via cargo in Turkey. Cardboard shipping boxes are reinforced to prevent any damage to the product. With the development of the business model that is in line with Arçelik's vision for sustainability, this reinforcement process now includes the use of Airplus airbags which are made from recyclable materials.



The use of Airplus airbags reduces the space required for storage as well. This also means a lesser risk of injury and improved OHS. The package reinforcement processing time was decreased by 40 seconds with a 58% improvement and a total saving of 244 person/day was achieved. The number of daily packaging operations was increased from 120 to 200, all with the same level of workforce.

60 & 70 cm Combi Refrigerator



Low Noise-Level and High Energy-Efficiency 60&70 cm Deep Combi Refrigerator with Low Noise-Level

- 60 cm deep combi A+++ refrigerator with 36dbA noise level
- 70 cm deep combi A+++ refrigerator with 37dbA noise level

PET Raw & Fibercatcher



Washing Machine / Dryer

- Use of 11.4 million recycled PET bottles as plastic raw material in the manufacturing of washing machines and washer dryers
- Less water pollution through filtering more than 90% of the microfibers disposed to the nature by washing machines thanks to the Fibercatcher technology (mass production is scheduled for 2020)

Dryers

- 10% less plastics and metal used in the manufacturing of 7 kg-capacity products with heat pumps thanks to the 46 cm-deep Volumaxx dryer platform
- Approximately 20 tons of less plastics and 20 tons of less stainless steel was used in production of dryers

Combi Steam+ Built-In Oven

- Use of waste fishing nets in the raw material of parts in multifunction steam ovens (10 of 150 tons of recycled, plastics annually used come from fishing nets.)
- Steam, conventional and steam-assisted cooking options
- Healthy 100% steam cooking by steam injection from multiple points
- Multipoint Meat probe measures the core temperature of the food more precisely by using 4 sensing points

Volumaxx



Combi Steam+



Autodose



Dishwashers

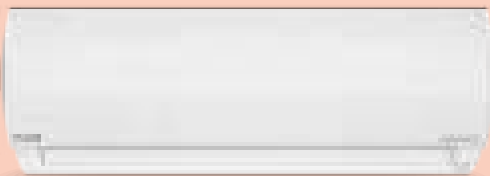
Autodose

- Perfect cleaning with optimal use of detergents by dishwashers featuring the Autodose technology
- First household dishwashers in Europe with an automatic liquid detergent dosing system
- Up to 1 month of detergent use with a single fill
- No traces of detergent even in short programs
- Eco-friendly through use of automatic adjustment of sufficient amount of detergent and polisher based on the selected program

Dishwashers with New Performance Levels

- A++ and A+++ energy levels were redesigned with technological advancements and rolled out to Turkish and European markets.

Prosmart White A/C



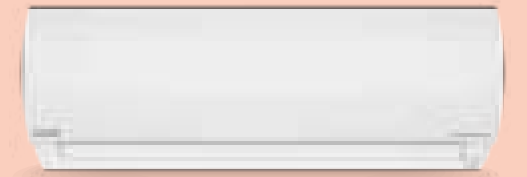
Prosmart White A/C

- Less energy consumption with the Prosmart White, the first air-conditioner which is produced in Turkey to achieve A+++ energy performance in both heating and cooling

Neo Inverter A/C

- Recycling of 300,000 PET bottles to use as plastics raw material

Neo Inverter A/C



Imperium

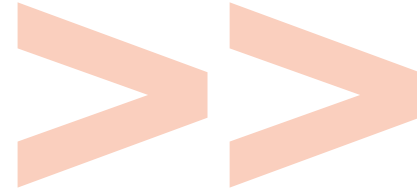


Quiet Mark Certified* Most Silent Bagless Vacuum Cleaner

- Most silent in its class (63 dBA)
- Quiet Mark Certified*
- Large capacity of 3 L
- TrayClean easy-to-clean next generation dustbin
- 99.98% dust re-emission with the HEPA13 filter
- Up to 12 meters operating radius with a long cable

** Quiet Mark is the international award programme associated with the UK Noise Abatement Society charity.*

SOCIAL RESPONSIBILITY



1,243 graduates from Arçelik laboratories

Employment of **148** students by Authorized Services

20 participants to A Ticket for Your Future Program, **3** people employed by Arçelik

628 applicants and **60** participants to the 'Sen Mühendissin, Bizimlesin' Project

At the **Sustainable Business Awards**, 2018 Sustainability Report award received in the "Sustainability Reporting" category and PET Tub Project award received in the "Waste Management" category

The number of participants to the Gender Equality Seminar reached **1,881** in 2019, **21,155** participants in total

Beko sponsors e-sports **League of Legends** European Championship, Main Sponsor of Fenerbahçe Men's Basketball Team



Arçelik embraces a solution-oriented approach to social problems and stands behind its corporate vision, values and ethical principles while making a difference in the socioeconomic and cultural structure of the society with its various initiatives.

Arçelik structures all its business processes in line with the United Nations Sustainable Development Goals (SDGs), and establishes long-term collaborations with public institutions and NGOs on a global scale. Arçelik invests in projects which create value for the society and works with the purpose of "Collaborations for Objectives" to leave a better world to future generations.

The model adopted by Arçelik includes a multi stakeholder approach at all stages of social development projects from the design stage to final completion.

In line with its social responsibility approach, Arçelik's priorities include Gender Equality; Quality Education; Climate Action; Industry, Innovation and Infrastructure; Responsible Consumption and Production; and Health and Quality of Life.

Social volunteerism is among the core values of Arçelik. The manufacturing plants and sales & marketing offices of Arçelik in various countries create jobs and develop projects geared towards the social development in respective regions.



The voluntary participation of all members of the Arçelik Family around the globe is a major factor in the success of Arçelik's projects.

Education – Development

Arçelik believes that the driving force behind social development is education, and contributes to the future of the society through high value-added projects.

Household Electric Appliances Technical Training Program - Arçelik Laboratories

Arçelik believes that the industry and training should be interconnected for a better vocational education. For the first time in Turkey, the company initiated the Arçelik Household Electrical Appliances Technical Service Program to train workers who can keep up with the developments in the industry and easily adapt to new technologies. The program is managed in collaboration with the Republic of Turkey's Ministry of National Education, Vocational & Technical Education Directorate to educate students participating in the program at Arçelik laboratories, and help them become competent technicians for white goods and A/C product groups. For this purpose, Arçelik laboratories are equipped with measuring tools and devices required in the field of technical services for household electrical appliances.

The first phase of the program was completed in 2011-2014, and the second phase covers 2015 to 2019. The program started with 4 vocational schools in the 2011-2012 academic year, and expanded to nine vocational schools in Istanbul, Diyarbakir, Trabzon, Izmir, Ankara, Bursa and Tatvan in the 2015-2016 academic year.

The number of graduates from the Household Electric Appliances Technical Service Program was 115 in 2013, 112 in 2014, 208 in 2015, 216 in 2016, 216 in 2017, 209 in 2018, and 167 in 2019. In the 2019-2020 academic year, 322 students are attending the program, including 155 grade 11 and 167 grade 12 students.

At the end of the 2019 academic year, the total number of graduates of the program reached 1,243 and 148 students were recruited by Arçelik Authorized Services. Within the frame of Arçelik Turkey Service Academy Training Program, the total hours of training provided by 65 technical instructors from Arçelik Marketing Transformation & Customer Experience Directorate and Customer Care Technical Training - Turkey divisions have reached 22,500 person/year since 2011.

A Ticket For Your Future

Arçelik initiated A Ticket for Your Future Program to attract highly-qualified international students back to Turkey. The target audience of the Program includes successful Turkish junior and senior university students as well as graduate and postgraduate students studying in international universities. Project participants received training at Arçelik Garage for three weeks after which they submitted their presentation before Mr. Ali Koç. Through the program, 4 out of 26 participants in 2018 and 3 out of 20 participants in 2019 were recruited by Arçelik.



Arçelik Retail Academy

Arçelik Retail Academy has been established with a vision to strengthen the position of Arçelik brands in all sale points in Turkey, to communicate to retailers the modern approaches and activities in retail that comply with brand strategies, and to ensure the continuity of performance development of retailers. Focusing on interactive face-to-face instruction (classes, in-store trainings, etc.) and distance learning portal since its inception, the academy aims to create more opportunities to retailers through new generation digital learning and development activities in this new era of digitalization.

The goal of the academy is to strengthen the company's success by enhancing customer experience and increase customer satisfaction through superior and cutting-edge products and well-trained staff in its stores.

Digital Wings

Arçelik launched the Digital Wings Project covering robotics, coding and product design processes at secondary schools in 81 provinces of Turkey in collaboration with the Ministry of National Education, with the support of Arçelik and Beko brands and under the technical assistance of Bilkom. The purpose of the project is to raise a generation that is self-confident, productive, equipped with 21st century skills, and familiar with technological developments to prepare them for the digital future. Within the scope of a protocol signed with the Republic of Turkey's Ministry of National Education, content was generated for IT and Software courses for grade 5 and 6 students along with a Technology Design course for grade 7 and 8 students in line with the curriculum specified by the Ministry; tablets, PCs, 3D scanners, coding sets and other educational materials were provided to various schools; and 40 teachers from 20 schools were provided training.

Designing the Future For My Country

Arçelik works in collaboration with its employees and dealers to support the Designing the Future for My Country Project initiated by Koç Holding. Seminars were organized with 4,223 participants as part of the project. The purpose of the seminars is to help employees prepare for the future, rethink and restructure their interaction with new technologies in this changing environment, take steps for a fair, equal and inclusive future and take part in shaping the desired future by making the most of current technological opportunities.

Dawlance - Pakistan

Dawlance contributes to social prosperity through a number of projects and initiatives targeting social development and the youth. In 2019, Dawlance Pakistan sponsored a TEDx event at Habib University, an art school in Karachi. The general theme of the event was to encourage participants to step out of their daily routine and use their imagination.

Dawlance also launched the Dawlance Scholarship Fund in 2019 in collaboration with The National University of Sciences & Technology (NUST) in Pakistan. The fund will provide financial assistance to deserving students in the form of donations and scholarships.

Arctic - Romania

The graduates of the Arctic program become familiar with operating Industry 4.0 intelligent technological equipment, and are given preference for employment at the new washing machine factory in Ulmi at the end of the training period,

Furthermore, the students are given the opportunity to complete their internship in the Gaesti and Ulmi factories and receive mentoring by the best specialists in the company, thereby completing their training process by actively participating in a variety of programs.

Throughout their internship period, students benefit from free transportation to and from the factory and free lunches. At the end of the three years, the students enrolled in the program become qualified as operators for numerical control machines or electronics operators for devices and equipment. Continually updating the training programs offered, Arctic added control machine courses for Arc Operators in 2018 as well as 3 other courses on devices and equipment for Electronics Experts. Within the scope of the program, which aims help students gain technical skills and get ready for their professional careers, two classes at Nicolae Ciorănescu Technical Institute will produce their first graduates in 2020. Arctic's top priorities related to programs designed for the improvement of local communities include the topics of education and health.

As part of this program, pre-schools and kindergartens in the region are supported to improve local education, and technical institutes are provided with assistance for the purpose of increasing industry awareness. Arctic continues to support the universities and hospitals in the area.

Arctic provided 25 cooling devices to 25 schools and kindergartens in Dambovită. The students benefit directly from this service, which is a great example of Arctic's engagement in social development through education.

Gender Equality

Raising awareness on gender equality and developing an egalitarian approach in business culture and social life are among the top priorities of Arçelik.

Sen Mühendissin, Bizimlesin

The 'Sen Mühendissin, Bizimlesin' Project encourages young people, especially women to work in engineering and new-generation R&D fields, and highlights the importance of R&D and innovation in Turkey. The website (muhendissin.com), which was developed for the program to raise awareness, was visited by 4,021 users, with a total of 628 applications received.

Within the scope of the project, 60 students were selected from the top 29 universities listed in TÜBİTAK's Entrepreneurial and Innovative Universities Index, and 2 workshops were held. The first workshop was held at Arçelik Garage on November 29-30 and December 1 whilst the second one was hosted at Ankara METU Teknokent Cozone on December 6, 7 and 8.

3-day training programs and presentations were held to introduce Arçelik and the dynamic structure of its new-generation R&D to young talents. Covered topics included Machine Learning, Internet of Things-IoT, Artificial Intelligence, Agile, Design Thinking, Open Innovation, Data Analytics and Robotics. A total of 21 hours of training was provided, and 60 students were matched with 47 role models and mentors from Arçelik to help students have a genuine Arçelik R&D experience. Students and mentors will work together for a year on their specified subjects within the scope of sustainable programs designed for personal development.

The aim of the program is to:

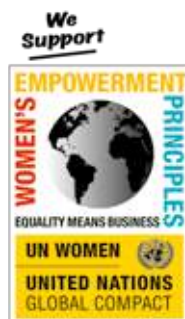
- Encourage female students to work in technology and innovation through collaboration with universities and introduce the dynamic nature of new-generation R&D to young talents,
- Increase the number of women working in the field of engineering,
- Help students have an Arçelik R&D experience with the help of role models and mentors, and
- Help students gain experience in R&D through workshops.



Signatory of Women's Empowerment Principles (WEPs)

A major item in Arçelik's sustainability strategy is the gender equality. Article 5 of the United Nations Sustainable Development Goals (SDGs), which calls for gender equality and empowerment of women and girls, defines gender equality as a basic human right. Arçelik aligned its sustainability roadmap with the United Nations' 2030 Sustainable Development Goals and signed Women's Empowerment Principles (WEPs) in 2017.

WEPs, established in collaboration by the UN Global Compact and UN Gender Equality and Women's Empowerment initiative, define a roadmap for the companies to support the role of women in business and communities. So far, more than 2,000 leading international companies have signed WEPs. Arçelik is among the signatories of Women's Empowerment Principles, and has continued to engage in projects to raise public awareness on the issue in 2019.



Kizcode

Kizcode Program designed for Arçelik employees' children aged 11 to 15, has offered training programs in coding and animation. Attended by 96 participants, the program aims to help girls gain a wider perspective on technology and digitalization, discover their talents, and bring their projects to life on various platforms.

Father Support Program

Arçelik's Father Support Program was attended by 48 participants in 2019. The program supports democratic approaches in the family, and helps fathers spend more time with their children, establish a healthy relation with them, learn about their needs and develop positive behaviour.

In addition to the program, a seminar was held with the title "Father's Role & Importance in Child Development".

Egalitarian Parenting Approaches

The program provided training to 557 Arçelik employees on basic parent-child relationship and communication skills from the perspective of gender equality.

Integral Leadership

The Integral Leadership Program raises awareness on strong leadership skills. As part of the program, 34 Arçelik employees were provided training on leadership, confidence & steady use of power, vision & personal brand management, network development and stakeholder management.

Women in Leadership

Women in Leadership is an important support program for female managers. The program is designed to strengthen the leadership skills of women, and to help women create a social network for a better self-representation and have a greater influence on organizational decision-making processes.

Workshops and Seminars for Managers and Employees: Gender Embedded in Language and Behavior

The program is designed to show how language and routine behaviors generate gender inequality. The program discusses verbal phrases and manners which may, when not considered carefully, undermine equality, and how and why protective sexism results in discrimination, even when performed for the sake of equality. A total of 561 employees attended the three programs.

SheMate Mentorship Training

SheMate mentorship training is designed to help participants learn from the experience of working mothers at Arçelik. The program aims to facilitate the adaptation of women to the workplace after giving birth, to encourage them to be a mother and pursue a career at the same time, and to strengthen their perception on coming back to work. In 2019, 12 Arçelik employees participated as mentors and 14 employees participated as mentees. The total number of participants reached 51.

Gender Equality Seminar

The seminar was organized to create awareness on the reasons and consequences of gender inequality with a focus on male-female roles, and the inequality and discrimination resulting from these roles in private and business life. In 2019, 1,831 Arçelik employees attended the seminar, making the total number of participants 21,155.

Equal Dictionary

The 'Equalize' Project was followed by the Equal Dictionary Project designed to make use of technology to support gender equality in the society. The Equal Dictionary keyboard used in mobile devices and PCs alerts users when sexist or discriminating language is used, and proposes alternative phrases. In case of a slip of the tongue or hand, Equal Dictionary is there to help correct it.



Arçelik Family and Volunteerism: “This Is Us”

Arçelik employees adopt the motto “This Is Us”, and volunteer in social development projects and support social responsibility projects carried out by the Company.

Arçelik Turkey

Arçelik employees in Turkey engaged in a variety of volunteer activities in 2019, focusing mainly on the environment and education. In addition to volunteer programs carried out by Arçelik employees, a pilot project was initiated to include a corporate volunteering program. As part of this pilot project titled “This Is Us”, clothes used in commercials were packaged and sent to those in need by volunteers from Arçelik. More than 100 Arçelik employees worked as volunteer jury members at Science Heroes Meet Tournaments, the Turkey-leg of First LEGO League Tournaments organized in more than 100 countries and attended by 300,000 children.

Environmental cleaning events, library projects, climate crisis awareness events, animal shelter support projects and material support projects for schools were organized in numerous cities through employee initiatives.

Arctic - Romania

Arctic Senior Management Team and Gaesti local managers attended an environmental cleaning event at local parks in Gaesti. The purpose was to raise awareness on waste management and set an example in the community. Focusing on cleaning public spaces, parks and gardens from plastic waste and preserving natural resources for future generations, the joint initiative aimed at embracing Arçelik’s sustainability objectives.

Beko - England

Beko has engaged in many projects in the last 6 years in collaboration with Barnardo's, a British charity that focuses on helping children and the youth. Through the course of this collaboration, Beko donated almost £200,000, including gifts in kind. With the help provided by Beko, Barnardo's continues to support families and children in need.

Beko also donates home appliances to families in need through major charity organizations. In the last six years, more than 400 brand new home appliances were donated and installed.

Beko - Poland

Beko works with various organizations and animal shelters that help homeless animals. In 2019, Beko's calendar project brought in PLN 35,000. Dogs and Beko washing machines with a special feature to remove pet hair from clothes were used in the filming of the project, the revenues of which were donated to animal shelters and charitable foundations.

Beko - Serbia

In 2019, Beko continued to support young talents and encourage them to engage in sports. Support was provided to 6 young players to help them attend FC Barcelona's football camp in Serbia with their families. Jovica Jovičić made a presentation at the camp to raise awareness on the importance of healthy nutrition for young athletes.

Home appliances were donated to Jova Jovnović Zmaj Child Care Center in collaboration with Princess Katarina Foundation. Beko will continue to work for creating a better environment for children, ensuring supportive relations and creating a positive vision about the future.

Grundig - UK

In line with the message of ‘Respect Food’, Grundig started the “GiveBack” campaign in collaboration with Currys PC World, Britain's largest retailer of electrical products. The campaign's goal in 2020 is to donate £200,000 worth of products to local food charity organizations selected by staff members of Currys PC World stores.

elektrabregenz

Being one of the most known brands of Austria, elektrabregenz supported the organization called ProJuventute for protecting homeless children in need.

Kitchen appliances are donated to child care centers renovated by the organization. The programs helped create social awareness. The proactive interaction between elektrabregenz and ProJuventute continued in 2019 to ensure consistency and sustainability.



Responsible Consumption

Respect Food

As a response to the increasing need for combatting food waste, Grundig engages in responsible consumption projects in line with its “Respect Food” philosophy.

Grundig participates in many collaborative projects with national and global organizations and focuses on R&D efforts for developing new technologies to reduce food waste. As a global environmentally conscious brand, Grundig calls for action to combat food waste.

Ruhun Doysun (Feed Your Soul) - Turkey

Grundig Turkey combines its efforts to raise awareness on food waste with Koç Holding’s inspiring sustainability vision and “Brand With A Purpose” approach. The ‘Ruhun Doysun’ Initiative, launched in 2017, continued with the motto “Explore: Explore life starting with the kitchen” in 2019. The Initiative turned into a platform with YouTube videos, a website and social media posts through communication campaigns “A Lifestyle” in 2017 and “Respect Food” in 2018.

Ruhun Doysun became a strong awareness initiative with extended communication channels with the addition of two different magazine books and below the line communication channels, which accelerated the offline integration process.

The first magazine book titled “Respect Food” was published in 3,000 copies and is now on sale on grundig.com.tr as well as other e-commerce websites and major bookstores. In December, the second magazine book “Discover” was made available through various sales channels.

The “Discover” communication campaign grew into an opinion leader extending its approach that reached 60 million people in 3 years with more than 600,000 followers on all online platforms. In 2019, all episodes were aired on NTV from May to October to reach a larger audience.

In 2020, Grundig and MSA (Culinary Arts Academy) will widen the scope of their collaboration to help spread Ruhun Doysun to a larger audience through projects such as bringing chefs from MSA and young people together in MSA kitchens to raise “future generations who respect food”.

Food For Soul - International Campaign

Grundig expanded the scope of its mission in combatting food waste and partnered with Food for Soul, a nonprofit organization. Food For Soul, founded by Chef Massimo Bottura, engages in a variety of initiatives in collaboration with chefs, artists, food suppliers, designers and organizations.

5 Refettorios were opened in Rio, London, Paris, Milan and Naples with the partnership of Grundig and Food for Soul. In the past year, more than 200 tons of food was prevented from being wasted. The food was shared with 85,000 people in need with the contributions of more than 15,000 volunteers from around the world.

Eat Like A Pro

According to the World Health Organization, more than 70 million children will face the risk of obesity in 2025. Beko, the manufacturer of products equipped with cutting-edge technologies to help families gain access to fresh, tasty and healthy food, initiated the Eat Like A Pro Program in collaboration with FC Barcelona. The goal of this global initiative is to combat child obesity, which is a major global concern.

Listed among the leading brands that facilitate daily life for families, Beko compiled its social responsibility activities and sponsorships under one roof.



In Latin America where 23% of school age children are obese, Beko partnered with UNICEF to change the lives of 500,000 children, and donated 1 million Euro in 2019. The program was implemented in Costa Rica, Cuba, Mexico, Ecuador, Colombia and Brazil, and is the first partnership formed between UNICEF and a private brand on the issue of obesity.



Eco-Friendly Projects

Climate Crisis Campaign on the Everest

In 2019 Beko adopted a wide range of methods in line with its social responsibility activities, from healthy lunch boxes to tool kits. For this purpose;

- Teachers, parents and children were encouraged to adopt healthy eating habits,
- School cafeterias were encouraged to sell healthy food,
- The healthy nutrition program was implemented in Mexico for more than 1 million students,
- The project to place food labels on traffic lights reached 180,000 people in Ecuador,
- Healthy lunch boxes reached 194,000 people in Colombia,
- More than 2,000 teachers were provided training on healthy nutrition with online tool kits in Brazil.

Hakan Bulgurlu, CEO, climbed Mountain Everest, the highest mountain in the world, to raise awareness on climate change risks. Previously, Arçelik teams climbed Mount Kilimanjaro in 2011 and in 2018, Elbrus in 2017, and most recently Mount Aconcagua last January to draw attention to the growing and deteriorating impact of global warming.

The climb took approximately 4 weeks, and on May 23, Bulgurlu made a call for action to combat the climate crisis from the summit of the 8,848-meter tall Mount Everest. Recognizing the responsibility of being a global company, Bulgurlu highlighted the projects initiated to raise awareness on the issue along with the Company's leading position in encouraging the use of eco-friendly products in more than 150 countries. Bulgurlu then talked about the current forecasts which indicate a possible global temperature increase of 1.5 degrees by 2040, and made a call for action to individuals, companies, governments and business leaders to take solid steps to combat the climate crisis.

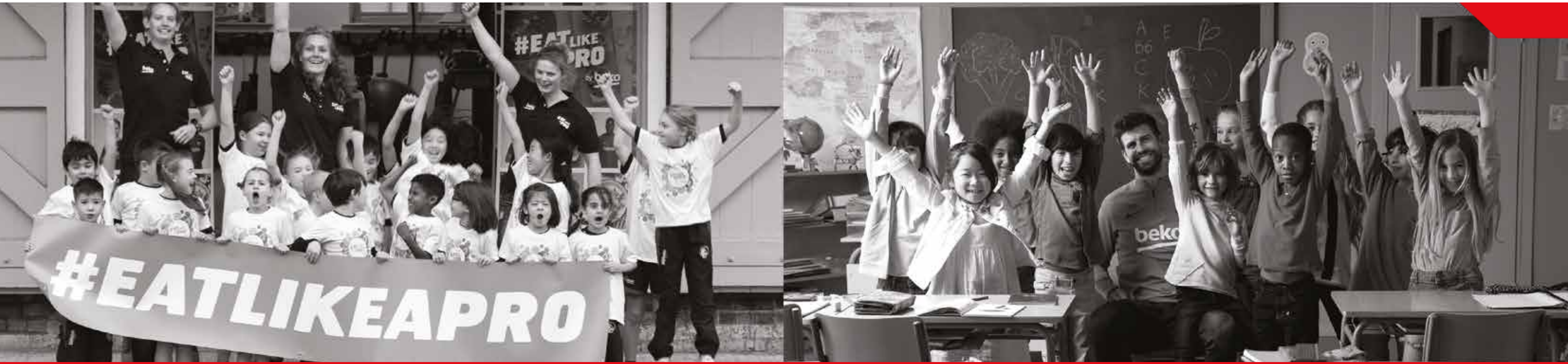
Arçelik Turkey - Pepe TV

Arçelik and Beko partnered with Pepe TV, Turkey's first digital platform for children, to raise awareness on the environment. Within the scope of this partnership, 10 cartoons were created on climate change, soil, air, water, forests, responsible consumption, energy efficiency, recycling, eco-friendly transportation and biodiversity. Educational slots called "infomentaries" were also integrated in the cartoons. In 2019, millions of children in Turkey watched the contents.



LEED Platinum Certificate for Arctic Washing Machine Plant

Arctic's successful efforts towards sustainability were recognized with the LEED (Leadership in Energy and Environmental Design) Platinum certificate awarded to the washing machine plant in Ulmi, making it the only Industry 4.0 plant in Romania among a few others in Europe. Arctic focuses on developing energy efficiency and sustainability in all its manufacturing and business processes.



Sports and Healthy Living

Beko-FC Barcelona

Beko has been the Premium Partner sponsor of FC Barcelona from the beginning of the 2014/15 season to the end of the 2017/18 season. Within the scope of this sponsorship agreement, which brings two global brands together, Beko's logo was featured on the left arm of FC Barcelona jerseys and in the back of the training kits.

In the 2018/2019 season, Beko became the Main Sponsor along with Rakuten and Nike. Beko also became the Official Training Partner of FC Barcelona.

Making a difference in the lives of people is the shared goal of both Beko and FC Barcelona. This shared vision paved the way for the Eat Like A Pro Initiative. FC Barcelona's central defender Gerard Pique was announced as the global ambassador of the program.

The idea behind the Eat Like A Pro Campaign is the fact that children often imitate their heroes. Beko and FC Barcelona both have various roles in the scope of the campaign. Beko offers innovative products and technologies that help time-constrained parents cook healthy meals whereas FC Barcelona offers the nutritional knowhow and healthy cooking programs that help players maintain their top-level performance.

In 2019, the following campaigns reached people all over the world:

"4-3-3" #LiveLikeAPro

The objective of the campaign is to interact with the families who were the target audience for the #EatLikeAPro campaign. The solution is based on using emoji to interact with young people in their own language.



Beko used FCB's famous 4-3-3 game formation as a basis and asked the families to implement the '4-3-3' health approach, which involves consuming four servings of fruits and vegetables, and three servings of proteins in addition to participating in three exercise sessions a day. The interest in the campaign grew in the eve of El Clasico, and Beko requested FCB players to display their own 4-3-3 lineups through posts by FCB stars Gerard Pique and Ivan Rakitic.

The winners were invited to experience "Eat Like A Pro" and were offered to watch a game at Nou Camp and a training session at Ciutat Esportiva, and meet Barga legend Juliano Belletti and receive other gifts from FCB. The gifts included a meeting with the club's nutrition experts who helped players before and after games, a culinary lesson on healthy food and the preparation of a healthy lunch on the terrace at Camp Nou.

At the peak of the 2018-19 season, brand ambassador Pique took part in a campaign filming session for Beko. The campaign focused on the impact of Pique as a global football star and a father, and aimed to encourage families to cook healthy meals together.

A survey was conducted by the brand with 13,500 children from 18 countries, and 80% of the children surveyed said they would like to eat healthy foods like their heroes.



Searching for ways to put these findings into good use, Beko shot a film in which Pique takes some children by surprise and tests their knowledge by asking them questions that were included in the survey. The film provides viewers with a link to the brand's Eat Like A Pro website. On this website, Pique and his teammates talk about their favorite recipes and how to cook them at home as a family.



Champions Supporting Champions

Beko, the official partner of FCB, released a 4-episode show in September and October 2019 which provides a peek into the lives of people who work behind the scenes to bring healthy lifestyle options at FC Barcelona.

In episode 1, Chef Adria Ponce, Menu Manager Marta Miguel and Nutrition Expert Tona Lizárraga explain how they manage to keep the team energized during the critical pre-season period. FC Barcelona staff members prepare healthy food and drinks for the players using Beko products.

In episode 2, Beko focuses on the role of trainers and team doctors in preparing the players for the upcoming season.

Episode 3 show the Barca supplies team preparing the technical tools and jerseys, and supporting the players so that they can focus on the pitch.

Episode 4 is focused on “Who's Next”, the new generation of FC Barcelona. Barça boys and girls who dream of being a professional player are shown at La Masia Training Center.

Beko E-Sports Sponsorship

In 2019, Beko entered the e-sports sector and signed a 1-year sponsorship agreement with League of Legends European Championship (LEC), the primary e-sports league of Europe.

In addition to Barcelona and Fenerbahçe Men's Basketball Team, Beko included e-sports in the Eat Like A Pro Project. As a result of this collaboration initiated to encourage new generations to eat well and healthy, exclusive contents were developed and events were organized to inspire e-sports players.

Sağlıklı Hareket

The project was initiated at Arçelik's locations in September 2019 to introduce healthy lifestyle habits to the employees. Before the beginning of the project, all participants went through health checks. With the project, Arçelik employees lost a total of 833 kilograms of weight in the first 4 months. The goal is to lose a total of 1 ton in 6 months.

Arçelik Employees Sports Clubs

Arçelik employees engage in sports activities at various locations. These activities include athletics/running, badminton, basketball, cycling, football, rowing, table tennis, volleyball, sailing and swimming. The teams compete in official leagues, corporate leagues, Koç Group Sports Leagues and/or Sports Festivities throughout the year.

- The Women's athletics team competed in the Istanbul Marathon, winning the Women's District Championship and placing second at the regional level. The athletics team came third in the 35-44 age category in the Garden Kross Run 10K.
- The Basketball Team became Istanbul Champion and Turkey Champion in the CBL Corporate League 3x3.
- The swimming team won two bronze cups in the Datca Cold Sea Marathon in 1.5 K and 3 K categories.
- Arçelik participated in the 30th Koç Group Sports Festivities from November 2018 to May 2019 in 19 categories with 784 employees, and won 40 trophies. The participants included employees from various businesses and affiliates in Turkey (Arçelik Paz. A.Ş., Wat) along with international affiliates including Grundig (Norway), Dawlance (Pakistan) and Arctic (Romania).

Arçelik Sailing Team

The Arçelik Sailing Team participated in the “Atatürk Rally” organized by the Naval Forces to commemorate Mustafa Kemal Atatürk and his brothers in arms on the 100th anniversary of the victory of May 19. The team spent 2.5 days in the Black Sea to cover 400 nautical miles, to complete the route from Istanbul to Samsun. With this project, the Arçelik Sailing Team and the boat Papili took the historic route taken by the Bandırma Steamer, becoming the first ever sailboat in the history of the Republic to take the historic route in question.

The Sailing Team won a total of 9 cups in various events organized by the Turkish Sailing Federation and other sailing clubs (Fall League Championship, 2 gold cups, 1 silver cup, 5 bronze cups). The team also won the IRC0 Class Competition in the Turkish Open Sea Racing Club Fall League.



AWARDS & ACHIEVEMENTS 2019

Corporate Awards-Achievements

- Arçelik won four awards at Stevie Awards 2019 in the “Technical Education”, “Journey to Leadership”, “Best Learning-Development Strategy” and “Product Training” categories.
- Arçelik was ranked first in the “White Goods” category at the ONE Awards 2019, which recognizes brands that increase their reputation the most during the year.
- Arçelik received the Most Popular Retail Call Center In Terms Of Customer Satisfaction Award by IMI Conferences.
- Arçelik Service Academy received the gold medal in the “Best Technical Education Program” category and the bronze medal in the “Best Education & Development Strategy” category at The Stevies Best Employers Prize Program.
- Arçelik received the MESS Golden Recommendation Award and the “Recommended Application” Award with the Forklift Security Systems Project developed by the Supply Chain Directorate in the MESS Golden Glove Contest. The Company was also awarded in the OHS Contest with the “Safety Equipment to Prevent Overturn of Door/Panel Transportation Vehicles” developed by the Refrigerators Manufacturing Directorate.
- Arçelik received Red Dot Design Awards with Telve Duo and Grundig Hair Dryer.
- Arçelik received the Silver Effie in “Durable Goods” and “Small Domestic Appliances” categories at Effie 2019.
- Arçelik received 9 awards at Crystal Apple 2019 with its communication efforts.
- Arçelik won awards for Beko B18, Grundig Dot Matrix, Arçelik Turkish Coffee Machine Telve Pro and Beko Vega TFT Oven at the iF Design Award 2019.
- Arçelik was selected as the “3rd Most Admired Company” by the Most Admired Companies of the Business World 2019 Research.
- Arçelik ranked first in the “Durable Goods Category” of Favorite Companies Research by the Employer Brands Summit.
- Arçelik was recognized as Turkey's Lovemark brand in 2019 for the 12th time.
- Arçelik was selected as the “coolest” white goods brand by Turkey's Coolest Brands 2019 Research.
- Arçelik was recognized with 2 awards at CMF Design Awards among the best in the world of design.
- Arçelik received 3 awards at Tekirdağ Career & Employment Fair held on October 8-9.
- Arçelik received 3 Felis and 2 Achievement Awards at Felis 2019 Awards.
- Arçelik received the Design Turkey 2019 Outstanding Design Award with the induction Turkish Coffee Machine.
- Arçelik was selected as the Most Reputable White Goods Brand at Turkish Reputation Awards.
- Arçelik received the first prize in the “White Goods”, “Cooling”, “Small Domestic Appliances”, “Personalized Customer Experience”, and “Post-Sales Experience” categories at the A.L.F.A. Awards.
- Arçelik's Equal Dictionary Project received the Bronze Award in the “Mobile Applications” category at MIXX Awards Turkey 2019.
- Arçelik ranked 6th among the major manufacturing companies in Turkey and 1st among white goods manufacturers based on a research by Istanbul Industry Chamber.
- Arçelik ranked 67th in the “PCT System Top Applicants List” of the World Intellectual Property Organization (WIPO).
- Arçelik and Beko received awards by InstaChamp, which recognizes Instagram marketing communication campaigns that create a difference.
- Beko was recognized by One Awards, Turkey's most reputable award in the Small Domestic Appliances Industry.
- Beko was listed in the 2019 RepMan Turkey Reputation League with its “Reputation Management Performance Score” calculated by RepMan Reputation Research Center.
- Beko CEG5301X was selected as the “Best Espresso Machine” under EUR 500 by the Que Choisir Consumer Magazine, and was listed in the “Best 50 Products in 2019”, receiving the Best Buy Award by the UK Which Magazine.
- Beko Microwave (MOC20200C) received the Best Buy Award from Which Magazine.
- Beko UK received the Best New Product in Home Appliances Award with the AutoDose dishwasher and Best Assistance for Education Award with its social responsibility activities by the ERT Magazine UK.
- Beko UK received the Supplier of the Year Award by Euronics Independent Electric Suppliers Association with the Blomberg brand.

- Beko was among the finalists in 3 categories at the BT Sport Industry Awards.
- Beko Russia received 2 silver Mercury Awards with Eat Like a Pro in the “Best Social Media Campaign” and “Corporate Social Responsibility” categories.
- Beko US received the 2019 Energy Star Award from the US Environmental Protection Agency (EPA) with its efforts on energy efficiency and environmental protection.
- Beko Sardis Project developed by Token received the Innovation Honorary Award at CES, a prestigious technology fair in the US.
- Beko Russia received Bronze Effie with the Eat Like A Pro Campaign.
- Beko and Grundig ranked among Superbrands Italy 2019 with their sustainability approach.
- Grundig’s Massimo Bottura Kitchen Series received the CNF Design Award.
- Grundig’s Ruhun Doysun Project received four awards at the MIXX Awards Turkey 2019. The Project received golden awards in the “Best of the Year”, “Brand Awareness & Positioning”, “Brand Contents and Social Media/WOMM” categories.
- Grundig Silence Dry (HD 9861) received the “Quiet Mark” certification by the UK Abatement Society.
- Grundig developed the Grundig Massimo Bottura Collection of kitchen appliances in collaboration with the brand ambassador Massimo Bottura with a focus on power, quality, aesthetics and responsible consumption. The range received the “Supreme Gold Award” at the CMF Design Awards where best brands compete.
- Grundig Table Blender (SM 6860) was rated as “GOOD” and received a 88.8% score by the Test Magazine.
- Haus & Garten magazine rated Grundig Chopper (CH 6280W) as “VERY GOOD” with 1.1 points and Electric Tooth Brush (TB 8730) as “VERY GOOD” with 1.3 points. At the same evaluation, Hair & Beard Clipper (MC 8840) was rated as “GOOD” with 1.9 points.
- Germany’s leading test magazine Stiftung Warentest (StiWa) rated Grundig Chopper (CH 6280W) as “VERY GOOD” with 1.1 points. Hair Straightener (HS 6532) received the 2nd prize. Hair Curler (HS 6430) received the 1st prize. Electrical Tooth Brush (TB 8730) was rated as “GOOD” with 2.3 points. Hair Curler (HS 6430) was rated as “GOOD” with 1.9 points. Hair Curler (HS 6532) was rated as “GOOD” with 1.8 points.
- Grundig Delisia Chopper (CH 7680) received the Testsieger Award.
- Beko Cordless Upright Power Clean Vacuum Cleaner received the 2019 Outstanding Design Award by Design Turkey.
- Cordless Upright Vacuum Cleaner (VCH 9832) was rated by Technik zu Hause as “VERY GOOD” with 1.1 points.
- Bagless Vacuum Cleaner Imperium TSZ 9953 A++, Performist TSZ 8953 A++ and Grundig VCC 9773 A were certified with “A++ Quiet Mark” by the UK Noise Abatement Society.
- Steam Generator Iron (SGA7126P) received the Best Value for Money Award in Poland.
- Arctic received the Best Purchasing Award by International Certification Association ICERTIAS.
- Arctic Romania Washing Machine Plant was recognized as an “Advanced 4th Industrial Revolution (4IR) Lighthouse” by the World Economic Forum.
- Defy’s Tutu Desk Project, which aims to improve the classroom conditions in developing countries, received an award at the Pyramid Awards.

Environmental Awards-Achievements

- Arçelik Group received the Zero Waste Private Sector Award by the Republic of Turkey’s Ministry of Environment and Urbanization.
- Arçelik Group was awarded in “Sustainability Reporting” category with its 2018 Sustainability Report and in “Waste Management” category with its project where recycled PET bottles are used in washing machine tubs at the 2019 Sustainable Business Awards organized by Sustainability Academy.
- Arçelik Group was recognized as the Industry Leader in the Dow Jones Sustainability Index (DJSI) Household Durables Category and included in DJSI for the 3rd consecutive year.
- Arçelik Group was listed as “Industry Mover” in the 2019 Sustainability Yearbook based on the 2018 Corporate Sustainability Index.
- Arçelik Group has made the list in the FTSE4Good Emerging Markets Index since 2016.
- Arçelik Group received AAA, the highest score by the MSCI Sustainability Index since 2015.
- Arçelik Group was listed in the BIST Sustainability Index for the 6th consecutive time.
- Beko Thailand received 3Rs and 3Rs+ Awards for its good practices in waste management.
- The new Arctic Washing Machine Plant was granted with the LEED Platinum Certificate (Leadership in Energy and Environmental Design) by the American Green Building Council. With this certificate, the Arctic Washing Machine Plant has become the one and only plant in Romania with a LEED Platinum certificate.
- H2020 Bio4Self Project with the Techtextil Innovation Award and JEC Composites Innovation Award received the 2019 Global Bio Plastics Award at the European Bio Plastics Conference in Berlin.
- Arçelik was among the finalists at the 2019 Plastic Recycling Show Europe with Plastic Oven Components Produced with Waste Fishnets Project and Dryer Visual Parts From Recycled ABS Project.



CORPORATE GOVERNANCE

Corporate Governance

Focusing on creating shared values in line with a financially profitable business model that respects people and the environment, Arçelik structures its corporate governance principles around accountability, corporate responsibility, fairness, openness and transparency. Arçelik's enduring success lies in its approach to manage all its business activities based on these principles.

Corporate Responsibility

Corporate Social Responsibility Approach

Sustainable use of the earth’s limited resources is not only the responsibility of individuals, governments and nongovernmental organizations, but private companies as well. Arçelik carries out its activities with a view to leave a more livable world for future generations.

Fulfilling its responsibilities in “Sustainable Development”, having an environmental awareness and social sensitivity, and operating in full compliance with the laws, ethical standards and human rights constitute the “Corporate Social Responsibility” of the Company.

Drawing its strength from its corporate values and the principle, “I exist only if my country exists” created by the late Vehbi Koç, the founder of Arçelik, the Company strives to fulfill its responsibilities in cooperation with its employees and all its business partners.

Corporate Governance Approach

The Company’s corporate values, ethical approach, good governance philosophy and business ethics help guide its employees in fulfilling their responsibilities.

In line with international business standards, the Company focuses on four main principles in corporate governance, namely accountability, responsibility, openness, transparency and equality, which build trust between stakeholders and corporations, in conducting all its business activities in order to ensure the success and productivity of the Company in the long term.

Arçelik A.Ş. is well aware that the methodology for fulfilling the promises on trust and stabilization towards the Company’s shareholders and investors, in particular, can be achieved by sound corporate governance. The positive impacts of Company’s performance on “Corporate Governance Principles” can be observed clearly in meetings conducted with corporate investors. The company relies not only 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

The implementation of Corporate Governance Principles, which were issued by the Capital Markets Board (CMB) under Decision No. 35/835 rendered on July 4, 2003 and made public in July 2003, is particularly important for the creditworthiness and financial opportunities of publicly traded corporations. The said principles, which reveal the quality of corporate governance, have been adopted by the Company. The CMB Resolution No. 48/1588 dated December 10, 2004 requires companies that are traded in the Istanbul Stock Exchange (ISE) to include statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), starting with their 2004 annual reports. In accordance with the resolution in question, Arçelik A.Ş. set up an in-house team to examine the compliance with these principles, and as a result, information on Compliance with Corporate Governance has been included in its annual reports and on its website since 2004. The Corporate Governance Principles were revised pursuant to Corporate Governance Communique No. 11-17.1 of CMB, which was published in the Official Gazette on January 3, 2014.

In addition to complying fully with the obligatory principles set out in the Corporate Governance Communique No. 11-17.1, which is still in effect in 2019, the Company has complied with the majority of nonobligatory principles as well. Although the goal is to achieve full compliance with all nonobligatory principles, this is not yet achieved due to several reasons including the challenges encountered in the implementation of some principles, ongoing arguments both in Turkey and in other countries about compliance with specific principles, and the unsuitability of certain principles with regard to current structures of the market and the company. Studies are ongoing on the principles which are yet to be implemented. The Company plans to implement these principles after the completion of the administrative, legal and technical infrastructure studies in a manner that will contribute to the efficient governance of the company. Explained below are the comprehensive studies conducted within the scope of corporate governance principles of our company, and the principles with which compliance is yet to be ensured along with the conflicts of interest, if any, created by the noncompliance issue in question.

The studies conducted on Corporate Governance in 2019 are in compliance with the Capital Market Law and related regulations on the corporate governance principles of the CMB, and with the communiques issued in accordance with this Law. The necessary amendments to articles of association to comply with the New Turkish Commercial Code and Capital Market Law have been approved in our Ordinary General Assembly meeting held on March 28, 2013. Our board of directors and committees of the board of directors were selected in our 2019 Ordinary General Assembly meeting in compliance with the provisions of the Corporate Governance Communique. Independent membership candidates were elected and their names were publicly announced before the general assembly. The election was held in full compliance with the regulations. The Board of Directors’ Committees are efficiently conducting their operations. Remuneration Policy for Board of Directors and Senior Executives was reassessed and approved by the Ordinary General Assembly. Three weeks before the Ordinary General Assembly meeting held on March 19, 2019, we prepared the general assembly information sheet in which we provided the necessary information to our shareholders about privileged shares, voting rights, and organizational changes along with the resumes of nominees for Board Members, remuneration policy for Board of Directors and Senior Executives, associated party transactions and other required information. The information on all of our related activities was provided to the Board of Directors, and the decision to continue with the said activities was rendered with the approval of our independent board members. In addition, we reviewed the Company’s corporate website and annual report, and made the necessary changes to ensure full compliance with the principles.

In the forthcoming period, we will conduct any necessary studies by taking into account the improvements made in the legislation to ensure compliance with the principles.

The Company’s corporate governance rating by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) was 9.53 on a 10 point scale (95.35%) as publicly announced in our disclosure of material events on July 20, 2018. The rating was later updated by SAHA on July 19, 2019 to 9.58 on a 10 points scale (95.80%).

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. Below is the current distribution based on the four main topics:

Main Sections	2018 Rating	2019 Rating
Shareholders	9.52	9.51
Public Disclosure and Transparency	9.72	9.87
Stakeholders	9.91	9.95
Board of Directors	9.25	9.27
Total	9.53	9.58

The report issued by SAHA on the corporate governance rating is available on our Company’s website at www.arcelikas.com. In the report issued on July 19, 2019, SAHA described the factors affecting the change in the ratings as follows;

- The Operating Principles of the Committees under the Board of Directors
- Meeting attendance ratio of the Members of the Board of Directors
- Rate of Capacity Utilization

Our Company has been included in ISE (BIST) Corporate Governance Index since July 31, 2009.

Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of full compliance with Corporate Governance Principles. However, full compliance with some of the principles has not yet been achieved due to the challenges encountered in the implementation of some principles, ongoing arguments both in Turkey and in other countries about compliance with specific principles, and the unsuitability of certain principles with regard to current structures of the market and the company. For example,

- Concerning the principle no. 1.5.2; minority rights were not given to those that have less than one twentieth of the capital in the articles of association, however, the said minority rights were given within the framework of general regulations in the legislation.
- Concerning the principle no. 4.3.9; no target ratio or target time is determined for the female member ratio in the Board of Directors, and evaluations are still ongoing regarding the issue. Detailed information on this topic is provided in part 5.1.
- Concerning the principle no. 4.4.5; although the Company has processes in place on how to hold board of directors meetings, 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 aren't any restrictions for the members of the board of directors to handle other tasks apart from the company.
- Concerning the principle no. 4.5.5; the assignment of duties within the committees is performed in accordance with relevant regulations, taking into consideration the know-how and experience of our members of the board of directors. Only one independent member of the board of directors have been assigned to duty in two committees at once. 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 made to the members of the board of directors and managers with administrative responsibility are publicly disclosed in accordance with the general practices set out in our Ordinary General Assembly meeting and in the footnotes of our financial statements.

Full compliance with nonobligatory principles is not ensured and the Company is not subject to any conflicts of interest.

The 2019 Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF), prepared in accordance with Decision No. 2/49 of the CMB dated January 10, 2019 with the approval of our Company's Board of Directors are included in this report. The documents in question may be accessed via our Company's corporate governance page on the Public Disclosure Platform, (<https://www.kap.org.tr/tr/cgif/4028e4a240e95dc90140ed55b43900cf>).

Efforts to ensure full compliance with the corporate governance principles are ongoing, and a corporate governance action plan has been developed to focus on areas which 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 related to 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 İnancıl, Investor Relations Manager; under the coordination of Polat Şen, Assistant General Manager of Finance and Accounting. With the Decision of the Board rendered on March 28, 2019, Polat Şen was assigned as a member of the Corporate Governance Committee.

License certificates of the Investor Relations Department staff in 2019 are listed 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 İnancıl	Investor Relations Manager	-	-

Contact information of Investor Relations Department staff in 2019 is below:

Polat Şen Assistant General Manager - Finance and Accounting 0212 314 31 00 polat.sen@arcelik.com	Faik Bülent Alagöz Manager - Capital Market Regulation Compliance 0212 314 31 03 bulent.alagoz@arcelik.com
Hande Sarıdal Finance Director 0 212 314 31 85 hande.saridal@arcelik.com	Orkun İnancıl Manager-Investor Relations 0212 314 31 14 orkun.inancil@arcelik.com

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

Activities carried out in 2019 in order to provide detailed information to investors about the Company's operations are summarized in the table below:

Number of investor conferences and roadshows held in Turkey and abroad:	9
Number of interviews held with investors and analysts:	435
Number of teleconferences held organized for the disclosure of financial results as of the end of 2018 and the first 9 months of 2019:	4
Number of press meetings held organized in Turkey and abroad:	17

The major duties of the Investor Relations Department are:

- Keeping 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, which is considered a trade secret and is therefore confidential,
- Ensuring that the General Assembly meetings are held in accordance with the applicable legislation, articles of association and other internal regulations,
- Preparing documents to be used by shareholders during the General Assembly meeting,
- Keeping records of election results and ensuring that all reports related to election results 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 arranged by various organizations, and informing investors of these meetings,
- Providing information to analysts who conduct evaluations about the company,
- Responding to information requests made by academicians who carry out research on 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 the corporate website on statements which may affect the use of shareholders' rights,
- Filing material events disclosures through the Public Disclosure Platform (PDP) in accordance with the Capital Markets Board (CMB) Communiqué No. 11-15.1,
- Monitoring amendments made to the applicable legislation related to the Capital Market Law, and bringing these to the attention of relevant departments 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 the Investor Relations Department in 2019 was approved by the Corporate Governance Committee to be submitted to the Board of Directors on February 20, 2020.

2.2. Use of Shareholders' Rights to Obtain Information

The relevant legislation, articles of association and other internal regulations are applicable in the use of rights of shareholders and necessary measures 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 the Assistant General Manager of Finance and Accounting. The primary goal of the company is to ensure that shareholders exercise their right to obtain information in a fair and just manner. Furthermore, the Company allows its shareholders to exercise their rights to which they are entitled as partners, fully and on time.

The Company ensures that no discrimination among shareholders occurs in the use of their right to obtain and evaluate information. Each shareholder has the right to obtain and evaluate information.

The queries directed to the Investor Relations Unit, excluding undisclosed information that is considered confidential and trade secret, are responded via phone or in writing by obtaining information from the highest authority on the related subject. As explained in Part 3.1 of this report, the company website includes all the necessary information related to the use of shareholders' rights.

In an effort to extend the shareholders' rights to obtain information and enable them to exercise their rights correctly, up-to-date financial statements along with necessary information and documents are provided on the Company's website (www.arcelikas.com), available in English and Turkish. In the previous fiscal year, oral or written information requests submitted by shareholders have been responded without discrimination among shareholders in accordance with the Capital Markets Regulation.

Material event disclosures required to be submitted to the PDP along with financial statements and other company information are submitted digitally, bearing electronic signatures.

Although the Company's Articles of Association do not include any provisions regarding the right to demand the services of a private auditor as an individual right, section 438 of Turkish Commercial Code states that each shareholder may demand the general assembly to clarify certain matters, even when they are not in the agenda, through a special auditing process if necessary in terms of exercising the rights as shareholders, and if the right for obtaining or evaluating information had previously been exercised. The Company has yet to receive such a request. 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 the General Assembly meeting.

2.3. General Assembly Meetings

In order to ensure attendance of maximum number of shareholders, announcements for General Assembly meetings are made through all available means of communication, including electronic media, at least three weeks in advance. The Articles of Association of our Company are prepared accordingly.

In addition to the announcement of General Assembly meetings and other announcements and disclosures, which are required by the applicable legislation, the following matters are announced to our shareholders on the Company website:

- 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 to any management or business activities of the company or the company's subsidiaries and affiliates, which may affect any business activities carried out in the previous fiscal year or are planned for the upcoming fiscal year;
- c) Detailed information about the new nominees of the Board of Directors, and the reasons for the discharge, change or nomination of any members of the Board of Directors if the agenda of the General Assembly meeting includes these topics;
- d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for the inclusion of items on the agenda,
- e) The previous and current versions of the articles of association and the relevant decision of the Board of Directors if the agenda of the General Assembly meeting includes any amendments to the articles of association.

As part of the obligation stipulated in paragraph (c), information on the resumes of individuals to be nominated to the Board of Directors; their employment history for the past ten years and reasons for leaving their previous employment; the nature and prominence of their relationship with the company and its affiliates, and whether they can be considered as independent nominees, and information about the possible impact on the company if the nominees in question get elected as members of the Board of Directors.

All shares of the company's capital stock are registered shares. A fact sheet on the agenda items is prepared and disclosed to the public on the company's corporate website and PDP prior to the General Assembly meeting. General Assembly meetings are 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 the Company's Articles of Association.

The Company has held 1 Ordinary General Assembly meeting in 2019.

In the Ordinary General Assembly meeting held on Tuesday, March 19, 2019, the Company's operations in 2018 were discussed, and 59,069,834,647 shares (87.42%) out of 67,572,820,500 shares, which is the total of Company's capital, were represented both physically and digitally. The Company's shareholders (either in person or by proxy), stakeholders and members of the media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services attended the meeting as observers. In the General Assembly meetings, questions posed by shareholders are answered. If any question posed is not related to the agenda or is too complicated to answer during the meeting, the answers thereto are provided by the Investor Relations Unit in writing. No questions that require a response in writing was posed during the General Assembly meeting held on Tuesday, March 19, 2019.

- In accordance with the procedures set out in the relevant legislation along with the Articles of Association, the General Assembly meeting was announced at least three weeks prior in PDP, in the Turkish Trade Registry Gazette, on the company's corporate website, on the Electronic General Assembly System, and on e-company in an effort to reach the highest possible number of shareholders.
- All announcements comply with Corporate Governance Principles.
- The announcement date of the General Assembly meeting, 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 along with the amended version, if any, 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 misunderstanding. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Sample powers of attorney are posted on the company's corporate website for shareholders represented by proxy.
- Voting procedures are announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- In the General Assembly meeting held on Tuesday, March 19, 2019, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

General Assembly meetings are held by using the simplest and most cost effective method to avoid inequality among shareholders. The Company makes it easy for both its domestic and international shareholders to participate in General Assembly meetings.

In addition, all documents containing information about General Assembly meetings and the topics discussed in these meetings are translated into English for the convenience of the Company's foreign shareholders. The translated documents are then sent via the respective banks that handle the transactions for foreign shareholders, and are made available on the company's corporate website.

The company makes every effort to hold its General Assembly meetings at a location that is close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is selected according to the number of participants. The Ordinary General Assembly meeting was held on March 19, 2019 at the following address: "Divan İstanbul Elmadağ, Asker Ocağı Caddesi No: 1 34367 Şişli İstanbul". The location of the General Assembly meeting was easily accessible to all shareholders. Invitations to attend General Assembly meetings are issued by the Board of Directors in accordance with 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 announced in the PDP.

As per the provisions of CMB, it is obligatory to disclose financial statements to the public within 11 weeks after the end of the fiscal year. However, the Company usually discloses its financial statements much earlier. The financial statements for 2019 year-end were disclosed within the 6th week. Following the disclosure of financial results, preparations for the General Assembly meeting start and the meeting is held after the completion of required legal procedures. This year's General Assembly meeting will be held within three months after the end of the fiscal year. During General Assembly meetings, items on the agenda are conveyed to shareholders in detail in a clear and easy to understand manner; a proper environment for discussion is created where shareholders are provided with equal opportunities to express their opinions and pose questions. For the featured items on the agenda, related board members and other persons, and authorized persons and auditors who are responsible for preparing the financial statements participate in the General Assembly meeting in order to answer questions and provide any necessary information.

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

The General Assembly is provided with information on processes, if any, related to the permission acquired by shareholders having the governance control, members of Board of Directors, managers with the responsibility of administration and their spouses and first and second-degree relatives at the General Assembly to perform tasks within the Company's area of operation in line with sections 395 and 396 of Turkish Commercial Code. There were no transactions that might cause a conflict of interest between the mentioned persons and the publicly traded company and its subsidiaries under principle no. 1.3.6. of the Corporate Governance Communique in 2019.

Pursuant to section 415 (4) of the new Turkish Commercial Code No. 6102 and section 30 (1) 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 or to cast a 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.

In General Assembly meetings, votes of shareholders on agenda items are recorded in the minutes of meeting. Each agenda item is voted separately at the meeting. The General Assembly is conducted under the supervision of a Commissioner from the Ministry of Commerce.

The General Assembly is provided information about donations and aids made by the Company to foundations and associations for social relief as a separate agenda item. In the ordinary general assembly meeting held in 2019, information on the donations and aids made in 2018 was provided as a separate agenda item. The upper limit for donations in 2019 was determined as 0.2% (two per thousand) of last year's revenue and there has been no change in the donation policy.

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

2.4. Voting and Minority Rights

The voting procedures at General Assembly meetings are announced to shareholders at the beginning of the meeting. Activities that may complicate voting rights are avoided by the Company and all shareholders, including those residing abroad, are provided with the opportunity to exercise their voting rights in the most appropriate and convenient manner.

The Company's Articles of Association do not include any special voting privileges. Each share is entitled to one vote. No legal entity that is an affiliate of the Company is included among the Company's shareholders. The Articles of Association do not contain any provisions which prevent a non-shareholder from acting as a proxy in voting on behalf of a shareholder.

Shareholders representing the minority shares form the Management together with majority shareholders by their participating in General Assembly meetings. In 2019, our company has not received any criticisms or complaints concerning this issue. Minority rights are described in the Articles of Association as having less than one-twentieth of the capital.

2.5. Dividend Rights

Our dividend distribution policy, which was approved by the shareholders as the 6th Agenda item in the Ordinary General Assembly meeting held on March 27, 2014, reads:

"Our company performs dividend distribution in accordance with the provisions of the Turkish Commercial Code, Capital Market Regulations, Tax Regulations, other relevant legislation, and the section 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 one month after the General Assembly meeting, in which a decision on the date of distribution of dividends is rendered. The General

Assembly or Board of Directors (if so authorized) may decide on the 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 dividends in advance provided that it is authorized by the General Assembly, and that it complies with Capital Market Regulations."

The Company's dividend distribution policy 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 the TCC (Turkish Commercial Code) and CMB, within statutory time frames. Based on our financial statements for the fiscal year between January 1, 2019 and December 31, 2019, the Shareholders' Ordinary General Meeting held on March 19, 2019 resulted in the decision to withhold the distribution of dividends in 2019; to allocate as a reserve fund the current year profit of TRY 1,146,044,956.92, which was calculated in accordance with the Tax Procedure law records; and to transfer to retained earnings the net profit of TRY 855,841,911.90 shown in the financial statements prepared in accordance with the principles of TMSAITRS, all in an effort to increase our company's free cash flow, optimize our financial expenses, and strengthen our balance sheets in the existing high-interest rate environment.

2.6. Transfer of Shares

The Articles of Association do not include any provisions which prevent shareholders from transferring their shares or restrict the transfer of shares in any way. The CMB regulations are applicable in the takeover of the Company's registered shares traded in the stock market.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Content

The Company uses its corporate website (www. arcelikas.com) actively in order to communicate more effectively and rapidly, and to remain in communication with its shareholders in accordance with the CMB Principles. The information provided online 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 publicly disclosed as required by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification about the non-issuance of any privileged shares, the latest version of the company's Articles of Association along with the issue date and number of the Turkish Trade Registry Gazettes in which any amendments are published; material event disclosures, financial statements, annual reports, registration statements and IPO circulars, agenda items of the General Assembly meetings along with a list of attendants and meeting minutes, proxy voting form, dividend distribution policy, disclosure policy, company codes of conduct, and answers to frequently asked questions. The company website also contains related information dating back 5 years.

The company website is available in both Turkish and English in compliance with the content and design requirements set by the CMB 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 better service to its investors with its corporate website.

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

3.2. Annual Report

The Company Board of Directors prepares the company's detailed annual reports to ensure that the public is able to access complete and accurate information about the company's business activities as required by the Corporate Governance Principles.

In addition to the information required to be included by the applicable law and the Corporate Governance Principles, annual reports contain the following:

- a) Information on the positions held by members of the Board of Directors outside the company, which are listed in their resumes, and the statements of independence belonging to independent members,
- b) Information on the names of members of the Board of Directors committees, the frequency of meetings held and the tasks carried out,
- c) Information about corporate social responsibility activities of the company which have social and environmental consequences, and an impact on the social benefits enjoyed by employees and the vocational training they receive.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders are defined as third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by holding meetings or teleconferences. The Company is aware of the long-term benefits of working in cooperation with its stakeholders, and respects the rights of its stakeholders granted by applicable 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. The Audit Committee is tasked with responding to complaints received by the Company. The Internal Audit Department also responds to complaints and communicates them to the Audit Committee.

The audit committee determines the methods and criteria to be implemented regarding the review of the complaints received about the accounting and internal control system and independent audit of the Partnership, and handles any notifications submitted by partnership employees in relation to the partnership's accounting and independent audit procedures in compliance with the confidentiality policy.

The Company employees and nearly 3,000 dealers that form the dealership network of the Company in Turkey constitute the major stakeholders group that is in direct business relationship with the Company. The company regularly informs its employees through activities, communiques, circular letters, regulations and written notifications, and holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on business activities and campaigns, company policies, targets and recent economic developments, and to create a more effective system by listening to the dealers' problems and concerns.

In addition, we continuously work towards strengthening our collaboration with our 6000 direct and indirect suppliers, whom we consider a significant part of our supply chain and stakeholders, through the Technology and Innovation collaboration days, supplier days, supplier trainings, audits, visits, Arçelik corporate website and our supplier portal. As part of these efforts, we hold a general briefing about Arçelik's vision, strategy, business goals and prospective business activities along with the Company's expectations from its suppliers related to sustainability.

Employee relations are carried out through union representatives in accordance with the collective labour agreement. The Company is a member of the Metal Industrialists Union (MESS) and the blue-collar employees of the Company are members of the Turkish Metal Workers Union. The Collective Labour Agreement, which covers all unionized Arçelik employees and will remain in effect from Sunday, September 1, 2019 to Tuesday, August 31, 2021, was signed on Wednesday, January 29, 2020.

4.2. Stakeholders' Participation in the Company's Management

Through a recommendation system, call center, website, regular face-to-face meetings for both employees as internal customers and dealers as external customers, various mechanisms and models are in place to support the participation of stakeholders, including, in particular, the company employees and dealers, in the company's management activities in a manner that would not interrupt the operations of the company.

To encourage the participation of stakeholders in management activities, stakeholder demands determined through the tools like "recommendations and surveys" are taken into consideration in the operations of the company. The opinion and approval of the Labor Union are obtained before any changes are made regarding employee rights, working conditions and workplace environment, and the decisions in this regard are made collectively. The Company also encourages its dealers, who are in close contact with the company, to participate in the company's management activities by holding "Dealer Meetings".

The Company considers costumer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. The Company respects the confidentiality of customer and supplier data, which are considered as trade secrets. The customer satisfaction policy of the company described below is shared with stakeholders in writing, and all processes including the management process, are designed in accordance with this policy.

As Arçelik Pazarlama A.S. we have adopted a customer-oriented approach in which customer requests and suggestions for all of our brands we provide service to are easily communicated through various channels (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), and are collected in a single traceable, reportable, transparent and safe information pool. The records, in this regard, are handled and evaluated in compliance with the relevant legislation in an objective, fair and confidential manner in which processes are continuously monitored to ensure an exceptional customer experience. In line with this approach, all processes are integrated into the management system, and a self-monitoring structure is established, allowing management targets to be set based on this system.

Arçelik Customer Contact Center, which puts the customer in the center of all business processes, aims to provide its customers with the best service experience 24/7.

The main duty of the Customer Contact Center to transmit customer feedback related to the services / products of Arçelik brands to other units, and to contribute to the production of new products that will meet customer expectations.

Our call centers in Turkey continued to offer services to our brands in Germany and Austria and the hours of operation of the Contact Center were extended based on our customer-oriented approach in our global operations, which help us become a leading international service provider.

Since 2017, we have continued to measure the quality of service offered to our customers by our call center by utilizing the internationally-accepted NPS methodology.

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

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

We continue to serve our international and domestic customers through Asist Destek, Koç Finans and Arçelik IT HelpDesk operations. Our IT HelpDesk team provides support in Turkish and English 24/7 in 12 local and 17 overseas locations.

To ensure process optimization, the Customer Contact Center centralized several processes including request management, a move which resulted in maximum efficiency.

In an effort to ensure the same quality standard for each call we receive from our customers, the "Call Centralization" project was launched in 2019. In this sense, customer calls to all authorized service phone numbers are automatically diverted to our call center. Calls made to the phone numbers of our 259 authorized services (approximately 50%) were diverted to the call center in 2019. Centralization will be expanded to the whole of Turkey within 2020.

In 2019, the Scripting Project was launched via CRM. With this project, agents were provided with recommendations on how to speak to customers, which helped meet customer expectations with minimum mistakes. The project focuses on employee experience, resulting in shorter process times and product training programs. The Scripting Project focuses on providing training on the scope of the work, the philosophy behind the work and brand awareness, which will help increase customer satisfaction.

In 2019, we switched from the Contact Center to the Appointment Routing program and started to give appointments to all of our customers, which was a first in the history of Arçelik.

We continued to provide our dealers with uninterrupted assistance from our new lines with the introduction of our new 0850 and 0549 assistance support lines.

24/7 services are provided for our customers via WhatsApp and various social media platforms.

Our internal social media team started to monitor customer comments on platforms such as Ekşi Sözlük and others.

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 separate companies.

Our whole CRM and infrastructure system was changed, and 'Salesforce', our new CRM program, and 'Cisco', our new the infrastructure program, were activated.

Thanks to various process optimization efforts regarding our websites, brand e-mail addresses, draft mail contents, guidelines and online sales channel, and to adopting simpler customer request procedures and integrating 'Salesforce' into many different processes, the Customer Contact Center managed to provide better/faster customer service and to increase productivity.

The duration of the customer representative training program was reduced thanks to the changes made to the curriculum to employ more easy to understand methods.

As part of our project to turn customer complaints into customer satisfaction, our customers who filed complaints on our products or services were welcomed at our İstinye Park and other Omni experience stores to re-experience our brand. Every effort was made to offer our customers a unique experience to regain customer loyalty.

As part of the transition to Appointment Routing program, all our authorized service providers were offered support and coordination in the areas of Service, Region, project team and IT support.

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

Our managers and employees worked together with customer representatives to respond to calls as part of the "Call Center Day" activities carried out at various locations of the Contact Center for the purpose of helping each of our departments to experience firsthand the demands of our customers and to develop a customer-oriented perspective.

Our Live Chat channel and WhatsApp corporate support line were 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 "Best Customer Services", "Best Contact Center" and "Best Customer Loyalty Program" categories in 2017 in the CONTACT CENTER WORLD contest, which is considered as the OSCARS of the industry.

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

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

In line with the Company's "unique customer experience and reliable service" vision, the Customer Services Directorate operates in 81 provinces and 227 districts with 11,200 authorized service employees, 5,900 service technicians and a fleet of 5,100 service vehicles at 600 points of contact. In 2019, approximately 15 million service requests were met. A wide network of high-quality services supports loyalty to Arçelik brands.

General meetings are organized with the authorized services with the participation of 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 service providers.

The activities in 2019 were audited by the Turkish Standards Institute (TSE) and received the Customer-Friendly Organization and Customer-Friendly Brand certifications. As a result of the these audits, 42 Authorized Service providers of Arçelik were granted with the "Customer-Friendly Organization" (MDK) certification. In the second phase of project, "Arçelik" and "Beko" brands of Arçelik received the "Customer Friendly Brand" (MDM) certification as a result of inspections conducted in related departments. The business activities will be annually audited by independent auditors with a focus on sustainability.

The Customer Services Directorate focuses on providing the customers with a reliable service experience 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 dress code while on duty. Service units are designed and updated for greater comfort to provide customers with high-quality services. Services are provided by fully-trained technicians for products requiring expert level service.

Arçelik aims to increase the perceived quality and the quality of service through efforts on developing concept services. In this sense, new and welcoming product sales and service spaces were designed in an effort to create an innovative and strong image, and to increase the level of customer satisfaction. Arçelik designed fully-equipped kitchens at concept service locations to allow customers to have direct experience with the products and to receive one-on-one instruction from expert technicians on how to use the products.

Based upon our concept services, our service units are designed and updated for greater comfort to provide the customers with high-quality service. In order to enhance the quality of service offered to customers, we have set up in service stations welcoming registration areas, customer experience areas, small domestic appliance repair/registration areas, accessory stands, lounges, signboards, signalization and personnel ID tags.

With the service-provider-on-duty practice, Arçelik Customer Care makes a difference by working on weekends and statutory holidays. These authorized services also work until late hours on weekdays. The service providers on duty provide services until late hours during the week in order to ensure ease of service for working customers. Arçelik Customer Services Directorate, which aims to improve the processes by ensuring a more effective service at every point of contact that enables our customers to reach our company, continuously develops and updates its technological infrastructure for this purpose and monitors the service steps offered to customers. With the ROTAM project launched for this purpose, the Company aims to ensure the assignment of appointments through all channels, and an effective and efficient management of the workforce and route optimization. Customers who reach the Call Center can schedule their own appointment times using the advanced digital system. Thanks to the new generation appointment application system, Arçelik also contributes to the time scheduling of customers. Arçelik Authorized Services assigns appointments with 2-hour intervals in line with the initiatives of the customers thanks to the ROTAM project. The service time intervals are also notified to the customers via SMS.

Changes were made in the product exchange process and organization, and the process was centralized to ensure the implementation of optimal and standard practices. Exchanges are approved and controlled by a central unit. A project was initiated and several teams were formed to ensure a shorter product exchange experience for customers. This resulted in 18% shorter processing times compared to previous years. Arçelik customers can receive information on assigned technicians via SMS using the Find My Technician App as well as map locations through a link. A photo of the technician is sent to the customer to allow the customer to recognize the specific technician assigned with the task. SMS reminders are sent to the customer on the time of appointment along with a link that provides information on the location of the technician and estimated time of arrival. Basic information on the contact number and the

appointment are shared with the customer through this app. The app, which supports Arçelik's service motto "on time as promised, first time fix, with expert technicians", was made available all across Turkey in December 2019.

The "Assistant Technician" system, which dispatches service technicians online to ensure that the problems are solved swiftly and with a single visit, has been implemented. Information is shared with customers via SMS for tracking the movement of products and parts while the customer response process is ongoing. This means added value for customers by providing accurate information in a timely manner.

If requested by the customer, authorized service locations offer additional warranty as well as various term options.

11 million receipts are issued by Authorized Services for the services provided by our customers within the scope of the warranty. All of these receipts were checked and approved by Data Control Teams managed by 12 Regional Directorates throughout Turkey affiliated with Customer Services Directorate. After system improvements and automation procedures, Data Control Teams now operate centrally under the same roof. The calibration in this structure resulted in a 67% increase in efficiency.

Technical assistance services are provided for 27,500 models of products that have been sold in Turkey over the years. After-sales services are certified with ISO 10002 Customer Satisfaction Quality Management System Certificate. The quality of services provided to customers is regularly measured by using the Net Promoter Score (NPS) method. As a result, corrective and preventive actions are taken based on feedbacks.

The technical staff members of the authorized services are trained and certified by the Technical Training Department (Service Academy). In 2019, a total of 350,000 person-hours of training were provided for 11,200 authorized service employees. In addition to hands-on training methods and training modules based on personal evaluations, individual-based training management system was employed in line with new training technologies. With improved remote training methods, we were able to ensure both efficiency and continuity in training programs offered.

Arçelik focuses on reinforcing the connection between professional training and employment. In line with this approach, the Company developed "Arçelik Electrical Household Appliances Technical Service Program" to equip workers with knowledge on the most recent developments and emerging technologies in Turkish electrical household appliance industry. For this purpose, the Company has implemented an industry-first program in Turkey in the Electrical Household Appliances Technical Service Staff category for establishing and maintaining training-employment relationship. The program aims to provide training to students at Arçelik Laboratories to allow them to work as major appliance and air conditioner technicians.

Within the scope of the program implemented in collaboration with the Ministry of Education and Professional and Technical Education General Directorate, Arçelik Laboratories are equipped with state-of-the-art measuring devices and other equipment used in technical services offered for electrical household appliances. The first phase of the program was completed from 2011 to 2014 and the second phase covers 2015 to 2019. The program started with 4 vocational schools in the 2011-2012 academic year, and expanded to nine vocational schools in Istanbul, Diyarbakir, Trabzon, İzmir, Ankara, Bursa and Tatvan in the 2015-2016 academic year.

The number of 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 the 2018-2019 academic year, a total of 239 students were attending the program, including 100 grade 11 and 139 grade 12 students. At the end of the 2017-2018 academic year, the total number of graduates reached 1,076 and 116 students were recruited by Arçelik Authorized Services based on their requests. The teacher and student training programs offered as part of the program are carried out by Arçelik Marketing Transformation & Customer Experience Directorate and Customer Services Technical Training - Turkey (Service Academy) unit within the scope of Arçelik Service Academy Training Program. At Arçelik Electrical Household Appliances Technical Service department, 65 technical trainers have provided 21,280 person-hours of technical training at Arçelik Turkey Service Academy since 2011. The training programs will continue as needed.

Arçelik Service Academy received the gold medal in the Best Technical Education Program category and the bronze medal in the Best Education & Development Strategy category at the international The Stevies Best Employers Prize Program.

At Arçelik Pazarlama A.Ş. Spare Parts Department;

- We covered a distance of 4,800,000 km to reach the service locations.
- We have one of the largest warehouses in the sector with a total area of 73,000 m2, of which 62,000 m2 is for central and 11,000 m2 is for regional use.
- A total of 20,319,247 materials were dispatched in 2018.
- A total of 23,102 vehicles were dispatched in 9 months in 2019.
- Customer satisfaction was ensured by increasing the number of service shipments to 6 times per week in Istanbul and 3 times per week in Western Thrace and Western Black Sea regions.

We schedule the delivery of spare parts to our domestic and international customers based on their specific needs in the shortest time possible thanks to our sensitive logistics operations.

Focusing our efforts on efficiency in Stock and Logistics management, we carry out customer-oriented processes with the support of the most suitable software.

By utilizing the most recent production technologies, we work towards providing our customers with difficult-to-obtain and obsolete materials that can be produced using 3D technology.

By actively using digital communication channels with authorized service providers, we make any required improvements and respond promptly to problems on site. We inform our suppliers about the feedback received based on our sustainable order management principles.

All our employees participate in these processes in line with our principles on customer satisfaction, productivity and continuous improvement. For this purpose, scheduled training programs are offered to employees in their respective fields.

4.3. Human Resources Policy

Arçelik implements globally-accepted principles and strives to achieve the goal of ensuring continued success and transmitting its sustainable values to future generations. Our shared objectives in line with the vision "Respects the Globe, Respected Globally" aim to help us conduct our business with integrity, to create a working environment without any discrimination or unfair treatment, and to ensure that individuals from different backgrounds, cultures and perspectives work together to develop new ideas and solutions towards creating a reliable and sustainable global value chain.

Established in accordance with the Company strategies, shared values and codes of conduct, the Human Resources Policy of Arçelik A.Ş. was documented and shared with the employees of our local and foreign affiliates. The Director of Human Resources is responsible for establishing and implementing the principles of the company's human resources policy, managing employee relations and implementing the human rights principles.

Arçelik A.Ş. recruits talents based on specific criteria. Designed for this purpose, the Arçelik Leadership Profile, which includes 'Grow', 'Respect' and 'Lead' skills, is described below:



Explained below are our fundamental principles which inspire our Human Resources Policy. We carry out our activities in Human Resources in line with these principles:

- There is a global/local balance in human resources systems and practices. As an international company, we respect the laws, practices and requirements of each country. If there is a conflict between our Human Resources policies and the local legislation of a country, the provisions of the local legislation of the related country will prevail.
- The Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and responds to future needs in addition to current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and require the company to avoid any discrimination and to 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 no formal employee complaints regarding the existence of any discrimination have ever 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 potential discrimination and physical, mental and emotional abuse in the workplace.

- All human resources practices are implemented based on fairness, consistency and reliability. In line with this principle, job descriptions, salaries, performance and reward system criteria 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. In line with its organizational competence requirements, Arçelik A.Ş. develops training programs to meet the needs of all hourly and salaried employees, and offers these training programs to employees on their first day on the job. Within the scope of the training process, which begins with orientation, functional competencies are improved/supported with theoretical and technical training programs while social skills are developed/supported with skill-building activities. These programs are offered globally through online training platforms.
- Career planning for employees are made in accordance with their specific knowledge, skills and capabilities. Annual human resources planning meetings are held in order to identify critical positions and potential employees that would carry the company to the future, and the performance of potential employees is monitored in order to support their development and get them ready for their possible future roles. There are succession plans in place for all management positions and potential employees are included in these plans. This helps us train the right candidates to managerial positions and prevent any interruptions in the corporate management system in case of any possible changes in these positions. In 2019, 8% of our employees have completed the rotation, assignment and promotion processes.
- For the purpose of continuously improving Human Resources Standards, Human Resources Practices are revised systematically and regularly, and Human Resources processes are re-structured based on the latest developments and the feedback received.
- At Arçelik A.Ş., opinions of the relevant workers union are obtained and mutual understanding is ensured before any decisions are made regarding the human resources policy changes and system revisions intended for unionized employees. All unionized employees of the Company are informed of the changes.
- Personal information of the employees is kept confidential in accordance with the legislation. Aiming to meet current and future business needs in employee recruitment and placement processes, Arçelik A.Ş. offers equal opportunities in line with its ethical principles to all candidates with appropriate education, knowledge, skills, competence and experience.

The 2019 year-end total number of employees in Turkey and abroad is stated in the table below.

Number of Employees At The End Of 2019	Total
Turkey	16,411
International	15,123
Total Arçelik Group	31,534

The average length of service and age of employees in Turkey is 9.6 years and 35.8 years, respectively.

With the training and development processes, the Company aims to improve its performance by working effortlessly in line with the company's vision and business targets. The Company aims to utilize its internal resources in an efficient and effective way to meet the current and future needs of the employees regarding their career development.

In 2019, our employees received 569,585 hours of training. The average duration of training per person was 51 hours for salaried employees and 28.2 hours for hourly employees, with an average of 33.6 hours in total.

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

Aiming to increase employee motivation, commitment and productivity, Arçelik A.Ş. evaluates, rewards, recognizes and promotes any and all successful works, inventions and/or suggestions that would benefit the Company, and encourages the best practices and critical behaviors in this respect. In line with its business approach, the company establishes a fair employment policy, regulations and competitive understanding in compensation management.

With the awareness that commitment to work is one of the factors that determine happiness in professional life, Arçelik continues to hold online surveys once a year in Turkey and twice a year in other countries. 90% of the Arçelik employees participated in the Employee Loyalty Survey conducted in 2019. The result of the general loyalty index was 69% which has been the highest result achieved in the last five years. Based on the survey results, the Company continued its beneficial practices that were started in previous years, and developed projects to improve these business practices further.

Employee and manager discussions called 'Improvement Dialogues' were held and many activities designed for the families of the employees were organized. The high-school students in families were provided with the Seize the Future @ training in programming, and Arçelik Career Days were organized to help young students choose a career path under the guidance of experts and engineers. The biennial family activities, attended by all employees with their families, were organized this year as well. Arçelik held family-oriented activities to help hourly employees socialize and support the perception of value among employees, and held various seminars in several facilities throughout the year.

The Company organized Technology Days for its employees to visit other facilities to ensure knowledge-sharing among the technology group, and provide on-site evaluation and feasibility assessment of technological applications. The Technical Academy was established to prepare technicians for the future, and advanced and extensive improvement programs were offered to firmly ensure the continuity of the expertise-based organization.

Arçelik supports female employees through the Women Impact program. Arçelik designs many activities in order to strengthen the role of women in business life, support female employees throughout their careers, increase employment rates and reinforce the relations and support system among female employees of Arçelik. In this context, the "She Mate" mentorship program was launched to help women adapt to the workplace after coming back to work from maternity leave. Arçelik also launched Women in Leadership and Integral Leadership special development programs to support the leadership development of female employees, and continued these activities in 2019.

"Gender Embedded in Language and Behaviors" workshops and seminars were held in all locations to raise awareness for the phrases that result in gender discrimination embedded in language and behaviors.

Kizcode Program designed for Arçelik employees' children aged 11 to 15, has offered training programs in coding and animation. The program aims to help girls gain a wider perspective on technology and digitalization, discover their talents, and bring their projects to life on various platforms.

The father support program aims to strengthen family communication. Trainings sessions were held to minimize sexist 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 focuses on maintaining the peaceful working environment created on the basis of mutual trust between its employees and unions and by respecting the applicable laws and collective bargaining agreements. The Company takes into account the local conditions, customs and practices, which are specific to the regions and countries in which it operates, in order to maintain the peaceful working environment created, despite the fact that these local conditions, customs and practices are usually not included in the agreements into which the company has entered.

With its Industrial Relations Policy, the Company treats labor unions as social stakeholders rather than adversaries. Therefore, the Company focuses on establishing a good relationship with labor unions and acting in concert with them. Providing better working conditions for the social stakeholders is an important goal of the Company. In addition to complying with all relevant regulations, the Company ensures the inclusion of specific clauses on better working conditions, occupational health and safety, maternity, survivor, education and marriage grants in collective bargaining agreements, and focuses on the implementation of these clauses.

Listed below are the benefits provided to all unionized and nonunionized Arçelik A.Ş. employees in Turkey in accordance with the relevant provisions of the Collective Labor Agreement in order to ensure a peaceful working environment and employee loyalty:

- 4 bonus payments every year,
- Fuel allowance,
- "Leave allowance" before annual leaves,
- "Special allowance" before religious holidays,
- Monthly childcare allowance,
- Individual financial assistance including childbirth, marriage, funeral, military service and education allowance.
- Social leaves include the following: Marriage Leave, Funeral Leave, Maternity Leave, Natural Disaster Leave.
- Transportation and daily food allowances, which are offered in-kind,
- Complementary Health Insurance,
- Annual leave entitlements are specified under collective bargaining agreements. All unionized and nonunionized employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of unionized employees are determined based on the type of work they perform according to the collective bargaining agreement.

The Collective Labor Agreement, which will remain in effect from September 1, 2019 to August 31, 2021, was signed on January 29, 2020 between the Turkish Metal Workers Union and the Turkish Metal Industrialists Union (MESS), of which we are a member.

Occupational Health and Safety (OHS)

Our late founder Vehbi Koç's motto "Our most important asset is our human resources" is one of the fundamental principles of Arçelik's corporate vision. Protecting the health and ensuring the safety of our employees and visitors in our facilities are among our most important priorities. We manage our OHS efforts in accordance with the requirements of the relevant legislation and the Arçelik OHS Policy, with a special focus on continuous improvement.

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 the occupational health and safety management system based on continuous improvement. We aim to:

- Analyze and minimize the occupational health and safety risks in the workplace,
- Provide training programs to raise and increase awareness on occupational health and safety issues,
- Take measures to achieve a zero work accident rate and a zero occupational disease rate, and to increase productivity as part of our Quality and Environmental Management Systems. We strive to set an example in the durable goods sector with our efforts in occupational health and safety.

In accordance with our OHS Policy, OHS issues are included in the business targets set by relevant departments and employees, and monitored throughout the year thanks to our performance management system. The annual Arçelik Occupational Health and Safety Action Plan, which focuses on specific topics along with the projects designed in relation to those topics, ensures compliance with the relevant legislation to prevent potential occupational accidents and health problems.

In 2019, the Accident Frequency Rate, which indicates the frequency of occupational accidents based on the total actual working time, was recorded as 1.45 with a decrease of 51 %, and the Accident Severity Rate, which indicates the loss of working days due to occupational accidents based on the total actual working time, was recorded as 0.035 with a decrease of 30%.

Arçelik supports its employees in establishing ongoing communication related to OHS both with each other and with their managers, and provides guidance on OHS issues.

Aiming to achieve "zero work accident rates and zero occupational disease rates" for all its employees, Arçelik uses various methods and tools to prevent work accidents and occupational diseases, including engineering solutions such as security and automation systems developed to prevent accidents and diseases in the design and planning stages; health checks performed on its employees before and after recruitment, and personal protective equipment.

In 2019, a total of 141,865 person-hours of training on legislative requirements and technical issues was provided by occupational safety specialists and occupational physicians in all Arçelik facilities.

Arçelik's General Directorate and all Arçelik production facilities received their first global management system certificate following the inspections of ISO 45001 Occupational Health and Safety Management System Standard carried out in our national and international locations in 2019.

The Front Wall and Back Cover Lean Manufacturing and Accident Prevention Project used in the Washing Machine Operations in 2019, received an award in the "Golden Proposal" category by the Turkish Metal Industrialists Union (MESS) in the MESS ISG Contest, which recognizes the most successful occupational health and safety practices.

4.4. Code of Conduct and Social Responsibility

The company aims to ensure customer satisfaction, offer world-class products and services by using natural resources efficiently, and thus contribute to economic and social development. In addition, the company strives to be a global role model for credibility, continuity and respectability for all its stakeholders, namely its customers, shareholders, employees, suppliers, dealers and authorized service providers.

We adopt as our guiding principles the following standards established by Vehbi Koç, the founder of Koç Group:

- Our Customers are the focus in everything we do,
- Our fundamental goal is to always be the best,
- Our most important capital is our human resources,

- Our goal is to create wealth for continuous development,
- We strive to strengthen the 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 Global Occupational Ethics Principles and other relevant policies on the above-mentioned principles in order to help guide its employees and other representatives of the Company in their decision making process and business activities.

In 2019, Arçelik A.Ş. Ethical Conduct Rules and Application Principles were updated based on the developing and growing structure of Arçelik A.Ş., and became Global Occupational Ethics Principles and Relevant Policies. With our Global Occupational Ethics Program, various channels were created to report potential violations to be evaluated by the Law and Compliance Directorate via the ethics line in our production countries, and via electronic mail and web in all other countries. By means of these channels, it will be possible to report the actions that do not comply with the aforementioned Compliance Program of Arçelik. As Arçelik A.Ş. we undertake to handle all reports confidentially and protect the identity of those who report the violations.

In order to fully comply with the Global Occupational Ethics Principles, Arçelik designed a training program that includes all its employees. Our CEO leads the re-organized Global Ethics Committee, which shows that the approach of the senior management is directly associated with our ethical culture.

Arçelik A.Ş. complies with the human rights and employee rights directives set forth by international initiatives to which the Company is a voluntary member. The Company ensures that its approach and practices 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 to its stakeholders its performance in this area in its annual and sustainability reports.

According to our updated Occupational Ethics Principles, Arçelik undertakes to act in compliance with the United Nations Global Principles Agreement, OECD Multinational Corporations General Principles and the Universal Declaration of Human Rights, regardless of whether these principles are adopted in the countries in which it operates.

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 idea 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 our employees with a non-discriminating and fair working environment where employees have equal opportunities, there is mutual trust and respect for human rights, and where a merit-based payment and additional benefits policy is implemented and our employees' right to organize unions and engage in collective bargaining is ensured.

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-discriminating work environment and prevent “Child Labor and Forced Labor” in line with the labor legislation in addition to our own internal policies. We take due care to ensure that the policies applicable to the Company also apply to the relationship with 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 strengthen and increase its reputation and corporate structure. All of our employees and business partners, including our temporary employees, are required to comply with the Global Occupational Ethics Principles and Relevant Policies. Our Global Occupational Ethics Principles and Relevant Policies are available to the public on our website.

A copy of our Global Occupational Ethics Principles and Relevant Policies are provided to Arçelik A.Ş. employees in exchange for their signature on their first day on the job. In addition, training sessions on Arçelik's Global Occupational Ethics Principles and relevant Policies are offered to all our newly hired employees, and their progress in this regard is monitored regularly.

We attach great importance to the rules of conduct based on the basic principles set forth by Vehbi Koç, the founder of Koç Group, to maintain the continuity of the system. Arçelik A.Ş. Global Ethics Committee oversees the implementation of the Global Occupational Ethics Principles and relevant Policies. The Global Ethics Committee consists of the CEO (Chairman), CFO, Law and Compliance Director, Human Resources Director and relevant Assistant General Managers. The Director of Human Resources 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 Global Occupational Ethics Principles and relevant Policies to all employees, to ensure that the employees

focus on the importance on those policies, and to ensure that the all employees act in compliance with the principles at all times.

Occupational Ethics Principles shape the activities of Arçelik on the global arena. Therefore, our daily compliance with the Global Occupational Ethics Principles and relevant Policies is under the responsibility of the country manager of each regional location, which includes all commercial and functional activities in the respective regions. Our company CEO is responsible for the overall operation and management regarding compliance issues. “The Responsibility of the CEO” applies to all Global Occupational Ethics Principles and relevant Policies. All group companies, operations and all department managers are required to comply with these rules.

All stakeholders are expected to comply with the Global Occupational Ethics Principles and relevant Policies.

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 ensures the signing companies to achieve a sustainable performance concerning working conditions and environmental laws and standards, which are regulated by national laws and international conventions.

Furthermore, the Company has its production facilities audited by independent audit firms as part of a program based on the criteria set by the BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Organizations, which are widely accepted in the EU. The company receives compliance reports at the end 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 for both production and non-production related activities while at the same time developing and manufacturing innovative products. In line with the Global Occupational Ethics Principles, the Company undertakes to comply with and set as the minimum standard the national and international legal requirements intended for the protection of the environment and human health. The company regularly offers training programs for its employees to raise awareness on the protection of environment and natural resources, and combatting climate change. The Company carries out projects with various Public and Non-Governmental Organizations in Turkey to raise public awareness, and continues to support existing projects and efforts in this regard.

The Company manages various different projects in the countries it operates in the areas of education, environment, responsible consumption, healthy nutrition, sports, gender equality, digitalization and access to technology, culture and arts to support social development. Acting with corporate citizenship awareness, the Company provides the sustainability of these projects thanks to the voluntary support provided by its employees, dealers and other business partners. The policies and projects implemented by the Company are explained in detail in the “Social Responsibility” section of the Annual Report.

The Company is gradually expanding its global presence in line with its business vision. Conscious of its responsibilities in this regard, the Company continues to improve by integrating sustainability into its business processes. The Company's aim with regard to sustainability is to focus on the social, economic, environmental and ethical dimension of its operations, and to integrate these into its corporate business targets, along with managing its operations in accordance with the sustainability principles set out in corporate policies and strategies. The company evaluates the risks and opportunities regarding sustainability and considers the expectations of its domestic and international shareholders as an important input for its operations.

Established with the purpose of setting out corporate sustainability and climate change policies and strategies, and ensuring their integration with the company's business processes and the monitoring of its sustainability performance, the Sustainability Committee is responsible for managing sustainability issues. Members of the Committee, with the participation of the Senior Management of Arçelik, control and coordinate the sustainability activities in their respective fields and chair the Sustainability Working Groups. Consisting of managers and experts in the field, the Sustainability Working Groups are responsible for implementing the decisions rendered by the Sustainability Committee and reporting the performance and developments in their field to the Committee. Sustainability Working Groups are led by the Sustainability and Formal Relations Director. 8 separate working groups were established to ensure the implementation of the Sustainability Committee decisions and to report related developments, including the 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. Arçelik ensures that the decisions rendered regarding climate change by the Sustainability Committee, which was established with the purpose of setting out corporate sustainability and

climate change policies and strategies, and ensuring their integration with the company's business processes and the monitoring of its the sustainability performance, and the Climate Change Coordination Committee working under this Committee are implemented and expanded.

The Sustainability Committee reports the issues it considers important to the Board of Directors. In 2017, Koç Holding A.Ş. Head of Durable Consumer Goods Group Fatih Kemal Ebiçlioğlu, a member of the Board of Directors, was tasked with informing the Board on the sustainability activities of the company. In 2019, Koç Holding Head of Durable Consumer Goods Group Fatih Kemal Ebiçlioğlu and Arçelik Sustainability and Formal Relations Director Fatih Özkadı were tasked with reporting to the Board the activities of the Sustainability Working Group.

For the purpose of sharing information with its shareholders about the Company's priorities, practices and business results in sustainability in an efficient and transparent way, Arçelik has published a “Sustainability Report” in accordance with Global Reporting Initiative (GRI) standards annually since 2008. Arçelik 2018 Sustainability Report, prepared in accordance with the GRI Standards Core option, includes information on the company's activities on ethics and compliance system, shareholder management, employee rights and talent management, responsible production and consumption, R&D and innovation, sustainability management in the value chain, social gender equality, training programs and other social development issues. The Company's efforts regarding the climate change crisis are explained in the Annual Report's “Environmental Approach to Products and Production” section.

Arçelik A.Ş. is listed in Borsa Istanbul (BIST) Sustainability Index created on November 4, 2014. Arçelik's Annual Report and Sustainability Report are available to the public on the company website at www.arcelikas.com.

SECTION V: BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the 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	19.03.2019	1 year	Chairman of the Board, Chairman of the Executive Committee	Board Membership for Group and Non-group Companies
Ömer M. Koç	Deputy Chairman	Not Independent Member	19.03.2019	1 year	Deputy Chairman of the Board, Member of the Executive Committee	Board Membership for Group Companies
Semahat S. Arsel	Member	Not Independent Member	19.03.2019	1 year	Board Member, Member of the Executive Committee	Board Membership for Group Companies
Ali Y. Koç	Member	Not Independent Member	19.03.2019	1 year	Board Member, Member of the Executive Committee	Board Membership for Group Companies
Levent Çakıroğlu	Member	Not Independent Member	19.03.2019	1 year	Board Member, Member of the Corporate Governance Committee	Board Membership for Group Companies
Robert Sonman	Member	Not Independent Member	19.03.2019	1 year	Board Member	Board Membership for Non-group Companies
Fatih K. Ebiçlioğlu	Member	Not Independent Member	19.03.2019	1 year	Board Member, Member of the Risk Management Committee	Board Membership for Group Companies
Hakan H. Bulgurlu	Member, General Manager	Not Independent Member	19.03.2019	1 year	Board Member	Board Membership for Group Companies
K. Ömer Bozer	Member	Independent Member	19.03.2019	1 year	Board Member, Committee Chairman Responsible for Audits	Board Membership for Group and Non-Group Companies
M.M. Gülay Barbarosoğlu	Member	Independent Member	19.03.2019	1 year	Board Member, Chairman of the Risk Management Committee	
M. Cem Kozlu	Member	Independent Member	19.03.2019	1 year	Board Member	Board Membership for Group and Non-Group Companies
Ahmet Turul	Member	Independent Member	19.03.2019	1 year	Board Member, Chairman of the Corporate Governance Committee, Member of the Committee Responsible for Audits	Board Membership for Non-group Companies

The table above contains information on the non-executive Board Members with the exception of Mr. Hakan Hamdi Bulgurlu, General Manager, as defined by the CMB Corporate Governance Principles.

Pursuant to the Articles of Association, the activities of the Company are carried out by the Board of Directors which consists of at least five members to be elected by the General Assembly in accordance with the Turkish Commercial Code and the Capital Markets Board regulations. According to the decision rendered in the General Assembly meeting held on March 19, 2019, the Board of Directors will be composed of 12 members, including 4 independent members.

In accordance with the provisions stipulated in section 4.3 of the Capital Markets Board’s Corporate Governance Principles regarding the Structure of the Board of

Directors, necessary amendments in the Articles of Association were made by the General Assembly on March 29, 2012 to allow the inclusion of independent members in the Board of Directors.

The Board Members are elected based on their efficient and constructive efforts, and their ability to make quick and rational decisions, and to organize the activities of the committees effectively.

In accordance with sections 395 and 396 of the Turkish Commercial Code, the approval of the General Assembly was obtained on March 19, 2019, allowing Board Members to carry out on their own or on behalf of others the activities that are included in the company’s field of activity, or to partner with other companies that carry out such activities.

The tasks of Board Chairman and General Manager are performed by two different persons. The Company ensures that the Board Members spend sufficient amount of time on the Company’s activities; however there are no requirements that restrict the members from performing other tasks outside of the Company. As the business experience and sector specific knowledge of independent members make a significant contribution to the Board of Directors, no such restriction is deemed necessary. Prior to the General Assembly meeting, information about the personal background and previous positions of the members is shared with the shareholders. The Annual Report includes the resumes of Board Members, General Manager and Assistant General Managers.

The tasks of the Candidate Nomination Committee and the Compensation Committee are carried out by the Corporate Governance Committee in our company. The names of four independent member nominees were submitted to the Corporate Governance Committee during the General Assembly meeting held on March 19, 2019. The statements of independence and resumes of these member nominees were reviewed, and with the decisions rendered by the Corporate Governance Committee and the Board of Directors on January 15, 2019 and January 16, 2019, respectively, all the member nominees were announced as independent nominees. With the approval of the Capital Market Board issued on February 4, 2019, the 4 independent member nominees (Kâmil Ömer Bozer, Müzeyyen Münire Gülay Barbarosoğlu, Mehmet Cem Kozlu and Ahmet Turul) were elected to serve as independent members of the Board of Directors for 1 year by the General Assembly on March 19, 2019. There were no circumstances in 2019 that would require the ‘independent member’ title of these elected members to be removed.

Following the General Assembly meeting held on March 19, 2019 in which Members of the Board of Directors were elected, the Chairman and Vice Chairman of the Board of Directors were assigned to their positions.

All the members of the Board of Directors have extensive professional experience in the sector. The company is expected to benefit from the high level of diverse knowledge and experience possessed by the members of the Board of Directors. Members of the Board of Directors are able share and express their opinions freely without any influence.

We believe that ensuring the diversity of knowledge, experience and opinion in the Board of Directors will make positive a contribution to the efficient operation of the Board of Directors and to our business activities. We are working towards determining a target ratio for the number of female board members to ensure that different opinions are represented in the Board of Directors.

Ms. Semahat Sevim Arsel and Ms. Müzeyyen Münire Gülay Barbarosoğlu are currently the 2 female members of our Board of Directors, and the ratio of the female members of our Board is 17%.

5.2. Operating Principles of Activity of the Board of Directors

The Board of Directors holds meetings as and when required by the Company. The Board of Directors held 4 actual meetings in 2019 with an attendance rate of 97.92%, and 30 separate decisions were rendered by the Board of Directors throughout the year. Independent board members have approved all of these decisions. Different opinions expressed in the meetings of Board of Directors and reasons for the counter votes, if any, are recorded. Detailed information about the reasons for the counter votes is disclosed to the public. Each member of the Board of Directors is entitled to one vote. In the Board of Directors meetings held in 2019, no disclosures on this matter have been made to public as there were no counter votes or different opinions expressed.

The agenda of the Board of Directors is determined by informing the Company’s Senior management and the Board Members by related departments about the matters that require a decision from the Board of Directors pursuant to the relevant legislation. The agenda may also include matters with high importance that are brought to the attention of the senior management by the board members. The matters to be discussed in the Board of Directors meetings are gathered and consolidated by the office of the Assistant General Manager of Finance and Accounting before being put on the agenda.

Arçelik A.Ş. Finance and Accounting Assistant General Manager is tasked with determining the agenda of Board of Directors’ Meetings, issuing resolutions of the Board of Directors, informing the Board Members, and facilitating the communication.

The meetings of the Board of Directors are held in the Company’s head office, or in another suitable place in the city in which the head office is located. Important decisions of the Board of Directors are announced to the public by the Public Disclosure Platform (PDP) and are posted on the company website in both Turkish and English.

The Company works with subsidiaries and affiliate companies. As we believe that it would benefit the Company to have the Board Members participate in the management of these companies, there are no restrictions regarding this matter.

The provisions regarding the company's Board of Directors are clearly stated in the Articles of Association. Detailed information about the signing authority is included in the Company's signatory circular.

The Board of Directors has a leading role in maintaining efficient communication between the company and its shareholders, and resolving any disputes that may arise. For this purpose, the Board of Directors works in close cooperation with the Corporate Governance Committee and the Investor Relations Unit.

"Manager Liability Insurance" is available for the members of the Board of Directors and senior managers of our company.

The Board of Directors oversees the Company's activities and evaluates any possible conflicts of interest along with the potential impact of such conflicts on the Company, and takes the necessary 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 assesses potential risks of misconduct with due diligence.

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

Pursuant to the Articles of Association, the Board of Directors may establish advisory, coordination, audit and other similar committees or sub-committees, which consist of its members and/or non-members, on any subject that it deems suitable provided that relevant legislation provisions are observed.

In the election process of members to the committees formed after the Ordinary General Assembly meeting held on March 19, 2019, the provisions stipulated in section 4.5 of the CMB's Corporate Governance Principles were observed.

"The Audit Committee" was formed to ensure that the Board of Directors fulfills its mandate and responsibilities. The Audit Committee regularly carries out its activities in compliance with the Capital Markets Regulation and the CMB Corporate Governance Principles. All members of the Audit Committee have been elected from among independent board members. The committee consists of 2 members, including Mr. Kâmil Ömer Bozer, who was appointed to serve as the chairman, and Mr. Ahmet Turul, who was appointed to serve as a member. An internal Audit Committee, which was formed for the purpose of auditing the operation of accounting and reporting systems to monitor compliance with the applicable laws and regulations, the public disclosure of financial statements, and the operation and efficiency of internal audit systems, held 4 meetings in 2019.

Tasks, Responsibilities and Working Principles of the Audit Committee;

- Designating the independent audit firm, drafting of independent audit agreements, initiation of the independent audit process, and supervising the activities of the independent auditor,
- Evaluating the activities of the independent audit firm based on the independence criteria, statement of independence, and any additional services that may be provided by the firm,
- Evaluating the feedbacks submitted to the Committee by the independent audit firm related to the independent audit along with other important issues on the accounting policy and its implementation, any alternative applications and public disclosure options related to the CMB's accounting standards and accounting principles previously notified to the Company by the independent auditor along with possible outcomes and implementation proposals, and important communications between the partnership management and the audit firm,
- Reviewing and resolving the complaints regarding the Company's accounting, reporting and internal control systems and independent audit processes; determining the methods and criteria applicable to the assessment of the statements by the Company employees on accounting, reporting, internal control and independent audit in line with the principle of confidentiality,
- Notifying the Board of Directors in writing about the annual and interim financial tables to be disclosed to the public, and informing the Board about the independent auditor's own views along with the views of the Company's managers on the accuracy and compliance of these financial tables with the accounting principles, and
- Performing other tasks assigned to the Committee in accordance with the CMB Regulations and the Turkish Commercial Code.

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

In accordance with the Corporate Governance Principles issued by the Capital Markets Board, an internal Corporate Governance Committee was established for the purpose of monitoring the compliance of the Company, performing activities for improving compliance, and making related recommendations to the Board of Directors. The tasks of the Candidate Nomination Committee and the Compensation Committee are also carried out by the Corporate Governance Committee. On Thursday, March 28, 2019, Mr. Ahmet Turul, an independent board member, was appointed to serve as the chairman of the Corporate Governance Committee, and board member Mr. Levent Çakıroğlu and Mr. Polat Şen, Manager of the Investor Relations Department, were appointed to serve as members to the committee. The Corporate Governance Committee held 7 meetings in 2019.

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

- Determining as to whether the corporate governance principles are implemented at the Company, the reasons for non-implementation, if any, and the conflicts of interest arising from failure to fully comply with these principles; making recommendations to the Board of Directors to improve corporate governance practices.
- Supervising the operations of the investor relations unit.
- Reviewing the "Corporate Governance Principles 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,
- Ensuring that the Corporate Governance Principles are developed, adopted and implemented in the Company; working on issues that may arise from non-implementation, and making recommendations to the Board of Directors on how to improve the degree of compliance,
- Keeping up to date with the Corporate Governance Principles implemented in different parts of the world and making recommendations to the Board of Directors on how to implement the necessary principles within the Company,
- Establishing a transparent system to nominate, evaluate and train suitable candidates to serve in the Board of Directors and other managerial positions with administrative responsibilities, and working to develop policies and strategies in this regard.
- Evaluating the nomination of independent board members, including the management and investors, determining whether the candidates meet the independence criteria, and submitting related assessments to the Board of Directors for approval.
- Carrying out evaluations for the election of independent members to temporarily serve in the Board of Directors until the first general assembly meeting is held in order to ensure that the minimum number of independent members is reached if there is a vacant seat on the Board; and informing the Board in writing about the results of the evaluation process.
- Regularly evaluating the structure and efficiency of the Board of Directors, and making recommendations to the Board of Directors on potential changes in this regard.
- Determining and monitoring the approach, principles and practices on the performance evaluation and career planning of the members of the Board of Directors and senior executives.
- Determining and monitoring the recommendations regarding the principles for compensating the Board of Directors and senior executives by taking into account the long-term goals of the Company.

- Establishing the criteria to be used in remuneration depending on the performance of the Company and the members.
- Making recommendations to the Board of Directors on remuneration to be given to the members of the Board of Directors and senior executives by taking into consideration their degree of fulfilling the criteria.

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

The Risk Management Committee was formed to make proposals and offer recommendations to the Board of Directors on early detection and evaluation of risks which may affect the company; determining their impact and likelihood; managing and reporting the risks in accordance with the company's risk appetite; taking actions for mitigating the impact and likelihood of risks, and creating and integrating effective internal control systems. Independent board member Ms. Müzeyyen Münire Gülay Barbarosoğlu was elected to serve as the Chairperson of the Risk Management Committee, and Board Member Mr. Fatih Kemal Ebiçlioğlu was appointed to serve as a member. The Risk Management Committee held 6 meetings in 2019.

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

- Defining and evaluating the existing and potential risk factors that may impact the Company in reaching its goals within the context of Corporate Risk Management (ERM), and determining the principles on managing relevant risks in accordance with the risk-taking profile of the company, and ensuring that these principles are used in the decision-making mechanisms,
- Based on likelihood and impact calculations, determining the risks that will be kept and managed in the company, or shared or fully eliminated,
- Ensuring the integration of risk management and internal control systems into the corporate structure of the Company,
- Monitoring the risk management systems and ensuring that the relevant departments in charge of risk management operate in compliance with the committee decisions,
- Providing early identification of a technical bankruptcy, and advising the Board of Directors in this regard and making recommendations regarding measures to be taken, and
- Performing other tasks assigned to the committee by the CMB Regulations and the Turkish Commercial Code.

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

In order to establish an efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed. The duties of the Executive Committee include increasing the productivity of the Board of Directors, ensuring efficiency in business development and investment in line with the strategic goals of the Company, and offering suggestions and making recommendations in that regard. As it is not always possible for the Board of Directors to hold urgent and frequent meetings, the committee is tasked with informing the Board of Directors by keeping up to date with the developments within the Company and the sector in general; ensuring the coordination between the Corporate management structure and the Board of Directors; developing appropriate strategies and making recommendations to increase the efficiency of the Company's activities. Chairman of the Board of Directors Mr. Mustafa Rahmi Koç was appointed to serve as the Chairman of the Executive Committee, and board members Ms. Semahat Sevim Arsel, Mr. Mehmet Ömer Koç, Mr. Yıldırım Ali Koç and Ms. Caroline N. Koç were appointed to serve as committee members.

Tasks, Responsibilities and Working Principles of the Executive Committee;

- Ensuring the completion of any necessary preparations, analyses or evaluations regarding the impact on activities, financial aspect, legal situation and compliance with strategic priorities of important matters prior to their submission to the Board of Directors for approval,
- Ensuring the submission to the Company management any matters that are subject to approval by the General Assembly or a Board Decision in accordance with specified directives and policies,
- Making sure that the Company activities are performed in compliance with Board Decisions and annual business plans,
- Keeping up to date with the economic, social and political developments in the industry in which the Company operates to evaluate their impact, and developing strategies to increase the company's competitiveness,
- Determining potential opportunities in accordance with the strategies developed by monitoring the dynamics of the industry,
- Monitoring the strengths and weaknesses of the company through internal analyses along with the opportunities and threats through external analyses,
- Investigating internal and external growth opportunities that will help the Company reach its strategic goals,

- Supervising the functioning of the system that will enable the creation of Company business programs, their revision according to external developments and their use as performance criteria,
- Supervising the management of strategies and projects approved by the Board of Directors, and
- Evaluating important legal developments that may affect the Company's activities.

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

Detailed information about the duties, operation principles and members of these committees is made available to the public on the company website (www.arcelikas.com).

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 likelihood of risks which may be imposed on the Company interests, especially those of the shareholders.

As a result of the decision rendered by Arçelik A.Ş. Board of Directors at a meeting held on July 16, 2010 for the purpose of ensuring efficient operation of committees within the body of the Board of Directors in accordance with section 378 of the Turkish Trade Law No. 6102 and the Corporate Governance Communique of the Capital Market Board, a Risk Management Committee was formed to ensure early identification of risks which may jeopardize the existence, development and continuity of the company, and the application of relevant actions concerning identified risks and managing those risks. Ms. M. M. Gülay Barbarosoğlu, Independent Member of the Board of Directors, is the chairperson of this Committee. The other member of the committee is Mr. Fatih Kemal Ebiçlioğlu, a member of the Board of Directors.

The Risk Management Committee held 6 meetings in 2019. The Risk Management Committee is tasked with making proposals and recommendations to the Board of Directors on the early detection and evaluation of risks which may affect the company; determining the impact and likelihood of risks, and managing and reporting these risks in accordance with the company's risk appetite; taking actions for mitigating the impact and likelihood of risks, and establishing effective internal control systems.

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

The Internal Audit Department was formed under the Assistant General Manager of Finance and Accounting for the purpose of implementing internal auditing mechanism, and reporting information to the Auditing Committee at the meetings held during the year. The committee regularly 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 Targets 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 represents the Company by safeguarding the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors sets the strategic targets of the Company, identifies the human and financial resources needed to reach the targets, and supervises the performance of company managers.

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

The Company's Mission, Vision and Main Business Targets are as follows:

The mission of the company is to develop, manufacture, offer and provide easy to use, affordable, user-friendly and reliable products, which meet or exceed customer expectations; 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; utilizing the resources in most efficient manner, and meeting the expectations of stakeholders in line with corporate values, targets and strategies of the Koç Group.

The company has adopted the vision "Respecting the Globe, Respected Globally". The Company "Respects the Globe" by manufacturing environmentally friendly products, respecting human beings and being aware of its responsibilities as a global manufacturer. The Company is "Respected Globally" because it aims high and exceeds the expectations.

The Company's main business goals are as follows:

- Ensuring a sustainable growth and increasing our share in the current markets while entering new markets
- Ensuring a level of profitability that will enable the sustainable growth of the Company
- Focusing on R&D, innovation, quality, design, brand and customers

- Improving our capabilities for offering pioneering, innovative and environment and climate sensitive products, solutions and technologies during the product life cycle to provide added value for our customers and the society, and
- Developing and maintaining global organization and capabilities by effectively managing differences of opinion with a 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 made by using various communication channels along with PDP.

In accordance with the Company's Articles of Association, the Board of Directors holds meetings periodically in which the Company's targets and activities along with the performance recorded in previous fiscal years are discussed. In its meetings, the Board of Directors also discusses the current situation of the Company and develops new targets and strategies, if required.

5.6. Financial Rights

Our company's "Remuneration Policy for the Board Members and Senior Managers", which covers the rights, entitlements and remuneration of Board Members and senior managers along with the criteria and remuneration policies that are used to determine these rights, entitlements and remuneration, was made available to our shareholders for the first time on our website as a "Fact Sheet" three weeks prior to the Ordinary General Assembly meeting held on March 29, 2012. The policy in question came into effect after the said General Assembly meeting. The policy, which was discussed as an agenda item in the General Assembly meeting as part of the activities in 2018 and was made available to the public on our company website, will be on the agenda of the Ordinary General Assembly meeting in which 2019 activities will be discussed. Payments made within the framework of the Remuneration Policy to the Board Members and Senior Managers are evaluated annually by the Corporate Governance Committee and the Board of Directors. In the footnotes of our financial statements, the payments made to the Board Members and senior managers are announced to the public collectively in parallel with the common practices. There were no transactions that might cause a conflict of interest, such as granting loans and credits to our Board Members or managers, or providing securities on behalf of any of our members or managers.

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

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	x					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	x					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	x					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					x	There was no transaction notice in this way.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	x					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		x				Donations and aids were included in the agenda of the General Assembly with a separate article collectively and information was given about important donations.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	x					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	x					
1.4.2 - The company does not have shares that carry privileged voting rights.	x					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					x	Arçelik A.Ş. does not have a cross-ownership relationship that brings with it the domination relationship.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	x					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			x			Even though minority rights are not determined less than one in twenty by the Articles of Association, in parallel with general practice, the minority was granted rights under the general provisions of the regulations. There was no demand from investor regarding this issue.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	x					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	x					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	x					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	x					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	x					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	x					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	x					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	x					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	x					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	x					Since there are no legislative amendments that could significantly affect the Company's activities, and no conflicts of interest existed with the institutions that received services on such issues, no disclosure was made in the annual report.
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	x					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	x					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	x					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	x					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	x					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	x					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	x					
3.3.2 - Recruitment criteria are documented.	x					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	x					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	x					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	x					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	x					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	x					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	x					
3.3.9 - A safe working environment for employees is maintained.	x					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	x					
3.4.2 - Customers are notified of any delays in handling their requests.	x					
3.4.3 - The company complied with the quality standards with respect to its products and services.	x					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	x					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	x					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	x					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	x					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	x					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	x					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	x					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	x					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	x					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	x					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	x					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	x					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	x					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. Currently, Ms. Semahat S. Arsel and Ms. M.M. Gülay Barbarosoğlu participates in the Board of Directors as 2 woman member in compliance with the Corporate Governance Principles. The ratio of the woman board member is 17% level.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	x					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	x					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	x					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					x	Although there is a possibility to provide feedback, there has been no notification made by the board members who could not attend the meeting.
4.4.4 - Each member of the board has one vote.	x					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.			x			Although there have been consistently sustained processes in our Company for many years, there is no written internal regulations regarding this issue.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	x					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		x				Due to the significant contribution of the Board of Directors to the Board of Directors, the experience of the members of the Board of Directors is not limited to taking on other duties outside the company. Curriculum vitae of our board members are included in our annual report.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.		x				The assignment of the committees is made in accordance with the relevant regulations, taking into account the knowledge and experience of our board members. Only one independent board member has been appointed on two committees. Members in more than one committee provide communication between the committees involved in related matters and increase the opportunities for cooperation.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	x					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					x	There is no consultancy service for this purpose.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	x					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			x			No specific study was conducted at board level performance evaluation.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	x					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			x			Payments made to the members of the Board of Directors and senior executives are disclosed to the public collectively in line with the general practices in the General Assembly and in our financial statements footnotes.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	9 conferences were attended and 435 investors and analysts were informed.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/741770
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/741284
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Policies / Donations Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/269764
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	14 - a
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	The General Assembly was made open to the public, including stakeholders and the media without the right to speak.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	40.51%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-

1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Policies / Compensation Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	It was accepted that, in accordance with the Capital Market Legislation, the article 18 of the Articles of Partnership and our Dividend Policy approved in the General Meeting dated 27.03.2014, the dividend distribution was not to be realized this year to increase the amount of free cash of our Company in an environment, in which the interest rate was high, to optimize the financial expenses and to enhance the balance structure.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/748665

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
19/03 /2019	0	87%	0%	87%	Investor Relations / Corporate Governance / General Meeting / Minutes of Meetings	-	-	92	https://www.kap.org.tr/en/Bildirim/748665

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Company Overview, Financial Reports & Presentations, Stock Information, Latest Developments Investor Event Calendar, Corporate Governance, Policies & Merger, Partial Demerger & Debt Securities Issuance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Company Overview / Shareholder Structure / Real person and legal entities who indirectly controls more than 5% of capital.
List of languages for which the website is available	Turkish & English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors 2019 / Management 2019 / Statements of Independence of Independent Board Member Candidates.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.2. Activity Principles of Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	-
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	-
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	There is no such case.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no such case.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations / Policies / Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	-
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Manager
The contact detail of the company alert mechanism	http://www.arcelikas.com/
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Investor Relations / Corporate Governance / Corporate Governance Reports / Corporate Governance Compliance Reports /
Corporate bodies where employees are actually represented	In our company, both unionized and non-unionized colleagues participate in the management with different methods and share their views. With the Employee Engagement Survey conducted every year, the opinion of each colleague is taken as an anonymous questionnaire in the form of open-ended responses. With various communication meetings, information about the company is shared with employees, dealers and other stakeholders and questions and comments of these stakeholders are taken.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	A succession plan is created for all key management positions. This Succession Plan is finalized by submitting the approval of the Chairman of the Board of Directors following the approval of the CEO.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme

The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Global Organization & Corporate Governance Principles Compliance Report / Section IV - Stakeholders / 4.3. Human Resources Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	-
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Policies / Ethical Codes
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations / Financial Reports and Presentations / Annual Reports / Corporate Responsibility & Sustainability / Sustainability Report / Social Development
Any measures combating any kind of corruption including embezzlement and bribery	Principles related to the subject are included in the Arçelik Code of Ethical Conduct.
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation was delegated among the board members.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.4. Risk Management and Internal Control Mechanism
Name of the Chairman	Rahmi M. Koç
Name of the CEO	Hakan H. Bulgurlu
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Investor Relations / Policies / Diversity Policy
The number and ratio of female directors within the Board of Directors	2 (17%)

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Mustafa Rahmi Koç	Non-executive	Not independent director	16.03.1967		Not applicable	No	Yes
Mehmet Ömer Koç	Non-executive	Not independent director	12.04.2005		Not applicable	No	Yes
Semahat Sevim Arsel	Non-executive	Not independent director	5.04.2006		Not applicable	No	Yes
Yıldırım Ali Koç	Non-executive	Not independent director	25.03.2009		Not applicable	No	Yes
Levent Çakıroğlu	Non-executive	Not independent director	25.03.2009		Not applicable	No	Yes
Robert Sonman	Non-executive	Not independent director	15.04.1994		Not applicable	No	Yes
Fatih Kemal Ebiçlioğlu	Non-executive	Not independent director	23.03.2015		Not applicable	No	Yes
Hakan Hamdi Bulgurlu	Executive	Not independent director	25.03.2016		Not applicable	No	Yes
Kamil Ömer Bozer	Non-executive	Independent director	19.03.2018	https://www.kap.org.tr/en/Bildirim/741770	Considered	No	Yes
Müzeyyen Münire Gülay Barbarosoğlu	Non-executive	Independent director	19.03.2018	https://www.kap.org.tr/en/Bildirim/741770	Considered	No	No
Mehmet Cem Kozlu	Non-executive	Independent director	19.03.2018	https://www.kap.org.tr/en/Bildirim/741770	Considered	No	Yes
Ahmet Turul	Non-executive	Independent director	19.03.2019	https://www.kap.org.tr/en/Bildirim/741770	Considered	No	Yes

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	4
Director average attendance rate at board meetings	97,92%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7
The name of the section on the corporate website that demonstrates information about the board charter	There is no determination in this direction.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no determination in this direction.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/750635

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee		Kamil Ömer Bozer	Yes	Board member
Audit Committee		Ahmet Turul	No	Board member
Corporate Governance Committee		Ahmet Turul	Yes	Board member
Corporate Governance Committee		Levent Çakıroğlu	No	Board member
Corporate Governance Committee		Polat Şen	No	Not board member
Committee of Early Detection of Risk		Müzeyyen Münire Gülay Barbarosoğlu	Yes	Board member
Committee of Early Detection of Risk		Fatih Kemal Ebiçlioğlu	No	Board member
Other	Executive Committee	Mustafa Rahmi Koç	Yes	Board member
Other	Executive Committee	Mehmet Ömer Koç	No	Board member
Other	Executive Committee	Semahat Sevim Arsel	No	Board member
Other	Executive Committee	Yıldırım Ali Koç	No	Board member
Other	Executive Committee	Caroline Nicole Koç	No	Not board member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The activities of the Nomination Committee are carried out by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.3. Number, Structure and Independence of the Committees Established by the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	The activities of the Remuneration Committee are carried out by the Corporate Governance Committee.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Report of the Board of Directors and the Chairman's Message & Message from the General Manager
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Policies / Wage Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Corporate Governance Principles Compliance Report / Section V: Board of Directors / 5.6. Financial Rights

Composition of Board Committees-II

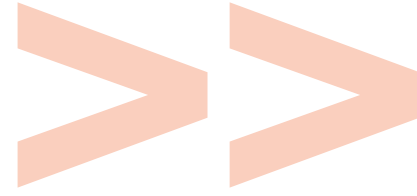
Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	4
Corporate Governance Committee		66,67%	33,33%	7	7
Committee of Early Detection of Risk		100%	50%	6	6
Other	Executive Committee	100%	0%	12	12



Global Organization

Arçelik's most valuable asset in global competition is its highly- qualified employees who keep up to date with global developments and quickly adapt to changes. Arçelik contributes to employment by constantly updating its human resources policy. Employment of individuals who embrace creativity and productivity as a philosophy of life and personalize corporate culture with curious and entrepreneurial spirit is at the core of Arçelik's strategy. Arçelik makes a distinguishing mark in the industry through sustainable training programs offered to contribute to the personal development of its employees.

GLOBAL ORGANIZATION



Sales and marketing offices in **34** countries, **23** manufacturing plants, **15** R&D and Design Centers, **5** R&D offices

More than **30,000** employees

569,585 hours of training provided for employee improvement

18,200 applications to the Fresh Start Internship Program

1,400 and **400** days of training provided for engineers and technicians, respectively, by the TechPro Academy

A total of **22,405** hours of training provided as part of the Leader In You and Future In You Programs



Aiming to employ a highly-qualified workforce, which is the company's most valuable asset in global competition, Arçelik uses active recruitment channels and regularly updates its human resources policy to make a difference in the new world order that shaped by the competition between highly-talented workers.

Arçelik's most valuable asset in global competition is its highly-qualified employees who keep up to date with global developments, personalize corporate culture and embrace creativity and productivity as a life philosophy. The Company actively uses its LinkedIn page to find the right talents for employment.

The contents of the LinkedIn page are updated to match the current global trends, and the page was positioned as Arçelik Global as of 2019. The management of the platform on a global scale contributed to the huge growth in the number of followers. In 2019, the number of followers of the LinkedIn page increased by 33% and reached 164,000.

From Arçelik's perspective, applicants are not just potential employees but also potential customers. In line with this perspective, Arçelik integrates a customer-focused strategy in its human resources processes.



Arçelik distinguishes itself among its competitors through a new and digitalized design for the potential employee experience process. Arçelik now uses a digital online platform for recruitment rather than the traditional written case study approach. The interviews on this platform are handled by the chat bot Cubby. Realistic and interactive simulations are used to assess the skills and capabilities of the applicants. This system tests the decision-making and working processes of the applicants in a business environment. The efficient platform helps Arçelik HR find the right candidates for the job as quickly as possible.

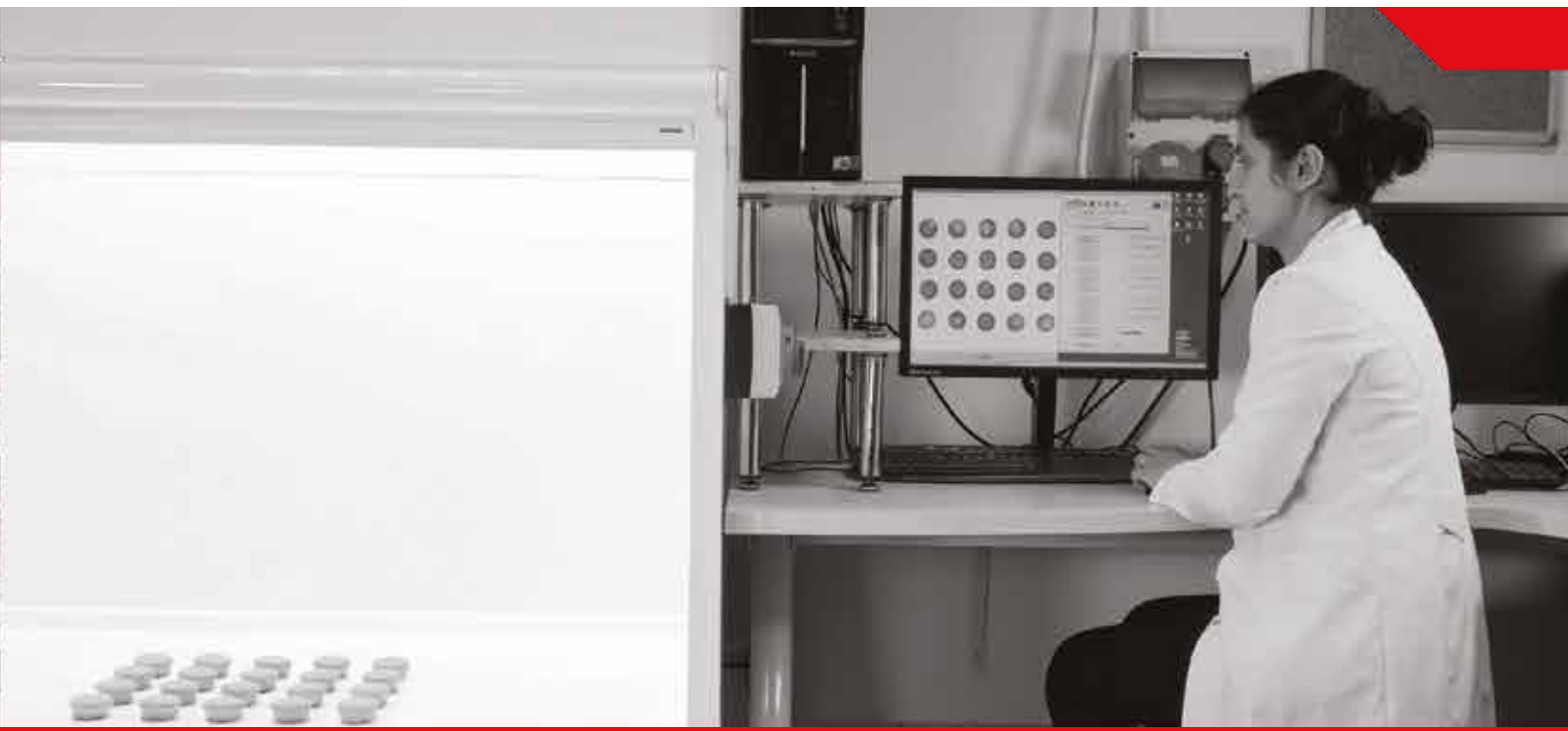
With the FreshStart Internship Program, Arçelik helps university students prepare for the business world, and enable students with a high potential to gain experience in their chosen careers.

The FreshStart Internship Program, which previously included setting up information stands at universities, went through a significant overhaul. In 2019, the Program abandoned its previous approach and focused instead on experience-based events such as brainstorming camps, career cafes, yoga, case studies and sailing. Almost 30 events were organized in which the queries of students were responded with a chat bot. The new approach to the internship program resulted in a significant increase in the number of applications. In 2019, the number of applications to the program increased by 66% and reached 18,200.

Arçelik employs highly-qualified foreign employees in its global talent pool. In the summer of 2019, 27 foreign interns were employed. EU Business Schools and Global Alliance in Management Education (CEMS schools) Program helps Arçelik introduce its brands on a global scale. Various events were held throughout the year within the scope of this project in collaboration with Koç University.

Arçelik launched the second part of 'A Ticket for Your Future' Project in 2019. The purpose of the project is to offer students attending the target universities abroad to become brand ambassadors of Arçelik, and to encourage them to pursue a career in Turkey. 20 students selected from among 300 participated in work experience simulations in Arçelik for 3 weeks. At the end of the program, 3 students were recruited by Arçelik as a result of the Fast Track events and inspiring presentations by the senior management.

Focused on sustainable growth with the support of a skilled workforce, Arçelik's organizational structure brings together individuals from diverse backgrounds around a shared objective. The Company improves its strength through dynamic and innovative practices and a workforce made up of qualified young talents and experienced professionals. The Company takes firm steps into the future with an approach that encourages individual achievements. Knowing that successful employees are the determining factor in the success of an organization, Arçelik uses various skill management applications to accurately evaluate the skills of its employees.



Global Organization & Talent Management

In addition to increasing its existing investments in the global arena, Arçelik has made new acquisitions and investments. The Company not only strengthened its position in the global markets, but also developed global processes to improve the skills of its employees. Arçelik increased its growth on a global scale through an up-to-date, collaborative corporate culture focused on human rights. As of the end of 2019, the Company offers products and services in nearly 150 countries. Arçelik has a strong global network with sales and marketing offices in 34 countries, 23 manufacturing plants, 15 R&D and design centers, 5 R&D offices, and more than 30,000 employees.

Sustainable Employee Loyalty

Being aware of the fact that the loyalty of employees to the company is a determining factor of happiness in business life, Arçelik commissions an independent company to conduct a loyalty survey every year. Nearly 90% of employees responded to the Employee Loyalty Survey conducted by Aon Hewitt in 2019.

The results show that employee loyalty is at a maximum in the last five years. The general loyalty index is the highest in the past five years, and the employee loyalty index increased by 1.5% as compared to the previous year. The employee loyalty index increased by 7.6% for salaried employees and decreased by 0.6% for hourly employees.

Implementing new projects based on employee feedback is a method used to increase employee loyalty. Arçelik focuses on activities that boost employee satisfaction.

Based on the results of the employee survey, the Development Dialogues Initiative was launched for mutual feedback through face-to-face discussions between employees and managers. Based on the same results, public spaces were created to strengthen communication and improve physical conditions as requested by the employees.

Arçelik considers the families of its employees as a keystone of its global organization. Programming education, career days, family events and father support program are implemented to help Arçelik make a difference in the industry. Seize the Future @ Programming education is offered to high-school students of employees. Arçelik Career Days were organized to help young students choose a career path with the guidance of experts and engineers.

Family events are organized once every two years with the attendance of employees and their families. This helps hourly employees socialize and supports the perception of value among employees. The activities are planned within the scope of a dynamic organization and will be expanded in the years to come. Family seminars on various topics have been quite popular among our employees.

A number of seminars were organized under the guidance of experts at various plants on father support program, safety of children at home, prevention of accidents at home, egalitarian parenting, recognizing adolescents, power of criticism and negative-positive parenting.

Arçelik develops technology-based solutions and assumes a leading role on a global scale through many events and projects that focus on advanced technologies. As part of the Technology Days events, employees visit other facilities to ensure sharing of knowledge by the technology group, on-site examination feasibility assessment of technology applications, sharing of knowledge among employees and spreading of best practices.

In addition to the Tech Pro Academy for engineers and experts, Technical Academy 4.0 is designed for the skill transformation of our field employees (hourly personnel). As part of Tech Pro, specialized, advanced and extensive programs were offered in 2019 to support an expert career path.

Recognizing the impossibility of a "business without women", Arçelik supports its female employees through the Women Impact Program. Arçelik conducts many activities to support the active participation of women in the economic life, strengthen the role of women in business life, and increase employment rates. The program also strengthens the bond between female employees.

The Company's She Mate Mentorship Program and KizCode Platform provide a good example of positive discrimination.

Designed to help women return and readapt to the workplace after maternity leave, the She Mate Mentorship Program aims to progress with an increased number of mentors and mentees every year. The programming education program for girls from 11 to 15 years of age as part of the KizCode Platform was offered at 3 locations in 2019.

Restructuring and Continuously Improving the Global Organization

Arçelik restructured its business processes from an innovative perspective in an effort to position itself as a trusted solution partner in a more and more digitalized world. To ensure the efficiency of its business operations, Arçelik regularly reviews its global organization and evaluates the potential and capabilities in related markets. Arçelik uses the data to support its regional organization in line with the principles of simplicity and agility.

Setting the standards of operation for each department within the Company is the first step in the management of our global organization. Subsequently, an efficient network is created whereby the structure of the organization, operating managers and business unit managers all work in harmony.

Communication and operation platforms are key factors for effective operation of the organization. Regular live streaming of information and communication meetings are available for thousands of employees from all countries of operation.

• The Global Spare Parts unit was established in addition to the Global After-Sales Services unit. The purpose of Global Spare Parts unit is to improve customer satisfaction in after-sales services and to help develop a service and process model to increase the brand value in line with the market dynamics, customer trends and customer satisfaction. The Global Spare Parts Unit works in collaboration with local teams to update and improve the local spare parts services offered.

• Cooling & Cooking and Cleaning units were established under the Global Brand & Marketing Communication business unit. Cooling & Cooking and Cleaning units were designed to provide brand teams with expert training in specific product categories.

• Another unit established under the global organization is the Brand Portfolio & Strategy unit. This unit focuses on the management of the product portfolio of global and local brands in various countries.

• Two product management teams were established for Food Storage products in the Cooler product category, a major product group for the Company. The teams aim to ensure proactive and correct management of market performance and focus on main and emerging markets.

• New units were established as part of the Marketing Development & Integration unit which focuses on collaboration and the reorganization of roles. These are: Marketing Community & Expertise Centers unit to increase the efficiency of marketing and design activities; Marketing Planning & Analyses unit for effective management of the marketing budget; Media Planning unit for media management and media buying at all points of contact for all Arçelik brands (TV, press, radio, digital-searching/ social/video/screen etc.).

• The Data & AI unit was established to create an end-to-end data strategy covering all processes and operations of the Company, create and manage data platforms and infrastructures, define analytics solutions for business units, ensure development of the relevant teams, and create and implement data science and AI projects.

• The Corporate Transformation unit was established to design priority transformation projects, develop corporate project management standards, and manage, monitor and report transformation projects in line with these standards. The Corporate Transformation unit consists of project managers, project portfolio management, change management and analysis units, and closely monitors the large-scale multifunctional projects, which result in major changes in the operating standards, processes and systems of the global organization. The unit takes a neutral approach to processes and improvement, and is responsible for more effective management of projects.

• With an increasing number of foreign subsidiaries and expanding regional organization, the Company focuses on maintaining high standards in sustainability, ethics and legal compliance. The Legal Compliance unit was established to create and extend such standards. The Global Compliance unit has set policies and standards regarding related codes of conduct, and has worked on creating the ethics line.

• The Global Communications unit was established to adopt the global communication strategy and applications on a regional level, and support the corporate brand and corporate communication activities.

• The Sustainability unit was established to develop the sustainability strategy of the Company, monitor the business plan, and manage and coordinate sustainability indices. The Sustainability unit operates based on the agreement of all parties of the global organization on “sustainability as a business model”, and ensures active participation of the Company in the sustainability program.

• Arçelik established a new unit to effectively meet the demand for large and multi-door refrigerators in global markets and increase its share in these markets. Equipped with expert planning, quality control and manufacturing teams specific to this product group, Plant 6 is now in operation.

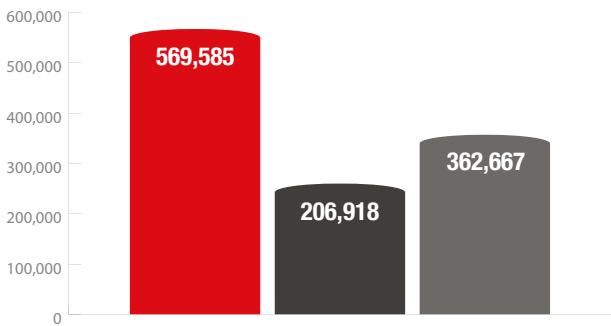
• Arçelik established another department with a focus on growth in the corporate electronic products and services category. The Corporate Products & New Technologies unit is responsible for corporate product design, business development, product management and program management.

• Manufacturing Technologies teams were formed to focus on R&D in technology and sustainability, support sustainable manufacturing practices, and increase efficiency. The teams aim to assume a leading role in manufacturing technologies, and planning and extending investments in projects suitable for Industry 4.0.

Creating a Culture of High Performance and Continuous Learning

A total of 569,585 (*) hours of training was provided within the scope of training solutions managed under three main categories to support the expertise and/or leadership development of the employees.

Total Training Hours in 2019
Salaried and Hourly Employees



Total Training Hours: ■ Salaried: ■ Hourly: ■

Salaried Employees Person/Hours: 51
Hourly Employees Person/Hours: 28.2
*Training hours for operations in Turkey are included.



Leader In You

Arçelik, an industry leader itself, launches programs to train employees and managers to become leaders for the industry. The Leader In You Program was designed to support leadership development, which is one of Arçelik's top priorities, and to train managers for the Company at all levels. The 105 professionals, who participated in the Leadership Journey Program under Leader In You, now hold managerial positions within the Company.

The program provided 420 hours of coaching and 6,615 hours of training in 7 classes for Arçelik managers from 10 countries. In Pakistan, the first module was completed with 13 managers and the second module is in progress.

Designed to improve the leadership skills of first-time managers, the mentorship program was completed in 2019 with 25 mentees. Leadership Catalog Training programs attended by 420 managers were offered in 39 classes under 20 different titles. The Catalogue Training programs focused mainly on company strategies, coaching skills, strategic communication, visionary leadership, transformation, managing differences and collaboration.

Developed to support the role of the senior management in creating a leadership culture, the Leadership Impact program was expanded in 2019. Mid-level managers were included in the program. 44 senior and mid-level managers completed the training process, which included survey results and feedback on leadership styles and organizational environments.

Focusing on increasing the number of its female employees, Arçelik developed special programs for female employees who hold managerial and leadership positions in the Company. 16 female managers of Arçelik from around the world participated in the Women's Leadership Program. The managers also attended several different training programs offered by Koç Holding. In this context, 16 people participated in the Personal Development Program (PDP), which aims to support senior managers in their leadership journey.

Offered in Turkey for the first time in terms of its content, the program provided managers with supplementary online training, personal coaching and training camps. In 2019, managers also had the chance to participate in various globally-respected programs. 1 manager attended the Advanced Management Program for leadership development at the Harvard University, 2 managers attended the PLD (Program for Leadership Development) and 1 manager attended the Creating Shared Value Program. In addition, 8 employees attended the Prosci Change Management Certificate Program developed in collaboration with Koç University.

The professional development of mid-level and senior managers were supported by online programs offered by many world renowned universities. 61 managers attended various programs at the Harvard Business School for personal development.

Future In You

In 2019, training programs were launched not only for current managers and leaders but also for future managers. As part of these programs, 7,332 hours of training was provided with a focus on improving the knowledge, skills and capabilities of participants. With the Leadership Insight Program, the careers of 47 potential managers were supported for 1 year. Each participant received 7 days of training in class and 118 hours of coaching with this program.

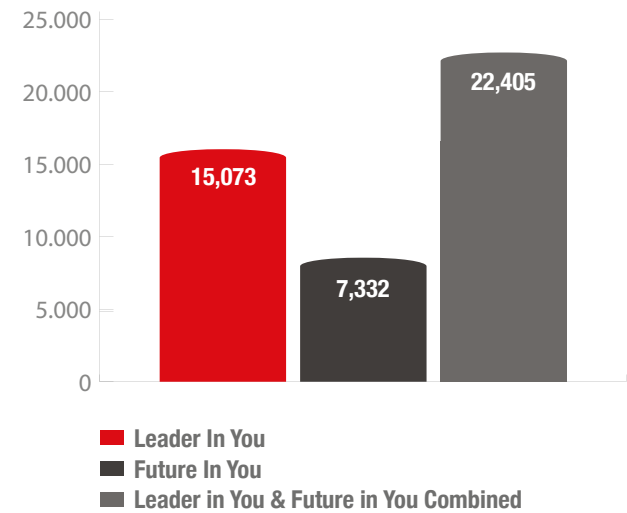
Thanks to the coaching support offered, employees had the chance to navigate through different professional development programs and competence solutions provided by Koç Holding. In addition, department presentations and meetings with leaders were arranged for the participants to help them gain a better understanding of Arçelik's global organization.

Following the Assessment Center Application, managers preparing for senior management roles were supported with a one-year professional development consultancy program. In 2019, a total of 65 hours of Development Coaching support was provided.

113 employees preparing for senior management roles attended various Koç Holding Development Programs in line with specific improvement requirements for employee and manager positions.

Arçelik plans its recruitment process based on the skills and improvement of managers. In 2019, programs designed help prepare managers for international positions were actively used. The Global Manager Program was redesigned in collaboration with Koç University in 2018. In 2019, 25 managers completed the program which included 11 days of training in class.

Leader in You & Future in You Training Hours in 2019



Talent In You

In 2019, a variety of programs were offered by Arçelik's global organization to improve the skills of employees. As part of the Talent In You program in 2019, Arçelik has offered functional, technical and professional development training to help its employees with their personal and professional development in addition to orientation programs to help new recruits quickly adapt to the workplace, and several other development programs including technical and occupational training, foreign language training, online training, and hobby and social responsibility training. Specialized training programs in the following subjects were also offered:

- Gaining technical competencies required for global competitiveness
- Improving digital and new generation competencies
- Enriching critical expertise
- Improving the competency of technicians and operators in manufacturing technologies in line with Industry 4.0

Tech Pro Academy

The Tech Pro Academy supports a multi-disciplinary working environment to empower engineers, experts and senior experts working in the manufacturing and technology departments. The purpose of the Academy is to help the target audience improve their related skills and increase the global competitiveness of the company. In 2019, the Tech Pro Academy provided 1,400 days of training for 245 engineers in collaboration with Koç University and 400 days of training for 80 salaried technicians.



Digitalization in Talent Management

The Human Resources Department implements the Digital Transformation Program to make the connections related with business processes among employees and other individuals more transparent and consistent. The Program addresses the entire employee life cycle from a wider perspective ranging from employer brand communication to attracting potential talents and termination of employment.

Thanks to the efforts for digitalization in talent management, catalog improvement solutions for Arçelik employees are now offered on an online platform. The platform is integrated with the LMS system and offers a simple and accessible experience for the employees.

Personal Data Protection and Information Security and Company Orientation Programs are also available online for the employees.

Various training sessions were provided for employees in 2019 as part of the performance management process, which was launched in 2018 to focus on continuous improvement and feedback. The progress of 1,272 out of 2,994 employees, who were evaluated within the scope of development planning and 360-degree processes, was monitored throughout the year, and the 360-degree evaluation method was used for 704 employees.

In 2019, the performance management system based on continuous improvement and feedback was launched in 7 countries whereby a total of 4,300 evaluations were conducted. 2,500 employees were included in the process. In these countries, improvement planning and 360-degree evaluation systems were used 67% and 31% of the time, respectively. Aiming to expand the use of the performance system, the Company plans to launch it in 15 other countries in 2020.

Human Resources in Mobile Environment

The advantages of using mobile applications in human resources management include ensuring employee communication and process continuity, and preventing problems arising from doing business in different time zones. Mobile applications used in the HR Digital Transformation program support various processes, including the viewing of the organization scheme and calendar, planning personal development activities, attendance to digital trainings, performance management, etc.

Digital Programs

In 2019, training programs were offered to help employees gain competence in accordance with the Company's digital transformation policies and roadmap. A total of 10,194 hours of training in digitalization was provided.

Employees were offered online critical competence training programs and 1,000 employees attended various programs including Udacity, Coursera, Online Data Science, MIT, London School of Economics and HBX.

Critical Expertise Project

The purpose of the professional path, which is defined as the "Career Path" by the Company, is to unleash the potential of the experts, who hold important positions in the Company, by increasing their loyalty and motivation. The program was launched for the R&D Department in 2018.

Within the scope of the Critical Expertise Project, more than 30 experts were assigned to technical leader and other senior positions, and individual letters were sent to them by the CTO and HR Director to highlight the importance of their professional position.

A letter was sent to the technical staff by the CTO to help them get accustomed to the changes in organization, and to explain the approach, methods and expectations in this regard. The shift to the expertise-based organizational model helped decrease the burden on R&D management levels.



Technical Academy 4.0

In order to improve the technical competency of technicians and operators at the manufacturing plants in line with Industry 4.0, an academy was designed to help them prepare for the future. The Technical Academy 4.0 helps the target audience gain Industry 4.0 competencies, increases their loyalty and level of satisfaction, and raises awareness on business processes.

The Academy trains automation, maintenance and process technicians and operators. 200 technicians and operators were offered more than 10,000 hours of training in 2019. The Academy is focused on lean and agile manufacturing, programming, digital transformation in manufacturing, data analytics and security methods. Another objective is to improve the technical competencies of volunteers and hourly employees who pursue a career in this area.



Business Excellence

Arçelik's Business Excellence Approach is a combination of systems, through which business processes and results are managed in line with the Company's vision on the basis of sustainability. Arçelik has a goal of achieving effectiveness, efficiency and continuity for all business processes.

Therefore, we adopt a total management approach based on the following management systems and methodologies:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 14064-1 Greenhouse Gas Reporting System
- ISO 10002 Customer Satisfaction Management System
- ISO 27001 Information Security Management System
- ISO 17025 Laboratory Management System
- ISO 45001 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 (Water Withdrawal)
- EFQM (European Foundation for Quality Management) Excellence Model
- Six Sigma & Advanced Analytics Techniques (Process Improvement)
- Total Productive Maintenance (TPM)

Arçelik's quality control efforts were initiated to achieve excellence in the early 1980s. The efforts started with Quality Circles and were incorporated under the Arçelik Total Quality system in the early 1990s. Arçelik adopts the approach of excellence (Total Quality Management) for all business processes and received the European Foundation for Quality Management (EFQM) Quality Achievement and TUSIAD - KalDer (Turkish Quality Association) Quality Grand Awards.

All management systems of Arçelik operate within international standards and are certified by independent auditing companies. Compliance with the standards is audited and improved on an ongoing basis.

Arçelik employs the Six Sigma Methodology & Advanced Data Analytics Techniques in all business processes to strengthen its international competitive edge and achieve excellence by maximizing efficiency.

The purpose of the Six Sigma at Arçelik includes:

- Improving the processes,
- Making processes transparent and manageable,
- Creating a data-driven decision-making mechanism,
- Building a platform which continuously increases profitability,
- Establishing harmony between the organization and process goals,
- Establishing a customer-oriented approach,
- Establishing a common language, and increasing creativity.

The purpose of Advanced Data Analytics Techniques includes:

- Developing and managing a training program for data analysis techniques,
- Training employees at each business unit to implement the Data Analysis Project,
- Developing leadership skills in improvement efforts related with big data.

Arçelik has adopted a productive maintenance management approach for all organizational levels, units and functions since 1996. The purpose of the Total Productive Maintenance (TPM) is to eliminate all factors that has an impact on productivity and make the most effective use of resources.

Arçelik ensures that its local and foreign manufacturing plants are audited by independent auditors as per the criteria set forth by EU social responsibility organizations including BSCI (Business Social Compliance Initiative) and SEDEX (Suppliers Ethical Data Exchange), and that compliance reports are received at the end of these audits.



CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

Consolidated Financial Statements and Independent Auditor's Report

BOARD OF DIRECTORS 2019



Rahmi M. Koç | Honorary Chairman

A graduate of Johns Hopkins University in Business Administration, he joined the Koç Group in 1958 at Otokoç Ankara. 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 social and professional organizations including: The Metropolitan Museum of Art, New York City, Honorary Trustee, Co-Chairman of the Business Advisory Council for South East Europe (BAC SEE), 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, Founding Chairman of the Global Relations Forum, Former President of the International Chamber of Commerce (1.1.1995-31.12.1996), Former President of the Turkish Greek Business Council (1992-1999), Former Member of the Allianz Aktiengesellschaft International Advisory Board, Former Member of the JP Morgan International Council, Former Member of the International Advisory Board of the US Council on Foreign Relations. Rahmi M. Koç has been awarded with the following merits and degrees; "Honorary Doctorate" degrees by Johns Hopkins University (Baltimore-Maryland), Eskişehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Ovidius University of Constanza and Aydın Adnan Menderes University, "Outstanding Service Award" by the President of the Turkish Republic, German Government's "Grosses Verdienst Kreuz", "Order of High Merit of the Italian Republic", "Order of Merit of the Austrian Government", "(Honorary) Commander of the Most Excellent Order of the British Empire (CBE)", "Officier dans l'Ordre National de la Légion d'Honneur", the highest medal awarded by the French government, "Responsible Capitalism Lifetime Achievement Award" from FIRST, a leading multidisciplinary international affairs organization, The medal of Foreign Policy Association (FPA), globally recognized think-tank with its 100-year history, "Hadrian Award" by the World Monuments Fund to the Koç Family, "Carnegie Medal of Philanthropy" (New York) to the Koç Family, "BNP Paribas Philanthropy Award" (Paris) to the Koç Family and "Iris Foundation Award" from BARD Graduate Center to the Koç Family (April 2012). Under the CMB's Corporate Governance Principles, Rahmi M. Koç, who is not assigned to executive function, is not vested with the independent member attribution.



Ömer M. Koç | 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 vested with the independent member attribution.



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 as well as Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV). Semahat 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 vested with the independent member attribution.

Ali Y. Koç | Vice Chairman

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, Otokar 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 Member at 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 vested with the independent member attribution.

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 Otokar 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 vested with the independent member attribution.

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 vested with the independent member attribution. Under the CMB's Corporate Governance Principles, Robert Sonman, who is not assigned to executive function, is not vested with the independent member attribution.



Fatih Kemal 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). His duties undertaken in the last decade are mainly listed above, and he is on the board of some companies in Koç Group. Under the CMB's Corporate Governance Principles, Fatih Kemal Ebiçlioğlu, who is not assigned to executive function, is not vested with the independent member attribution.



Hakan Hamdi Bulgurlu | Member

After graduating from the University of Texas, Austin (Economics & Mechanical Engineering Departments), Hakan Bulgurlu earned his MBA from the joint program of Northwestern University and the Hong Kong University of Science and Technology. Bulgurlu began his career in 1995 at Koç Holding. He was assigned to key senior management positions in Asia and lived in Hong Kong for 13 years where he led the Asia-Pacific trading and outsourcing operations. Bulgurlu served as the CEO of Arçelik-LG between 2007 and 2010, a joint-venture manufacturer of air conditioners, with the largest facility in Europe and the Middle East before joining Arçelik in 2010. He has been serving as the Chief Executive Officer since 2015. He is also an Executive Board Member of European Committee of Domestic Equipment Manufacturers (APPLIA) and a founding member of Amstel Dialogues, a CEO round table of European leaders that aims to increase the speed of European innovation. Bulgurlu is a Board Member at The Foreign Trade Association of Turkey (TURKTRADE), Vice Chairman of Turkey China Business Council at The Foreign Economic Relations Board of Turkey (DEİK), and a Commissioner on the High-Level Commission on Carbon Pricing and Competitiveness at The World Bank. Under the CMB's Corporate Governance Principles, Hakan Hamdi Bulgurlu, who is assigned to executive function, is not vested with the independent member attribution.



Kâmil 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.



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.



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.



Ahmet Turul | Member

Ahmet Turul graduated from Ankara University, Department of Political Science in 1980. Between 1980 and 1988, he worked as Assistant Public Accountant and later as Public Accountant at the Ministry of Finance. From 1988 to 1999, he served as Assistant Coordinator of Financial Affairs, and Financial Affairs Coordinator at Koç Holding, and from 1999 to 2002, he was the Vice President of Financial Affairs at Koç Tüketici Finansmanı A.Ş. Mr. Turul served as Vice President of Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. between 2002 and 2010. Since 2010, Ahmet Turul has been a Board Member of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş., and a Board Member of Allianz Yaşam ve Emeklilik A.Ş. since 2013. Additionally, Mr. Turul serves as Vice-Chairman of the Board and Chairman of the Non-Life Executive Board at the Insurance Association of Turkey (TSB); Board Member at the Pension Monitoring Center; and Member of the Tax Council on behalf of TSB. Ahmet Turul served as Independent Member in The Board of Directors at Tüpraş-Türkiye Petrol Rafinerileri A.Ş. between 2014 and 2019. Ahmet Turul serves as Independent Member in The Board of Directors at Arçelik A.Ş. since 19 March 2019.

MANAGEMENT 2019



Hakan H. Bulgurlu | Chief Executive Officer

After graduating from the University of Texas, Austin (Economics & Mechanical Engineering Departments), Hakan Bulgurlu earned his MBA from the joint program of Northwestern University and the Hong Kong University of Science and Technology. Bulgurlu began his career in 1995 at Koç Holding. He was assigned to key senior management positions in Asia and lived in Hong Kong for 13 years where he led the Asia-Pacific trading and outsourcing operations. Bulgurlu served as the CEO of Arçelik-LG between 2007 and 2010, a joint-venture manufacturer of air conditioners, with the largest facility in Europe and the Middle East before joining Arçelik in 2010. He has been serving as the Chief Executive Officer since 2015. He is also an Executive Board Member of European Committee of Domestic Equipment Manufacturers (APPLIA) and a founding member of Amstel Dialogues, a CEO round table of European leaders that aims to increase the speed of European innovation. Bulgurlu is a Board Member at The Foreign Trade Association of Turkey (TURKTRADE), Vice Chairman of Turkey China Business Council at The Foreign Economic Relations Board of Turkey (DEİK), and a Commissioner on the High-Level Commission on Carbon Pricing and Competitiveness at The World Bank. Under the CMB's Corporate Governance Principles, Hakan Hamdi Bulgurlu, who is assigned to executive function, is not vested with the independent member attribution.



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 is the Deputy General Manager for Commercial - Turkey & Pakistan since January 2018. 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

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 as a Quality Control Engineer at the Eskişehir Compressor Plant in 1987. Following various managing positions at Arçelik Compressor and Refrigerator Plant in quality, manufacturing and product development processes, he served as Arçelik Refrigerator Product Director, S.C. Arctic S.A. General Manager, Arçelik A.Ş. Washing Machine Product Director, Grundig Elektronik General Manager and Arçelik Supply Chain Director. Öztürk served as Assistant General Manager responsible for Purchasing and Supply Chain at Arçelik between 2010 and 2015. Oğuzhan Öztürk is the Assistant General Manager "Production and Technology" since October 2015. Oğuzhan Öztürk is also the General Manager of WAT Motor, Arçelik's affiliate engaged in manufacturing of industrial motors and motors for white goods. He is a Board Member at Scientific and Technological Research Council of Turkey (TÜBİTAK).



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 served as the Sales Director from 2008 to 2010, Arçelik A.Ş. UK & Ireland Country Manager and Beko PLC General Manager from 2011 to 2015 and Global Commercial Deputy General Manager from 2015 to 2017. He is the Deputy General Manager for Commercial - Europe, Middle East and North Africa since January 2018.



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. From 2007 to 2012, 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. He started his career in 2000 as a Mobile Platforms Technical Trainer at Nokia Networks. From 2003 to 2010, he serves as an Engineer and Senior Solution Sales Representative at Nokia (Siemens) Networks North America. He then serves as a Senior Consultant at McKinsey and Company from 2010 to 2013, as a Deputy General Manager for Technology Management & Technical Services at Doğuş Broadcasting Group from 2013 to 2015, Strategic Planning Director at Arçelik A.Ş. from 2015 to 2016 and Strategic Planning Director at Koç Holding from 2016 to 2018. Utku Barış Pazar has been working as Arçelik Chief Strategy and Digital Officer since October 2018.

Abdi Ayhan Önder	Product Director - Refrigerator
Abdurahman Şahin	Product Director – Dishwasher
Akın Garzanlı	Global Customer Care Director
Alp Arbatlı	Country Manager – Ukraine, General Manager – Beko LLC Ukraine
Alp Karahasanoğlu	Product Director – Cooking Devices
Arel Fatih Atakol	Beko Sales Director – Arçelik Pazarlama A.Ş.
Arif Emre Keleş	Strategic Planning Director
Atilla Uz	Product Director – Washing Machine
Benay Bakışkan	Supply Chain Transformation Director – Arçelik Pazarlama A.Ş.
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 Appliances Malaysia
Christian Schimkowsch	Country Manager – Austria, General Manager – Elektra Bregenz A.G.
E. C. 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 Ozdemir	Operations Director - Voltbek
Florian Marius Stoica	Country Manager – Germany, General Manager – Grundig Multimedia, Beko Deutschland GmbH
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 Dineç	Production Technologies Director
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 Services 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 S.A.
Marian Serban	Plant Manager - Thailand - Beko Thai Co., Ltd.
Mario Vogl	Regional Director - Northern Europe
Mehmet Tüfekçi	Marketing Director – Arçelik Pazarlama A.Ş.
Meral Mirella Kaspi	Global Brand and Marketing Communications Director
Murat Kahrıman	Financial Planning and Corporate Performance Director
Mustafa Soylu	Supplier Chain Director
Naci Yekta Caymaz	Information Technologies Director
Nihat Bayız	R&D Director
Oğuz Sülek	Enterprise Risk Director
Onur Dostel	Country Manager – Egypt, General Manager – Beko LLC Egypt
Orhan Sayman	Country Manager – Russia, General Manager - Beko LLC
Özkan Çimen	Accounting Director
Per Kristian Ervik	Country Manager – Nordic, General Manager – Grundig Nordic No AS
R.C Oğuzkan Şatıroğlu	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 Kesler	Finance and Accounting Director – Arçelik Pazarlama A.Ş.
Teresa Arbuckle	Country Manager – UK, General Manager – Beko PLC
Umar Ahsan Khan	Country Manager – Pakistan, General Manager – Dawlance
Umut Nazif Çelik	Legal & Compliance Director
Veli Ağ	Product Director - Electronics
Yüksel Atilla	Product Director - Drying Machine
Zafer Üstüner	Regional Director – Asia Pacific
Zeynep Özbil	Global Communications Director

AGENDA

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING
OF ARÇELİK ANONİM ŞİRKETİ TO BE HELD ON MARCH 25, 2020

- 1 - Opening and election of the Chairman of the Meeting,
- 2 - Reading, discussing and approving the 2019 Annual Report prepared by the Company Board of Directors,
- 3 - Reading the Summary of Independent Audit Report for 2019 accounting period,
- 4 - Reading, discussing and approving the Financial Statements related to the 2019 accounting period,
- 5 - Acquittal of each member of the Board of Directors in relation to the activities of Company in 2019,
- 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 2019 and the date of the distribution of profits,
- 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 2019 and determining an upper limit for donations to be made in 2020,
- 12 - Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2019 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 2019 as per the Corporate Governance Communiqué of Capital Markets Board,
- 14 - Wishes and opinions."

Place and Date of the Meeting:

Divan İstanbul Hotel,
Asker Ocağı Caddesi, No:1, 34367, Elmadağ - Şişli, İstanbul
March 25, 2020, 15:00

PROFIT DISTRIBUTION PROPOSAL

Esteemed Shareholders,

The financial statements for the accounting period 01.01.2019 and 31.12.2019, which was prepared by our Company and in compliance with the Turkish Financial Reporting Standards (TFRS) and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., were reviewed and accepted to be submitted to the General Assembly.

As a result of the examination of the financial statements of Arçelik A.Ş. held in accordance with the provisions of the Tax Procedure Law;

According to TFRS, net profit of the Company is TRY 924.833.309,85, and accordance with Tax Procedure law, current year profit is TRY 457.588.624,50.

- a) The 5 % portion of legal reserves which has to be allocated according to Turkish Commercial Code article 519, will not be allocated for 2019 since legal reserves amount as of 31.12.2019 according to Tax Procedure Law reached 20% of the capital.

In accordance with TFRS, distributable profit is TRY 932.186.870,22 which is the sum of net profit of TRY 924.833.309,85 plus donations of TRY 7.353.560,37.

Net profit of TRY 457.588.624,50 is distributable profit according to financial statement prepared according to Tax Procedure Law

- b) In accordance with Capital Market Legislation and the profit distribution clause of the Company's Articles of Association and the Profit Distribution Policy approved by shareholders in the General Assembly dated 27.03.2014; considering market expectations, our Company's long- term strategies, investments and financing policies, profitability and cash status dividend amount is decided as below

TRY 466.093.435,11 first dividend payable to shareholders

TRY 33.906.564,89 second dividend payable to shareholders

- c) Total amount of TRY 500.000.000,00 which is the sum of the first and second dividend, will be paid in cash to the shareholders;

- d) If the above profit distribution proposal is accepted by the General Assembly, based on our registrations prepared according to Tax Procedure Law, the total dividend of TRY 500.000.000,00 to be paid to the shareholders, TRY 419.061.150,48 from the current year other earnings and TRY 80.938.849,52 from extraordinary reserves. Besides, the amount of the secondary general legal reserve of 46.621.358,98 to be paid from TRY 38.527.474,02 of current year other earnings and TRY 8.093.884,96 of the extraordinary reserves.

- e) To our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey; dividend to be paid at the rate of 73.99424 % and TRY 0.7399424 gross= net cash for shares at the nominal value of TRY 1.00 ; and gross cash dividend of TRY 0.7399424 at the rate of 73.99424 % and net cash dividend of TRY 0.628951 at the rate of 62.8951 % for shares with a nominal value of TRY 1.00 to be paid to our other shareholders,

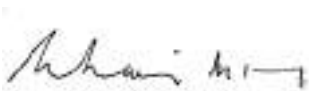
- f) Determining dividend payment date as April 1st,.2020;

The above mentioned are submitted to the approval of General Assembly.

May 2020 be a prosperous year for our country and our Company.

Best regards.

Rahmi M. Koç
Chairman of the Board



INDEPENDENCY STATEMENTS OF CANDIDATES FOR
INDEPENDENT MEMBERS OF BOARD OF DIRECTORS

3 January 2020

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 : Kamil Önel Bozdağ
SIGNATURE :



3 January 2020

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 : Müzeyyen Münire Gülay Barbarosoglu
SIGNATURE :



3 January 2020

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 : Ahmet Türel
SIGNATURE :



23 January 2020

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 : Tugay Fıratlıoğlu
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 21, 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 2019 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 : Sütlüce 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
 COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING (NO. II-14-1.)**

**DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING THE FINANCIAL
 STATEMENTS: 07/02/2020**

RESOLUTION NO: 1015

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 2019-31.12.2019 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
 Denetim Komitesi Başkanı

Özkan ÇİMEN
 Mali İşler Direktörü

Ahmet TURKUL
 Denetim Komitesi Üyesi

Polat ŞEN
 Genel Müdür Yardımcısı
 (Finansman ve Mali İşler)



STATEMENT OF RESPONSIBILITY FOR ANNUAL REPORT



Arçelik A.Ş.
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**STATEMENT OF RESPONSIBILITY
 ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S
 COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING
 (NO. II-14-1.)**

**DATE OF RESOLUTION OF THE BOARD OF DIRECTORS ON APPROVING THE ANNUAL
 REPORT: 27/02/2020
 RESOLUTION NO: 1023**

Attached is presented our Annual Report for the year 2019 prepared by in accordance with Turkish Commercial Code and CMB Financial Reporting Communique numbered as II-14.1 and audited by PwC Bağımsız Denetleme 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, which includes the Corporate Governance Compliance Report and Corporate Governance Information Form, 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 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 uncertainties

Regards, 27 February 2020

K. Ömer BOZER
 Denetim Komitesi Başkanı

Ahmet TURUL
 Denetim Komitesi Üyesi

Polat ŞEN
 Genel Müdür Yardımcısı
 Finansman ve Mali İşler



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 2019 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 2019, 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.
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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 9.549.714 thousand as of 31 December 2019), 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, 9 and 35 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting 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, evaluating the operational effectiveness of controls embedded in the business process and testing of selected key controls, • 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 5.630.251 thousand as of 31 December 2019, 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 11 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 and determination of slow moving inventories based on group of products if any, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, test of mathematical accuracy of the calculation and reconciliation of the provision to the Group's consolidated financial statements, • 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 1.397.993 thousand and TL 808.786 thousand, respectively, in the consolidated financial statements as of 31 December 2019. 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, 14 and 15 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>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Application of TFRS 16, "Leases" and its impacts on the consolidated financial statements and notes to the consolidated financial statements</p> <p>TFRS 16, "Leases" ("TFRS 16") is effective for periods beginning on or after 1 January 2019. The application of the new standard resulted in the recognition of right of use assets amounting to TL 737.711 thousand and increase in financial lease liabilities amounting to TL 735.420 thousand. The Group has preferred the simplified transition method in the first time adoption of TFRS 16 and has not restated comparative consolidated financial statements.</p> <p>The amounts recognized as a result of the adoption of TFRS 16 are significant for the consolidated financial statements and the determination of the accounting policy requires the assessment of the Group management. In addition, the measurement of the right of use assets and financial lease liabilities are based on significant estimates and assumptions of the management. The substantial part of these estimates are interest rates used to discount cash flows and assessment of options to extend or terminate lease contracts. Nevertheless, the notes to the consolidated financial statements of the Group as of 31 December 2019 are significantly affected by the application of TFRS 16.</p> <p>Therefore, the impacts of the first time adoption of TFRS 16 on the consolidated financial statements and the notes to the consolidated financial statements are determined as a key audit matter for our audit.</p> <p>Please refer to notes 2.2 and 13 to the consolidated financial statements for the amounts and disclosures, including the related accounting policies.</p>	<p>We performed the following procedures in relation to the application of TFRS 16, the impacts of the consolidated financial statements and notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> Understanding and evaluating the significant processes affecting financial reporting related to the adoption of TFRS 16, Inquiring with the Group management and understanding their assessment regarding the transition process to TFRS 16 and assessing the compliance of their assessment with the transition rules of the standard, Evaluating the completeness of the contract lists obtained from the Group management, assessment of selected contracts whether they are a service or lease contract and evaluating whether the contracts defined by the Group as leases are in scope of TFRS 16, Evaluating the compliance of the simplified transition method applied by the Group in the transition period to the provisions related to transition, Recalculation of the right of use assets and related financial lease liabilities recognised in the consolidated financial statements by using rates such as interest rate, rent increase rate etc. for the selected lease contracts that are in scope of TFRS 16, Evaluating the compliance of inputs used in the calculation like rent increase rate, interest rate etc for these selected contracts, Selecting the lease contracts used in the calculation of right of use assets and financial lease liabilities on a sample basis and testing the compliance of the term of the lease contracts and the assessment of the extension options applied if such options exist with the provision of the contract, Testing the disclosures in the consolidated financial statements in relation to the application of TFRS 16 and evaluating the adequacy of such disclosures. <p>We had no material findings related to the Application of TFRS 16, "Leases" as a result of these procedures.</p>

INDEPENDENT AUDITORS' REPORT



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:

- 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.



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

- 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.

INDEPENDENT AUDITORS' REPORT



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 2019 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 7 February 2020.

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


Cihan Harman, SMMM
Partner

Istanbul, 7 February 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

	Notes	December 31, 2019	Audited December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	6,937,060	5,341,524
Trade receivables			
-Due from related parties	33	17,674	12,059
-Trade receivables, third parties	9	9,498,171	7,744,252
Derivative instruments	8	2,008	28,405
Inventories	11	5,630,251	5,087,676
Prepaid expenses	20	209,835	181,519
Current income tax assets	21	141,244	118,220
Other current assets	23	746,403	681,903
Total current assets		23,182,646	19,195,558
Non-current assets:			
Financial investments	6	3,009	1,856
Trade receivables			
-Trade receivables, third parties	9	51,543	35,690
Derivate instruments	8	-	166,813
Investments accounted for using the equity method	12	526,499	346,605
Property, plant and equipment	13	6,041,402	4,534,276
Intangible assets			
-Goodwill	15	808,786	507,966
-Other intangible assets	14	2,977,935	2,600,849
Prepaid expenses	20	125,390	100,501
Deferred tax assets	31	1,012,290	878,247
Total non-current assets		11,546,854	9,172,803
Total assets		34,729,500	28,368,361

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

	Notes	December 31, 2019	Audited December 31, 2018
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	4,032,534	4,022,086
Short-term portion of long-term borrowings	7	2,119,221	1,494,640
Trade payables			
-Due to related parties	33	605,967	441,597
-Trade payables, third parties	9	4,958,172	4,292,847
Derivative instruments	8	13,509	251,095
Employee benefit obligations	22	468,255	344,171
Other payables			
-Due to related parties	33	31,655	27,794
-Other payables, third parties	10	400,570	241,069
Current income tax liabilities	31	8,740	42,978
Provisions			
-Other provisions	18	713,522	582,339
Other current liabilities	23	1,362,780	756,340
Total current liabilities		14,714,925	12,496,956
Non-current liabilities:			
Long-term borrowings	7	8,803,381	6,431,552
Derivative instruments	8	69,097	
-Other payables			
-Due to related parties	33	-	28,180
Provisions			
-Provision for employee benefits	19	344,486	289,560
-Other provisions	18	139,281	155,868
Deferred tax liabilities	31	575,898	511,386
Other non-current liabilities	23	266,463	235,697
Total non-current liabilities		10,198,606	7,652,243
Total liabilities		24,913,531	20,149,199

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

	Notes	December 31, 2019	Audited December 31, 2018
EQUITY			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	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		(228,111)	(177,981)
-Gains/ losses on financial assets measured at fair value through other comprehensive income		2,443	1,348
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		3,611,032	2,871,675
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(675,927)	(601,215)
-Gains/ losses on cash flow hedges		(60,101)	5,405
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital	24	14,507	14,507
Restricted reserves	24	409,115	409,115
Retained earnings		4,515,065	3,663,309
Net income for the period		924,833	851,756
Equity holders of the parent		9,658,284	8,183,347
Non-controlling interest		157,685	35,815
Total equity		9,815,969	8,219,162
Total liabilities and equity		34,729,500	28,368,361
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, 2019

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

	Notes	2019	Audited 2018
Net sales	4,25	31,941,773	26,904,384
Cost of sales	26	(21,682,666)	(18,358,622)
Gross profit		10,259,107	8,545,762
General administrative expenses	26	(1,594,398)	(1,209,472)
Marketing expenses	26	(6,124,521)	(5,094,434)
Research and development expenses	26	(256,751)	(204,792)
Other income from operating activities	27	918,735	1,324,815
Other expenses from operating activities	27	(548,414)	(724,557)
Operating profit		2,653,758	2,637,322
Income from investment activities	28	6,816	13,278
Expenses from investment activities	28	(8,556)	(6,795)
Share of profit/loss of investments accounted for using the equity method	12	21,041	12,226
Operating income before financial income/(expense)		2,673,059	2,656,031
Financial income	29	3,114,323	2,965,219
Financial expenses	30	(4,673,202)	(4,671,844)
Profit from continuing operations before tax		1,114,180	949,406
Tax income/(expense), continuing operations			
- Taxes on income	31	(244,526)	(248,748)
- Deferred tax income	31	83,372	155,183
Net income		953,026	855,841
Attributable to			
Non-controlling interest		28,193	4,085
Equity holders of the parent		924,833	851,756
Earnings per share (kurus)	32	1.369	1.261
Diluted earnings per share (kurus)	32	1.369	1.261

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	Audited 2018
Net income	953,026	855,841
Other comprehensive income		
Not to be reclassified to profit or loss	(60,847)	(81,719)
Gain/ loss arising from defined benefit plans	(59,288)	(79,884)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(2,712)	(1,139)
Gain/ loss on financial assets measured at fair value through other comprehensive income	1,153	(696)
Not to be reclassified to profit or loss, tax effect	11,812	15,979
Gain/ loss arising from defined benefit plans, tax effect	11,870	15,944
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	(58)	35
To be reclassified to profit or loss	573,540	1,024,759
Currency translation differences	739,136	1,239,434
Other comprehensive income related with hedges of net investments in foreign operations	(95,785)	(232,692)
Other comprehensive income related with cash flow hedge	(69,097)	-
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	(11,610)	(1,858)
Currency translation differences of investments accounted for using the equity method	10,896	19,875
To be reclassified to profit or loss, tax effect	36,274	51,192
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	21,073	51,192
Other comprehensive income related with cash flow hedge, tax effect	15,201	-
Other comprehensive income/ (loss) (net of tax)	560,779	1,010,211
Total comprehensive income	1,513,805	1,866,052
Attributable to:		
Non-controlling interest	38,868	13,844
Equity holders of the parent	1,474,937	1,852,208

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, 2019

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

	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			Equity holders of the parent	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, 2018	675.728	468.811	889	14.507	(112.902)	2.009	(412.452)	1.622.125	368.993	3.410.341	842.949	6.880.998	34.079	6.915.077
Other restatements	-	-	-	-	-	-	-	-	-	(114.859)	-	(114.859)	-	(114.859)
IFRS 15 effect, net	-	-	-	-	-	-	-	-	-	(111.693)	-	(111.693)	-	(111.693)
IFRS 9 effect, net	-	-	-	-	-	-	-	-	-	(3.166)	-	(3.166)	-	(3.166)
Restated balances	675.728	468.811	889	14.507	(112.902)	2.009	(412.452)	1.622.125	368.993	3.295.482	842.949	6.766.139	34.079	6.800.218
Transfers	-	-	-	-	-	-	-	-	40.122	802.827	(842.949)	-	-	-
Total comprehensive income	-	-	-	-	(65.079)	(661)	(183.358)	1.249.550	-	-	851.756	1.852.208	13.844	1.866.052
Net income	-	-	-	-	-	-	-	-	-	-	851.756	851.756	4.085	855.841
Other comprehensive income	-	-	-	-	(65.079)	(661)	(183.358)	1.249.550	-	-	-	1.000.452	9.759	1.010.211
Dividends paid	-	-	-	-	-	-	-	-	-	(435.000)	-	(435.000)	(12.108)	(447.108)
As of December 31, 2018	675.728	468.811	889	14.507	(177.981)	1.348	(595.810)	2.871.675	409.115	3.663.309	851.756	8.183.347	35.815	8.219.162
Balance at January 1, 2019	675.728	468.811	889	14.507	(177.981)	1.348	(595.810)	2.871.675	409.115	3.663.309	851.756	8.183.347	35.815	8.219.162
Transfers	-	-	-	-	-	-	-	-	-	851.756	(851.756)	-	-	-
Total comprehensive income	-	-	-	-	(50.130)	1.095	(140.218)	739.357	-	-	924.833	1.474.937	38.868	1.513.805
Net income	-	-	-	-	-	-	-	-	-	-	924.833	924.833	28.193	953.026
Other comprehensive income	-	-	-	-	(50.130)	1.095	(140.218)	739.357	-	-	-	550.104	10.675	560.779
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	83.002	83.002
As of December 31, 2019	675.728	468.811	889	14.507	(228.111)	2.443	(736.028)	3.611.032	409.115	4.515.065	924.833	9.658.284	157.685	9.815.969

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Notes	2019	Audited 2018
Net income:		953.026	855.841
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for tax expense (income)	31	161.154	93.565
Adjustments for depreciation and amortisation expense	26	1.054.934	690.414
Adjustments for impairment loss	36	88.801	65.656
Adjustments for provisions	36	383.637	289.387
Adjustments for interest expense	30	1.567.957	1.009.229
Adjustments for interest income	29	(157.339)	(61.644)
Adjustments for undistributed profits of investments accounted for using equity method	12	(21.041)	(12.226)
Adjustments for fair value (gains) losses on derivative financial instruments	29,30	(14.769)	(278.752)
Adjustments for unrealised foreign exchange losses (gains)	29,30	145.042	1.021.151
Other adjustments to reconcile profit (loss)	29,30	17.988	16.641
Adjustments for income arised from government grants	27	(72.940)	(77.722)
Adjustments for dividend (income) expenses	28	-	(94)
"Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments"	28	4.320	-
Adjustments for losses (gains) on disposal of non-current assets	28	(2.580)	(6.389)
Net cash flow from operating activities before changes in operating assets and liabilities		4.108.190	3.605.057
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1.548.013)	(1.283.364)
Adjustments for decrease (increase) in inventories		(287.696)	(1.348.338)
Decrease (increase) in prepaid expenses		(42.848)	(75.301)
Adjustments for increase (decrease) in trade payables		916.705	1.158.876
Increase (decrease) in employee benefit liabilities		69.978	(71.293)
Adjustments for increase (decrease) in other operating payables		(30.402)	(32.673)
Increase (decrease) in government grants and assistance		34.676	49.803
Other adjustments for other increase (decrease) in working capital		104.601	(216.048)
Income taxes refund (paid)		(150.311)	(105.810)
Cash flows from operating activities		3.174.880	1.680.909
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses	3	(406.321)	-
Purchase of property, plant, equipment and intangible assets		(1.379.604)	(1.797.305)
Proceeds from sales of property, plant, equipment and intangible assets		41.483	37.507
Advances given for fixed assets		-	9.044
Dividends received		-	26.265
Cash outflows from participations and / or joint ventures share acquisitions or capital increase	12	(167.686)	(57.237)
Cash flows from investing activities		(1.912.128)	(1.781.726)
Financing activities:			
Proceeds from borrowings	7	4.265.420	5.548.940
Repayments of borrowings	7	(3.811.499)	(2.288.445)
Dividends paid		-	(435.168)
Payments of lease liabilities	7	(281.525)	-
Interest paid		(1.434.642)	(832.947)
Interest received		147.463	58.468
Bonds issued	7	1.000.000	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(27.880)	368.123
Other inflows (outflows) of cash		(17.988)	(16.641)
Cash flows from financing activities		(160.651)	2.402.330
Net increase/(decrease) in cash and cash equivalents before currency translation differences		1.102.101	2.301.513
Effect of currency translation differences		483.559	454.872
Net increase/(decrease) in cash and cash equivalents		1.585.660	2.756.385
Cash and cash equivalents at January 1	5	5.337.278	2.580.893
Cash and cash equivalents at December 31	5	6.922.938	5.337.278

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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 twenty-one manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand, Pakistan and Bangladesh. 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 Sötlüce 34445 Beyoğlu Istanbul / Turkey.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 1986. As of December 31, 2019, the publicly listed shares are 25.15% of the total shares. (Dec 31, 2018: 25.15%)

The average number of personnel employed by categories in the Group in 2019 is 7,568 monthly paid (2018: 6,767) and 24,603 hourly paid (2018: 23,110) totalling to 32,171 (2018: 29,877).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date:			
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")	China	R&D	Developing technology and design
Beko A and NZ Pty Ltd. ("Beko Australia") (*)	Australia, New Zealand	Sales	Consumer Durables
Beko APAC IBC Co. ("Beko APAC") (2)	Thailand	Service	Service
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables Beko
Appliances Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	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 Israel Household Appliances Ltd. ("Beko Israel") (1)	Israel	Sales	Consumer Durables
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances SARL. ("Beko Morocco") (1)	Morocco	Sales	Consumer Durables/Electronics
Beko Philippines Inc. ("Beko Philippines") (1)	Republic of the Philippines	Sales	Consumer Durables
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 Slovakia S.R.O. ("Beko Slovakia")	Slovakia	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
Dawlance (Private) Ltd. ("DPL")	Pakistan	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
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic of South Africa	Production/Sales	Consumer Durables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Continuing operations as of reporting date: (Continued)

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
International Appliances Limited ("International Appliances") (Note 3)	Bangladesh	Production/Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Retail Holdings Bhold B.V ("Retail Holdings") (Note 3)	Netherlands	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited ("Singer") (Note 3)	Bangladesh	Investment	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

(*) Branches of the Subsidiary, which operate in a different country, are separately presented

(1) Beko Israel, Beko Morocco and Beko Philippines have been established as a sales company in year 2019.

(2) Beko APAC has been established as a service company in year 2019.

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-

	Country of incorporation	Core business	Nature of business
Associates			
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

Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited ("VoltBek")	India	Production/Sales	Consumer Durables

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2019 has been approved for issue by the Board of Directors on 7 February 2020. 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, 2019

(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 April 15, 2019 by POA and the format and mandatory information recommended by CMB.

Foreign subsidiaries have prepared their statutory financial statements in accordance with the related local laws and regulations. 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, 2019 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, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations applicable as at 31 December 2019:

Amendment to IFRS 9, 'Financial instruments': effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. This change does not have any impact on the Group's financial performance.

Amendment to IAS 28, 'Investments in associates and joint venture': effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. This change does not have any impact on the Group's financial performance.

IFRS 16, 'Leases': effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact on the Group's performance is explained detail in Note 2.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations applicable as at 31 December 2019 (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. This change does not have any impact on the Group's financial performance.

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.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement': effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019: (Continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

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/TFRS 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/TFRS 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, 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Consolidation principles (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, 2019 and December 31, 2018 (%) and their functional currencies:

		December 31, 2019		December 31, 2018	
		Functional currency	Ownership interest	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arch R&D	Chinese Yuan (“CYN”)	100.00	100.00	100.00	100.00
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
Beko APAC	Thai Baht (“THB”)	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 Egypt	Egyptian Lira (“EGP”)	100.00	100.00	100.00	100.00
Beko Espana	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko France	Euro (“EUR”)	100.00	100.00	100,00	100.00
Beko Gulf	Dirham (“AED”)	100.00	100.00	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 Israel	New Israeli Shekel (“ILS”)	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 Morocco	Moroccan Dirham (“MAD”)	100.00	100.00	-	-
Beko Polska	Polish Zloty (“PLN”), Czech Koruna (“CZK”)	100.00	100.00	100.00	100.00
Beko Philippines	Philippine Peso (“PHP”)	100.00	100.00	-	-
Beko Russia	Russian Ruble (“RUB”)	100.00	100.00	100.00	100.00
Beko Slovakia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Shanghai	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
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
DEL Electronics	Pakistani Rupee (“PKR”)	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
International Appliances	Bangladeshi Taka (“BDT”)	56.99	56.99	-	-
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
Retail Holdings	Euro (“EUR”)	100.00	100.00	-	-
Singer Bangladesh	Bangladeshi Taka (“BDT”)	56.99	56.99	-	-
Token	Turkish Lira (“TRY”)	100.00	100.00	100.00	100.00
United Refrigeration Industries	Pakistani Rupee (“PKR”)	100.00	100.00	100.00	100.00
Vietbeko	Vietnamese Dong (“VND”)	100.00	100.00	100.00	100.00
Wat Motor	Turkish Lira (“TRY”)	100.00	100.00	100.00	100.00

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Consolidation principles (Continued)

	December 31, 2019			December 31, 2018	
	Functional currency	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
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

(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, 2019 and 2018 (%):

	2019	2018
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.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (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.

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.

The Group has adopted TFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first-time adoption of TFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

TFRS 16 Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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(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)

TFRS 16 Leases (Continued)

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

Lease Liability (Continued)

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period. The total lease expense for the contracts with variable rent payments in the year ended as of 31 December 2019 is TRY 11,460.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

Lease Liability (Continued)

The Group – as a lessor

The Group's activities as a lessor are not material.

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	407,801
- Short term leases (-)	(14,210)
- Low value leases (-)	(811)
- Adjustments for extension or early termination options	466,677
- Finance lease obligations (+)	3,394
Total lease liabilities within the scope of TFRS 16 (non-discounted)	862,851
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	743,980
- Short term lease liabilities	209,102
- Long term lease liabilities	534,878

The weighted average of the Group's incremental borrowing rates for all currencies as at 1 January 2019 is 10.39%.

As of January 1, 2019, and December 31, 2019, the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	31 December 2019	1 January 2019
Lands	1,952	-
Buildings	639,655	609,989
Machinery, equipment and installations	29,830	49,676
Motor vehicles	66,274	84,315
Total right of use	737,711	743,980

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.

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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 9).

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 11).

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 though profit of loss, financial assets carried at fair value though 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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial assets (Continued)

Classification and measurement (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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (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 7). 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 include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). 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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (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 or unit of production methods 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 13). 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 (Note 14).

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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Other intangible assets (Continued)

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.

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 (5-10 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 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 15). 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.

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 14). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 29 and Note 30).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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;
- 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;
- 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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 19).

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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)

Revenue recognition (Continued)

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 25). 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.

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.

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 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS
OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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)

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. estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

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

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 18).

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 18).

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 17).

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.

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(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)

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 4).

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.

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 14 and 15). Impairment was not identified as a result of these tests.

Provision for employee termination benefits

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Not 19).

Useful lives

The Group capitalizes the tangible and intangible assets in accordance with TAS 16 and TAS 38. The Group defines useful life of its assets in terms of the assets expected utility to the Group. Economic useful lives accepted by the Group is disclosed in Note 2.3.

Warranty expenses

The Group recognizes warranty provisions for products under the scope of the warranty terms based the estimations using past statistical information (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 3 – BUSINESS COMBINATIONS

On April 3, 2019 the Group has acquired 100% of the shares of Retail Holdings Bhold B.V. located in the Netherlands, who owns 56.99% share in Singer Bangladesh Ltd, (to be called as "Singer Bangladesh" hereinafter).

Singer Bangladesh is a public company and one of the leading companies in Bangladeshi home appliance market and manufactures refrigerators, TV AC's and furniture with Singer brand in its 2 manufacturing facilities in Bangladesh. This acquisition is expected to contribute to the Group's goals to grow in emerging markets.

The difference between total consideration amount and net assets acquired has been accounted in accordance with TFRS 3, "Business Combinations".

The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Consideration paid- cash	415,713
Cash and cash equivalents	9,392
Trade receivables (*)	163,492
Inventories	300,534
Other current assets	24,774
Tangible assets (Note 13)	162,541
Intangible assets (Note 14)	66,671
Other non-current assets	17,578
Borrowings	(260,808)
Trade and other payables	(71,491)
Lease liabilities (Note 7)	(59,551)
Other liabilities	(48,887)
Deferred tax liabilities (Note 31)	(15,486)
Total fair value of identifiable net assets	288,759
Total fair value of %56.99 shares acquired	164,564
Goodwill	251,149
Total Consideration	415,713

(*) The fair value of the trade receivables acquired in this business combination is TRY 163,492 (Gross amount is: TRY 166,730 and TRY 3,238 of provision was recognised).

The Group used independent professional assessment companies for the valuation of property plant equipment, brand and customer relationships. The acquisition accounting has been finalized as of 30 September 2019 and the assets, liabilities and contingent liabilities determined based on TFRS 3, have been recorded based on their fair values at the date of acquisition. Since the acquisition includes transfer of control, goodwill is recognized during this acquisition.

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 includes, the value of the distribution network, the synergy that will be created, revenue increase, the future benefits to be obtained as a result of growth in market and labor force. None of the goodwill recognised is expected to be deductible for income tax purposes.

Non controlling interests has been accounted as their share percentages of the net fair value of acquiree's identifiable assets on the day of acquisition.

In this acquisition, weighted average cost of capital ("WACC") -after tax, used in the revaluations has been determined as 14.5% based on the cash flows, profit and loss statements in the business plans together with the financial market data. Adding 1% relative risk factor for brand use contract, the discount rate was determined as 15.5%. Brand use contract was valued with relief-from-royalty method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

In the consolidated income statement, contribution to consolidated sales by Singer Bangladesh after the date of acquisition is TRY 873,096. The contribution by Singer Bangladesh to consolidated net profit of Arçelik Group amounts to TRY 58,664.

Had the financial statements of Singer Bangladesh been consolidated since January 1, 2019, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 1,055,454 and TRY 66,518 respectively.

As of December 31, 2019, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 2,667.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	415,713
Cash and cash equivalents – acquired	(9,392)
Cash outflow due to acquisition of subsidiary (net)	406,321

NOTE 4 - 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, 2019 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	24,475,896	3,250,606	4,215,271	31,941,773
Gross profit	8,274,176	762,199	1,222,732	10,259,107
Depreciation and amortization	822,335	148,153	98,687	1,069,175
Capital expenditures	1,164,656	179,577	49,612	1,393,845

(*) The Group recognised net sales amounting to TRY 31,912,505 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2019 (2018: TRY 26,882,046).

b) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash in hand	976	763
Cash at banks		
- demand deposits	460,770	569,097
- time deposits	6,355,587	4,652,265
Cheques and notes	39,632	62,200
Other	65,973	52,953
Cash and cash equivalents in cash flow statement	6,922,938	5,337,278
Interest income accruals	14,122	4,246
	6,937,060	5,341,524

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	5,880,689	5,135,129
30-90 days	1,056,371	206,395
	6,937,060	5,341,524

NOTE 6 - FINANCIAL INVESTMENTS

Fair value gain/ losses of financial assets reflected to other comprehensive income

	December 31, 2019	December 31, 2018
Fair value gain/losses of financial assets reflected to other comprehensive income	3,009	1,856
Total	3,009	1,856

	December 31, 2019		December 31, 2018	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	2,930	0.34	1,777
Other		79		79
		3,009		1,856

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 1,095 (December 31, 2018: TRY 661) and net of deferred tax effect amounting to TRY 58 (December 31, 2018: TRY 35) 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, 2019.

The details of financial investments for the years ended December 31, are as follows:

	2019	2018
As of January 1	1,856	2,552
Change in fair value	1,153	(696)
As of December 31	3,009	1,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 7 - BORROWINGS

a) Short-term borrowings	December 31, 2019	December 31, 2018
Short-term bank borrowings	3,729,284	3,896,688
Short-term lease liabilities	177,283	-
Payables from factoring activities (*)	125,967	124,696
Other	-	702
Total short-term borrowings	4,032,534	4,022,086
Short-term portion of long-term bank borrowings and interest accruals	2,032,105	1,438,524
Interest accruals of long-term bond issued (**)	87,116	56,116
Total short-term portion of long-term borrowings	2,119,221	1,494,640

(*) Factoring liabilities are amounting to TRY 68,934 denominated in EUR (December 31, 2018: TRY 75,179), TRY 57,033 denominated in GBP (December 31, 2018: TRY 49,517) and interest rates are between 0.6 % for EUR (December 31, 2018: 0.6%) and 1.39 % for GBP (December 31, 2018: 1.5 %). As of December 31, 2019, there is no factoring liability denominated in USD.

(**) Long term bonds issued:

2019:

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on February 15, 2019, Maturity of the bond is February 12, 2021 and coupon rate is 3MTRLIBOR+0.75.

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on July 24, 2019, Maturity of the bond is July 16, 2021 and coupon rate is 3MTRLIBOR+0.50.

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 7 - BORROWINGS (Continued)

a) Short-term borrowings (Continued)

As of December 31, 2019, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	19.0	1,426,336,863	1,426,337
EUR	0.5	160,804,071	1,069,442
PKR	13.7	15,838,747,809	603,934
ROL	3.6	200,000,000	276,640
ZAR	8.0	355,070,139	149,989
BDT	9.2	1,962,728,494	137,345
AUD	3.3	13,991,317	57,970
USD	2.4	1,284,012	7,627
			3,729,284

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

b) Long-term borrowings

	December 31, 2019	December 31, 2018
Long-term bank borrowings	1,954,840	1,698,024
Long-term bonds issued	6,290,404	4,730,835
Long-term lease liabilities	558,137	-
Other	-	2,693
	8,803,381	6,431,552

As of December 31, 2019, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	18.4	3,281,760,333	3,281,760
EUR	1.9	68,043,822	452,533
ZAR	9.7	500,000,000	211,210
PKR	13.6	1,018,684,932	38,842
BDT	9.3	37,150,985	2,600
			3,986,945
Short-term portion of long-term loans and interest accruals			(2,032,105)
			1,954,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 7 - BORROWINGS (Continued)

b) Long-term borrowings (Continued)

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, 2019, 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	505,360,564	3,001,943
EUR	4.0	353,532,537	2,351,204
TRY	19.1	1,024,373,412	1,024,373
			6,377,520
Interest accruals of long-term bonds issued			(87,116)
			6,290,404

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

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	December 31, 2019	December 31, 2018
2020	-	1,288,120
2021	4,347,043	2,141,331
2022	184,121	63,062
2023 to 2027	3,721,487	2,945,761
	8,252,651	6,438,274

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	December 31, 2019	December 31, 2018
Up to 3 months	3,865,250	3,214,446
3 - 12 months	2,621,375	2,145,905
1-5 years	6,872,105	5,770,250
Over 5 years	380,545	409,904
	13,739,275	11,540,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 7 - BORROWINGS (Continued)

As of December 31, 2019 and 2018, financial debt reconciliation is as follows:

2019	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	-	(5,516,726)	(6,431,552)	(11,948,278)
Effect of change due to TFRS 16	(743,980)			(743,980)
Cash flows	281,525	(107,909)	(1,346,012)	(1,172,396)
Changes in interest accruals	(60,530)	(72,785)	-	(133,315)
Changes in factoring liabilities	-	(1,271)	-	(1,271)
Changes in lease liabilities	(77,669)	-	-	(77,669)
Acquisitions	(66,007)	(257,298)	(3,510)	(326,815)
Currency translation adjustments	(68,759)	(18,483)	(464,170)	(551,412)
Financial debt as of December 31	(735,420)	(5,974,472)	(8,245,244)	(14,955,136)

NOTE 8 - 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, 2019		December 31, 2018	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
<i>Held for trading</i>				
Short-term derivative instruments:				
Forward transactions	3,297,171	166 (8,212)	6,184,770	11,761 (20,200)
Foreign currency swap contracts	4,293,589	1,842 (5,297)	5,906,441	16,644 (230,895)
Short-term derivative instruments, net	2,008	(13,509)	28,405	(251,095)
<i>Long-term derivative instruments</i>				
Held for trading:				
Cross-currency fixed interest rate swap (*)	-	-	3,540,742	166,813
Cash flow hedge:				
Interest rate swap contracts (**)	1,000,000	- (69,097)	-	-
Long-term derivative instruments, net	-	(69,097)	-	166,813

(*) 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.

The Company has released the related cross currency transactions on 25 July 2019.

(**) As of 31 December 2019, interest rate swap transactions consist of the exchange of floating rate instalment payments for long term bond issued on 15 February 2019 and 24 July 2019 with fixed rate instalment payments for cash flow hedging. (31 December 2018: None)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 8 - DERIVATIVE INSTRUMENTS (Continued)

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2019 and December 31, 2018 are as follows:

	Purchase Commitments	Sales Commitments
December 31, 2019		
TRY	2,491,215	81,577
USD	237,027	292,691
EUR	596,272	895,171
AUD	46,402	124,299
CZK	-	80,222
CNY	144,711	388,907
DKK	-	62,227
ZAR	-	84,501
GBP	-	814,977
SEK	75,772	-
CHF	26,052	-
CAD	-	13,613
MYR	-	33,984
NOK	63,092	1,347
PKR	-	47,892
PLN	-	177,629
ROL	52,877	510,583
RUB	54,135	38,972
THB	17,432	6,385
NZD	-	50,095
VND	-	80,701
	3,804,987	3,785,773
December 31, 2018		
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, 2019

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2019	December 31, 2018
Short-term trade receivables:		
Trade receivables	7,448,813	6,011,821
Notes receivables	1,956,289	1,625,067
Cheques receivables	395,263	393,722
Short-term trade receivables (gross)	9,800,365	8,030,610
Provision for doubtful receivables	(232,307)	(207,121)
Unearned credit finance income	(69,887)	(79,237)
Short-term trade receivables (net)	9,498,171	7,744,252

As of December 31, 2019, the Group has offsetted TRY 1,258,312 (December 31, 2018: TRY 1,182,846) 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 99,281 related with its local bank borrowings (December 31, 2018: TRY 78,018).

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2019	2018
As of January, 1 - calculated under IAS 39	207,121	167,090
Impact due to the changes in TFRS 9	-	3,941
As of January, 1 – restated	207,121	171,031
Current year additions (Note 27)	44,596	35,512
Provisions no longer required (Note 28)	(4,419)	(4,844)
Acquisitions	3,238	-
Write-offs (*)	(28,136)	(12,550)
Currency translation differences	9,907	17,972
As of December, 31	232,307	207,121

(*) 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.

	31.12.2019	31.12.2018
Long-term trade receivables		
Trade receivables	60,450	41,450
Unearned credit finance income	(8,907)	(5,760)
	51,543	35,690

	December 31, 2019	December 31, 2018
Short-term trade payables:		
Trade payables	4,621,038	4,032,950
Debt accruals	370,918	314,565
Unearned credit finance charges	(33,784)	(54,668)
	4,958,172	4,292,847

NOTE 10 - OTHER PAYABLES

	December 31, 2019	December 31, 2018
Taxes and duties payable	225,030	175,158
Dividend payables to shareholders	21,543	20,219
Deposits and guarantees received	4,225	3,400
Other	149,772	42,292
	400,570	241,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 11 - INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials and supplies	2,071,746	2,042,764
Work in progress	138,955	149,579
Finished goods	2,832,759	2,141,994
Trade goods	678,617	858,126
Inventories (gross)	5,722,077	5,192,463
Provision for impairment on inventories	(91,826)	(104,787)
Inventories (net)	5,630,251	5,087,676

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 113,327 related with its local bank borrowings (December 31, 2018: TRY 176,263).

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

	December 31, 2019	December 31, 2018
Raw materials and supplies	17,720	69,929
Finished goods	62,064	27,904
Trade goods	12,042	6,954
	91,826	104,787

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2019	2018
As of January 1	104,787	84,976
Current year additions (Note 27)	44,205	30,144
Realized due to sales of inventory	(72,114)	(16,605)
Acquisitions	8,092	-
Currency translation differences	6,856	6,272
As of December 31	91,826	104,787

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2019		December 31, 2018	
	(%)	TRY	(%)	TRY
Koç Finansman	47.0	178,525	47.0	149,131
Arçelik - LG	45.0	148,984	45.0	124,716
VoltBek	49.0	188,819	49.0	64,015
Ram Dış Ticaret	33.5	8,756	33.5	5,643
Tanı Pazarlama	32.0	1,415	32.0	3,100
		526,499		346,605

The movements of associates for the years ended December 31, are as follows:

	2019	2018
As of January 1	346,605	282,261
Shares of income/loss of associates	21,041	12,226
Shares of other comprehensive income/loss of associates	(14,322)	(2,997)
Gross profit elimination on inventory	(5,407)	4,174
Dividends received	-	(26,171)
Share participation in joint venture	167,686	57,237
Currency translation difference	10,896	19,875
As of December 31	526,499	346,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Shares of income/loss from associates and joint ventures:

	2019	2018
Koç Finansman	41,097	37,490
Arçelik - LG	31,678	5,115
Ram Dış Ticaret	3,157	1,989
Tanı Pazarlama	(1,115)	(2,774)
VoltBek	(53,776)	(29,594)
	21,041	12,226

Aggregated summary figures of the financial statements of associates and joint venture:

	Koç Finansman	Ram Dış Ticaret	Other	Total
31 December 2019				
Total assets	2,659,999	842,487	1,251,579	4,754,065
Total liabilities	2,280,159	816,350	530,736	3,627,245
Net sales	584,288	3,233,407	1,119,266	4,936,961
	Koç Finansman	Ram Dış Ticaret	Other	Total
31 December 2018				
Total assets	3,949,084	1,458,559	665,328	6,072,971
Total liabilities	3,631,783	1,441,714	247,852	5,321,349
Net sales	759,990	2,231,580	1,050,211	4,041,781

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost							
Land	175,051	38,414	4,068	(252)	-	18,549	235,830
Land improvements	46,423	-	3,727	(189)	3,121	668	53,750
Buildings	1,889,884	79,969	176,290	(10,101)	45,783	183,855	2,365,680
Machinery, equipment and moulds	5,723,707	28,590	253,518	(178,368)	492,985	277,445	6,597,877
Motor vehicles and fixtures	1,013,190	3,226	133,136	(20,036)	15,131	41,943	1,186,588
Leasehold improvements	97,150	12,342	13,252	(995)	1,928	6,027	129,704
Construction in progress	877,102	-	529,676	(189)	(559,869)	26,482	873,202
	9,822,507	162,541	1,113,667	(210,130)	(921)	554,967	11,442,631
Accumulated depreciation:							
Land improvements	(32,064)	-	(5,320)	128	-	(52)	(37,308)
Buildings	(364,849)	-	(222,347)	2,442	-	(30,179)	(614,935)
Machinery, equipment and moulds	(3,543,096)	-	(448,103)	142,970	52	(128,566)	(3,976,743)
Motor vehicles and fixtures	(546,575)	-	(142,609)	9,180	(52)	(22,382)	(702,438)
Leasehold improvements	(57,667)	-	(9,553)	835	-	(3,420)	(69,805)
	(4,544,251)		(827,934)	155,555	-	(184,599)	(5,401,229)
Net book value	5,278,256 (**)						6,041,402

(*) Consists of transfers amounting to TRY 921 from property, plant and equipment to other intangible assets (Note 14).

(**) As of January 1, 2019, the net effect of the registration of the right of use assets within the scope of TFRS 16 for the first time is TRY 743,980 and the detail is presented in Note 2.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2019, the net book value of the right of use assets classified under tangible assets is TRY 737,711. The detail regarding the registration of the right of use assets under TFRS 16 for the first time is presented in Note 2.2.

Additions to rights-to-use assets for the year ended 31 December 2019 TRY 136,489 TL, depreciation expenses are TRY 249,932.

There is no mortgage on property, plant and equipment as of December 31, 2019 (December 31, 2018: None).

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31, 2018
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 14 – OTHER INTANGIBLE ASSETS

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost							
Brands	1,276,325	-	-	-	-	121,668	1,397,993
Development costs	1,389,444	-	343,908	-	-	-	1,733,352
Computer software and rights	360,617	789	69,294	(2,365)	921	5,394	437,030
Trademark licenses and patents	49,026	65,882	773	(517)	-	7,307	122,224
Customer relationships	539,121	-	-	-	-	10,671	549,792
	3,614,533	66,671	413,975	(2,882)	921	147,173	4,240,391
Accumulated depreciation:							
Development costs	(703,908)	-	(165,091)	-	-	-	(868,999)
Computer software and rights	(210,047)	-	(44,182)	2,279	-	(4,352)	(256,302)
Trademark licenses and patents	(44,548)	-	(6,162)	517	-	(4,559)	(54,752)
Customer relationships	(55,181)	-	(25,808)	-	-	(1,414)	(82,403)
	(1,013,684)		(241,243)	2,796	-	(10,325)	(1,262,456)
Net book value	2,600,849						2,977,935

(*) Consists of transfers from property, plant and equipment.

As of December 31, 2019, there are no borrowing costs capitalized (December 31, 2018: None).

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 14 – OTHER INTANGIBLE ASSETS (Continued)

The carrying values of the brands of the Group are as below:

	December 31, 2019	December 31, 2018
Grundig (*)	572,364	518,782
Defy (*)	440,249	382,156
Dawlance(*)	271,702	266,429
Beko	81,040	81,040
Other brands (*)	32,638	27,918
	1,397,993	1,276,325

(*) Values of brands in their original currencies are same as of December 31, 2019 and 2018 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, 2019. 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 between 3% and 5.3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% - 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 8.15 % to 16.50 % discount rates.

Fair value of brands is around 8.7 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 7.3 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 15 – GOODWILL

	2019	2018
As of January 1	507,966	438,112
Acquisitions	251,149	-
Disposals	(6,051)	-
Currency translation differences	55,722	69,854
As of December 31	808,786	507,966

Details of goodwill are as follows:

	December 31, 2019	December 31, 2018
Defy	343,316	298,014
Singer	256,563	-
Dawlance	198,340	194,491
Other	10,567	15,461
	808,786	507,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 15 – 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, 2019.

The projection period for the purposes of goodwill impairment testing is approved by the board of directors as 5 years between January 1, 2020 and December 31, 2024.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3% - 5.3% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 8.15% - 16.50% 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 53% 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 17.3%. Had the compound average growth rate been assumed to be 16.3%, the recoverable amount would have been calculated as 35% 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 5.3%. Had the rate been assumed to be 4.3%, the recoverable amount would have been 42% 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 13.80%. Had the rate been assumed to be 14.80%, the recoverable amount would have been 33% 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 38% 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, 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 15 – GOODWILL (Continued)

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test (Continued)

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 27.2%. Had the compound average growth rate been assumed to be 26.2%, the recoverable amount would have been calculated as 18% 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 22% 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 16.50%. Had the rate been assumed to be %17.50, the recoverable amount would have been 16% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Singer Group operations as a cash generating unit in impairment test

Since there is not any material changes in assumption used in calculation of goodwill between acquisition date and December 31, 2019, impairment provision for goodwill is not foreseen.

NOTE 16 - 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 2019.

Grants which are accounted for under other income from operating activities for year ended December 31, 2019 are as follows:

- i) Research and development incentive premiums taken or certain to be taken amounts to TRY 5,470 (December 31, 2018: TRY 10,642).
- ii) Brand support incentive (known as “Turquality”) received from Republic of Turkey Ministry of Trade amounts to TRY 13,105 (December 31, 2018: TRY 26,210).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2019, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 916,265,215 (December 31, 2018: USD 255,196,533). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	December 31, 2019	December 31, 2018
Collaterals obtained	4,078,530	3,616,758

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2019 and December 31, 2018 are as follows:

CPMB's given by the Company	December 31, 2019	December 31, 2018
A. CPMB's given for Company's own legal personality	190,353	257,751
B. CPMB's given on behalf of fully consolidated companies	1,602,128	1,056,351
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	1,792,481	1,314,102

TRY equivalents of CPMB given as of December 31, 2019 and December 31, 2018 are as follows on original currency basis are as follows:

	December 31, 2019	December 31, 2018
TRY	81,836	68,845
EUR	491,791	453,373
USD	110,082	183,935
Other currencies	1,108,772	607,949
	1,792,481	1,314,102

NOTE 18 - OTHER PROVISIONS

	December 31, 2019	December 31, 2018
Other short-term provisions		
Warranty provision	413,306	333,359
Assembly provision	116,356	108,248
Provision for transportation cost	55,148	41,996
Provision for lawsuit risks	21,724	15,648
Provision for returns	14,678	14,946
Other	92,310	68,142
	713,522	582,339
Other long-term provisions		
Warranty provision	139,207	155,747
Other	74	121
	139,281	155,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 18 - OTHER PROVISIONS (Continued)

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	2019	2018
As of January 1	489,106	447,345
Additions	914,897	723,400
Disposals	(887,484)	(752,618)
Acquisitions	4,768	-
Currency translation differences	31,226	70,979
As of December 31	552,513	489,106

Assembly provision	2019	2018
As of January 1	108,248	98,210
Additions	350,063	307,055
Disposals	(341,955)	(297,017)
As of December 31	116,356	108,248

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
Provision for employment termination benefits	304,252	254,904
Provision for vacation pay liability	40,234	34,656
	344,486	289,560

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 6,379.86 as of December 31, 2019 (December 31, 2018: full TRY 5,434.42) 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.

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:

	2019	2018
Net discount rate (%)	4.67	5.65
Turnover rate related the probability of retirement (%)	96.56	96.36

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 6,730.15 (January 1, 2018: full TRY 6,017.60) which is effective from January 1, 2019 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2019	2018
As of January 1	254,904	211,995
Interest expense	12,219	6,742
Actuarial losses	59,288	79,884
Service cost	20,139	16,965
Payments during the year	(43,479)	(62,452)
Currency translation differences	1,181	1,770
As of December 31	304,252	254,904
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:		
Turkey	296,364	249,190
Non – Turkey	7,888	5,714
	304,252	254,904

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2019 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	4.2%	5.2%	96.1%	97.1%
Change in employee benefits liability	14,196	(13,091)	(10,019)	11,021

NOTE 20 – PREPAID EXPENSES

	December 31, 2019	December 31, 2018
Short-term prepaid expenses	161,977	156,411
Advances given for inventories	47,858	25,108
	209,835	181,519
	December 31, 2019	December 31, 2018
Long-term prepaid expenses	125,390	100,501
	125,390	100,501

NOTE 21 – CURRENT INCOME TAX ASSETS

	December 31, 2019	December 31, 2018
Prepaid taxes and funds	141,244	118,220
	141,244	118,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 22 - EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2019	December 31, 2018
Payables to personnel	290,599	201,246
Social security payables	139,266	103,214
Accruals for bonuses and premiums	38,390	39,711
	468,255	344,171

NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2019	December 31, 2018
Other current assets:		
Value added tax and private consumption tax receivable	221,139	460,277
Taxes and funds deductible	344,573	127,534
Income accruals	98,323	27,739
Other	82,368	66,353
	746,403	681,903

Other current liabilities:		
Accruals for customer premiums	876,990	620,521
Advances received	262,383	90,532
Deferred income	207,951	35,144
Other	15,456	10,143
	1,362,780	756,340

Other long-term liabilities:		
Deferred income	210,182	178,871
Other	56,281	56,826
	266,463	235,697

NOTE 24 - 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, 2019	December 31, 2018
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, 2019

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

NOTE 24 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2019		December 31, 2018	
	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, 2019	December 31, 2018
Legal reserves	409,115	409,115

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 24 – EQUITY (Continued)

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 agreed in the ordinary general meeting dated March 19, 2019, in accordance with the Capital Markets legislation and Article 18 of the Company's Articles of Association and the Profit Distribution policy approved at the General Assembly dated March 27, 2014. In 2019, it was decided not to distribute dividends from profit for the 2018 accounting period.

As of December 31, 2019, 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 1,752,267 (December 31, 2018: TRY 1,417,696).

NOTE 25 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2019	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	10,326,217	15,066,835	2,112,454	3,146,165	1,290,102	31,941,773
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

The Group recognised net sales amounting to TRY 31,912,505 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2019.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 240,910. The Group expects that TRY 210,075 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, 2019 is as follows:

	2019	2018
Impact due to the changes in TFRS 15	-	179,295
As of January, 1	208,329	179,295
Recognized as revenue	(29,268)	(22,338)
Increases due to changes in measurements	61,849	51,372
As of December, 31	240,910	208,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 26 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2019	2018
Raw materials, supplies and trade goods	19,508,766	16,860,787
Changes in finished goods, work in process and trade goods	(500,633)	(745,233)
Personnel expenses	3,572,033	2,924,665
Transportation, distribution and storage expenses	1,901,478	1,714,956
Warranty and assembly expenses	1,264,960	1,030,455
Advertising and promotion expenses	1,072,420	849,010
Depreciation and amortization expenses	1,054,936	690,414
Energy expenses	223,641	165,176
Repair and maintenance expenses	145,945	116,480
Insurance expenses	108,714	90,372
Legal consultancy and audit expenses	108,902	71,306
Other	1,197,174	1,098,932
	29,658,336	24,867,320

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

Depreciation and amortisation expenses	2019	2018
Cost of sales	459,016	379,124
Marketing expenses	310,041	122,590
General administrative expenses	128,841	54,464
Research and development expenses	157,038	134,236
	1,054,936	690,414

Total depreciation charges capitalised in 2019 is TRY 14,241 (2018: TRY 12,838).

Personnel expenses	2019	2018
Cost of sales	1,632,065	1,402,131
Marketing expenses	1,089,876	861,582
General administrative expenses	783,427	617,080
Research and development expenses	66,665	43,872
	3,572,033	2,924,665

Total research and development expenditures incurred in 2019 excluding amortization amounts to TRY 429,380 thousand (2018: TRY 327,865).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2019	2018
Other income from operating activities:		
Foreign exchange gains arising from trading activities	709,273	1,078,169
Income from claims and grants	72,940	77,722
Credit finance income arising from trading activities	69,602	58,142
Reversal of provisions for doubtful receivables (Note 9)	4,419	4,844
Other	62,501	105,938
	918,735	1,324,815
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(301,854)	(471,119)
Credit finance charges arising from trading activities	(9,721)	(65,560)
Cash discounts expenses	(106,845)	(62,687)
Provision expense for doubtful receivables (Note 9)	(44,596)	(35,512)
Provision expense for inventory impairment (Note 10)	(44,205)	(30,144)
Other	(41,193)	(59,535)
	(548,414)	(724,557)

NOTE 28 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities:	2019	2018
Income from sales of property plant and equipment	6,816	13,184
Dividends received from financial investments	-	94
	6,816	13,278
Expenses from investment activities:		
Loss from sales of property plant and equipment	(4,236)	(6,795)
Loss from sales financial assets	(4,320)	
	(8,556)	(6,795)

NOTE 29- FINANCIAL INCOME

	2019	2018
Foreign exchange gains (*)	1,694,007	1,739,314
Gains on derivative instruments	1,255,352	1,163,350
Interest income	157,339	61,644
Other	7,625	911
	3,114,323	2,965,219

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 30 - FINANCIAL EXPENSES

	2019	2018
Foreign exchange losses (*)	(1,839,049)	(2,760,465)
Interest expenses	(1,567,957)	(1,009,229)
Losses on derivative instruments	(1,240,583)	(884,598)
Other	(25,613)	(17,552)
	(4,673,202)	(4,671,844)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2019	December 31, 2018
Corporation and income taxes	172,980	164,206
Prepaid tax	(164,240)	(121,228)
Tax liabilities (net)	8,740	42,978
Deferred tax assets	1,012,290	878,247
Deferred tax liabilities	(575,898)	(511,386)
Deferred tax assets, net	436,392	366,861

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, 2018: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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, 2019

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Income tax expense for the years ended December 31 is as follows:

	2019	2018
Tax income		
- Current period tax expense	(244,526)	(248,748)
- Deferred tax income	83,372	155,183
Tax income	(161,154)	(93,565)
Profit before tax	1,114,180	949,406
Less: Share of profit/loss of equity accounted investments	(21,041)	(12,226)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	1,093,143	937,180
Tax expense calculated using 22% local tax rate	(240,491)	(206,180)
Exemptions	72,501	77,256
Tax losses and other tax advantages (net effect)	25,943	58,588
Impact of different tax rates in other countries	13,329	5,963
Expenses not deductible for tax purposes	(30,818)	(26,984)
Other	(1,618)	(2,208)
Taxation income recognized in statement of profit or loss	(161,154)	(93,565)

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.

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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Property, plant and equipment and intangible assets	3,841,065	3,274,756	(914,141)	(800,105)
Unused tax advantages (*)	-	-	649,149	639,641
Provision for doubtful receivables	(66,862)	(36,233)	18,278	9,736
Derivative instruments	(84,840)	(59,079)	18,672	12,929
Inventories	(326,795)	(320,826)	95,687	93,921
Provision for employment termination benefits	(294,991)	(248,744)	59,150	49,881
Provision for warranty, assembly and transportation expenses	(742,723)	(607,584)	169,878	132,421
Unused tax credits	(866,128)	(529,934)	231,692	150,445
Other	(426,140)	(265,103)	108,027	71,372
Deferred tax assets, net			436,392	366,861

(*) 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, 2019 the tax advantage of TRY 639,641 (December 31, 2018: TRY 639,641) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2019	2018
Balance as of January 1– reported	366,861	208,098
Impact due to the changes in accounting policies	-	30,760
Balance as of January 1– restated	366,861	238,858
Deferred tax income recognized in statement of profit or loss	83,372	155,183
Deferred tax income recognized directly in the equity	27,013	15,979
Acquisitions (Note 3)	(15,486)	-
Currency translation differences	(25,368)	(43,159)
Balance as of December 31	436.392	366,861

Group's total deductible loss of which deferred tax assets have not been calculated and related maturity analysis of this amount is as follows:

	December 31, 2019
2020	18,799
2021	59,897
2022	62,448
2023 and after	751,050
	892,194

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.

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:

	December 31, 2019	December 31, 2018
Profit for the year attributable to shareholders of the Company	924,833	851,756
Weighted average number of ordinary shares with nominal value (kuruş1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	1.369	1.261
Diluted earnings per share (kurus) (*)	1.369	1.261

(*) 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, 2019

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

NOTE 33 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2019	December 31, 2018
(a) Due from related parties		
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	15,625	8,487
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	1,612	3,340
Other	437	232
	17,674	12,059

(b) Due to related parties

Current		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	265,601	236,701
Ram Dış Ticaret A.Ş. ⁽²⁾	120,949	95,226
Arçelik-LG ⁽⁴⁾	98,455	41,068
Koç Holding A.Ş. ⁽³⁾	31,437	24,813
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	28,989	7,832
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	23,137	16,132
Other	37,399	19,825
	605,967	441,597

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Parent company

⁽⁴⁾ Joint venture

	December 31, 2019	December 31, 2018
Other payables to related parties - Current		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	31,212	27,253
Other	443	541
	31,655	27,794

Other payables to related parties - Non-Current

Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	-	27,641
Other	-	539
	-	28,180

(*) 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, 2019. (December 31, 2018: TRY 81,040).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(i) Balances with related parties (Continued)

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2019	December 31, 2018
Other payables to related parties (gross)		
Up to 1 year	31,926	28,426
1 to 5 years	-	28,424
	31,926	56,850
Future finance charges on other liabilities	(271)	(876)
Present value of other payables to related parties (net)	31,655	55,974

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2019	December 31, 2018
Up to 1 year	31,655	27,794
1 to 5 years	-	28,180
	31,655	55,974

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	947,607	2,433,594
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⁽¹⁾ Koç Holding group companies

(d) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
December 31, 2019		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	647,594	132 (1,491)
December 31, 2018		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,583,952	5,080 (2,001)

(ii) Transactions with related parties

(a) Sales of goods and services:	2019	2018
Koçtaş Yapı Marketleri Ticaret A.Ş.	44,534	30,165
Yapı ve Kredi Bankası A.Ş.	24,145	14,747
Zer Merkezi Hizmetler ve Ticaret A.Ş.	980	3,938
Other	9,774	6,949
	79,433	55,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(i) Balances with related parties (Continued)

(b) Purchases of goods and services:	2019	2018
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,474,587	1,291,196
Arçelik-LG	463,123	798,644
Ram Dış Ticaret	370,945	367,168
Bilkom Bilişim Hizmetleri A.Ş.	187,376	124,792
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	102,893	86,143
Ram Sigorta Aracılık Hizmetleri A.Ş. (*) ⁽¹⁾	52,654	18,451
Other	280,287	328,198
	2,931,865	3,014,592

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.

(*) As at December 31, 2019, the amount consists insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

⁽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, 2019 amounts to TRY 75,402 (December 31, 2018: TRY 65,242). Compensation includes only short-term benefits. There is no redundancy payments made to the senior executives as of December 31, 2018 (December 31, 2018: None)

(d) Other transactions

	2019	2018
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	46,125	27,211
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,778	5,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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.

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, 2019 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	14,955,136	17,716,868	3,315,199	3,980,978	9,808,752	611,939
Trade payables	5,564,069	5,598,394	5,375,460	222,934	-	-
Other payables, related parties	31,655	31,926	8,165	23,761	-	-
Other payables, third parties	400,570	400,567	373,337	27,230	-	-
	20,951,430	23,747,755	9,072,161	4,254,903	9,808,752	611,939
Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows	-	3,804,986	3,723,180	81,806	-	-
Derivative cash outflows	-	(3,785,776)	(3,702,657)	(83,119)	-	-
Derivative instruments (net)	(80,598)	19,210	20,523	(1,313)	-	-

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2018 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
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
Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
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	-

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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, 2019 and 2018 are as follows:

December 31, 2019 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	HKD	BDT	AED
Current Assets																							
Cash and cash equivalents	10.64	(0.00)	2.14	0.63	0.26	7.47	1.61	-	0.75	(0.75)	5.26	1.19	4.75	(0.75)	0.00	1.35	0.70	0.55	1.00	11.25	0.13	-	1.50
Trade receivables	4.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																							
Short-term bank borrowings	19.04	0.45	2.39	-	3.62	-	-	8.03	-	-	-	-	-	-	3.25	-	-	-	-	13.74	-	9.21	-
Trade payables	9.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																							
Long term bank borrowings	18.41	1.95	-	-	-	-	-	9.74	-	-	-	-	-	-	-	-	-	-	-	13.64	-	9.32	-
Long term bonds issued	19.07	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2019 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	HKD	BDT	AED
Current Assets																							
Cash and cash equivalents	23.02	1.54	3.44	0.62	0.06	7.25	2.96	5.25	-	-	-	0.46	5.00	(0.75)	0.00	0.00	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	2.63	-	-	-	-	-	9.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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:

	2019	2018
Financial instruments with fixed interest rates		
Time deposits	5,125,211	3,211,005
Borrowings and bonds issued	11,320,264	10,297,821
Other	125,967	128,091
Financial instruments with variable interest rates		
Time deposits	1,244,498	1,445,506
Borrowings	2,773,485	1,522,366

At December 31, 2019, 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 15,290 (2018: TRY 769) 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, 2019

(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, 2019 and December 31, 2018 are as follows:

	Trade receivables		Bank deposits	Derivative instruments
December 31, 2019	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	17,674	9,549,714	6,830,479	2,008
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(7,443,494)	-	-
A. Net book value of financial asset either are not due or not impaired	17,674	8,869,904	6,830,479	2,008
-Secured portion by guarantees, etc.	-	(6,888,335)	-	-
B. Net book value of overdue but not impaired financial assets	-	627,870	-	-
- Secured portion by guarantees, etc.	-	(498,736)	-	-
C. Net book value of the impaired assets	-	56,423	-	-
- Overdue (Gross book value)	-	284,247	-	-
- Impairment (-)	-	(227,824)	-	-
- Secured portion of the net value by guarantees, etc.	-	(56,423)	-	-
D. Expected credit losses (-)	-	(4,483)	-	-

	Trade receivables		Bank deposits	Derivative instruments
December 31, 2018	Related parties	Third parties		
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)	-	-

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit quality of financial assets which are not overdue and not impaired.

	December 31, 2019	December 31, 2018
Group 1	151,125	19,717
Group 2	8,470,945	6,849,922
Group 3	265,508	293,921
	8,887,578	7,163,560

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, 2019	December 31, 2018
0-1 month	301,664	298,221
1-3 months	133,773	157,045
3-12 months	147,167	97,192
1-5 years	45,266	41,969
	627,870	594,427

c) Geographical concentration of the trade receivables

	December 31, 2019	December 31, 2018
Turkey	4,389,145	3,608,325
Europe	3,152,228	2,383,813
Other	2,026,015	1,799,863
	9,567,388	7,792,001

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.

		Overdue	Overdue	Overdue more	
December 31, 2019	Undue	0-1 month	1-3 months	than 3 months	Total
Expected loss rate (%)	0.02	0.04	0.34	0.53	
Gross carrying amount	8,887,578	311,941	133,773	466,403	9,799,695
Loss allowance provision	1,425	133	452	2,473	4,483

		Overdue	Overdue	Overdue more	
December 31, 2018	Undue	0-1 month	1-3 months	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, 2019

(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, 2019, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2018: 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, 2019	December 31, 2018
Assets	10,015,946	8,419,230
Liabilities	(9,079,570)	(8,169,123)
Net position of financial statement	936,376	250,107
Net position of derivative instruments	(1,058,778)	(347,860)
Foreign currency position (net)	(122,402)	(97,753)

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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, 2019 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets									
Trade receivables	428.385	192.969	107.633	408.465	464.057	115.882	206	387.131	5.831.996
Monetary financial assets	127.453	542.613	22	-	-	1	73	3.408	4.074.481
Other	832	14.704	-	-	19.539	-	170	-	109.469
Total Assets	556.670	750.286	107.655	408.465	483.596	115.883	449	390.539	10.015.946
Current Liabilities									
Trade payables	224.845	239.301	4.993	-	108.551	-	12	8.716	3.056.175
Financial liabilities	15.958	9.216	-	-	-	-	72	-	160.905
Other monetary liabilities	843	9.129	-	-	-	-	139	38.642	98.535
Non-Current Liabilities									
Financial liabilities	420.050	500.000	-	-	-	-	10	-	5.763.689
Other monetary liabilities	-	-	-	-	-	-	630	-	266
Toplam Liabilities	661.696	757.646	4.993	-	108.551	-	863	47.358	9.079.570
Net Position of Financial Statement	(105.027)	(7.360)	102.662	408.465	375.045	115.883	(414)	343.181	936.376
Off-balance sheet									
derivative assets (*)	240.096	39.902	-	-	55.870	-	-	33.146	1.914.188
Off-balance sheet									
derivative liabilities (*)	(134.600)	(49.273)	(104.800)	(408.000)	(460.000)	(113.646)	-	(364.621)	(2.972.966)
Net position of									
off-balance sheet items	105.496	(9.371)	(104.800)	(408.000)	(404.130)	(113.646)	-	(331.475)	(1.058.778)
Net Asset/(Liability) Position of Foreign Currency	470	(16.731)	(2.138)	465	(29.085)	2.237	(414)	11.706	(122.402)
Net Asset/(Liability) Position of									
Foreign Currency Monetary Items (105.859)	(22.064)	102.662	408.465	355.506	115.883	(584)	343.181	826.907	
Hedged Amount of									
Foreign Currency Assets	134.600	49.273	104.800	408.000	460.000	113.646	-	364.621	2.972.968
Hedged Amount of Foreign Currency									
Liabilities	86.250	39.902	-	-	55.870	-	-	33.146	891.019

(*) 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.

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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, 2018 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets									
Trade receivables	428.626	184.618	105.679	621.748	560.922	124.607	155.964	308.053	5.272.472
Monetary financial assets	349.882	115.207	23	-	1	-	5	23.665	2.739.003
Other	20.919	47.406	27	-	37.878	-	-	3.213	407.755
Total Assets	799.427	347.231	105.729	621.748	598.801	124.607	155.969	334.931	8.419.230
Current Liabilities									
Trade payables	214.069	225.131	908	18	54.671	-	-	10.577	2.533.080
Financial liabilities	56.997	6.111	-	-	-	-	-	-	375.727
Other monetary liabilities	795	8.464	-	-	-	-	-	34.619	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	54.671	-	-	45.196	8.169.123
Net Position of Financial Statement	109.801	(397.729)	104.821	621.730	544.130	124.607	155.969	289.735	250.107
Off-balance sheet									
derivative assets (*)	450.463	532.054	-	-	788	-	-	27.770	5.542.842
Off-balance sheet									
derivative liabilities (*)	(596.368)	(109.605)	(102.594)	(610.000)	(560.000)	(122.000)	(150.000)	(337.726)	(5.890.702)
Net position of									
off-balance sheet items	(145.905)	422.449	(102.594)	(610.000)	(559.212)	(122.000)	(150.000)	(309.956)	(347.860)
Net Asset/(Liability) Position of Foreign Currency	(36.104)	24.720	2.227	11.730	(15.082)	2.607	5.969	(20.221)	(97.753)
Net Asset/(Liability) Position of									
Foreign Currency Monetary Items	88.882	(445.135)	104.794	621.730	506.252	124.607	155.969	286.522	(157.648)
Hedged Amount of									
Foreign Currency Assets	596.368	109.605	102.594	610.000	560.000	122.000	150.000	337.726	5.890.702
Hedged Amount of Foreign									
Currency Liabilities	296.617	532.054	-	-	788	-	-	27.770	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.

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NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2019, and December 31, 2018, 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.

	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%
December 31, 2019				
USD net asset/liability	(4.372)	4.372	(7.353)	7.353
Secured portion from USD risk	(5.567)	5.567	(5.567)	5.567
USD Net effect	(9.939)	9.939	(12.920)	12.920
EUR net asset/liability	32.470	(32.470)	(44.253)	44.253
Secured portion from EUR risk	(32.156)	32.156	70.161	(70.161)
EUR Net effect	314	(314)	25.908	(25.908)
GBP net asset/liability	79.835	(79.835)	92.853	(92.853)
Secured portion from GBP risk	(81.498)	81.498	(81.498)	81.498
GBP Net effect	(1.663)	1.663	11.355	(11.355)
RUB net asset/liability	3.902	(3.902)	87.377	(87.377)
Secured portion from RUB risk	(3.897)	3.897	(3.897)	3.897
RUB Net effect	5	(5)	83.480	(83.480)
PLN net asset/liability	18.113	(18.113)	34.153	(34.153)
Secured portion from PLN risk	(17.763)	17.763	(17.763)	17.763
PLN Net effect	350	(350)	16.390	(16.390)
ZAR net asset/liability	(17)	17	121.211	(121.211)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(17)	17	121.211	(121.211)
CNY net asset/liability	31.708	(31.708)	41.364	(41.364)
Secured portion from CNY risk	(34.167)	34.167	(34.167)	34.167
CNY Net effect	(2.459)	2.459	7.197	(7.197)
Other net asset/liability	34.316	(34.316)	396.614	(396.614)
Secured portion from other currency risk	(33.147)	33.147	(33.147)	33.147
Other Currency Net effect	1.168	(1.168)	363.467	(363.467)
	(12.240)	12.240	616.088	(616.088)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	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%
December 31, 2018				
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)
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)
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)
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)
Other net asset/liability	28.972	(28.972)	344.351	(344.351)
Secured portion from other currency risk	(30.996)	30.996	(30.996)	30.996
Other Currency Net effect	(2.024)	2.024	313.355	(313.355)
	(9.775)	9.775	545.047	(545.047)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019 and 2018 are as follows:

	December 31, 2019 TRY	December 31, 2018 TRY
EUR	6.666.868	5.646.399
USD	1.774.060	1.807.807
GBP	2.265.015	1.995.487
Other	1.157.970	1.089.671
Total exports	11.863.913	10.539.364
EUR	2.034.602	1.930.426
USD	4.485.139	4.227.079
GBP	7.118	8.848
Other	3.439	4.671
Total imports	6.530.298	6.171.024

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, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Total financial liabilities (Note 6)	14,955,136	11,948,278
Cash and cash equivalents (Note 4)	(6,937,060)	(5,341,524)
Net financial liabilities	8,018,076	6,606,754
Equity	9,815,969	8,219,162
Total capital invested	17,834,045	14,825,916
Gearing ratio	45%	45%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

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.

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, 2019, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 10,364,465 (December 31, 2019: TRY 7,923,499) (Note 7) and TRY 10,526,745 (December 31, 2018: TRY 7,712,416) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

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, 2019 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	2,008	-
Financial investments (Note 6)	2,930	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 8)	-	82,606	-
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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 8)	-	195,218	-
Financial investments (Note 6)	1,777	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 8)	-	251,095	-
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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 January- December 31, 2019	1 January- December 31, 2018
Adjustments for provisions:		
Accrual for customer premiums	256,468	188,993
Warranty provision	63,407	41,763
Provision for employment termination benefits	32,432	23,707
Provision for assembly and transportation cost	21,263	2,728
Provision for legal claims	6,077	6,052
Provision for vacation pay liability	5,579	4,893
Return provisions	(268)	4,704
Accrual for bonuses and premiums	(1,321)	16,547
	383,637	289,387

	1 January- December 31, 2019	1 January- December 31, 2018
Adjustments for impairment loss:		
Provision for doubtful receivables	44,596	35,512
Provision for impairment on inventories	44,205	30,144
	88,801	65,656

NOTE 37 - EVENTS AFTER BALANCE SHEET DATE

None.

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General Information

Reporting Period	:	01.01.2019 - 31.12.2019
Trade Name	:	Arçelik A.Ş.
Trade Registry and Number	:	İstanbul Ticaret Sicil Müdürlüğü. No: 54957
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