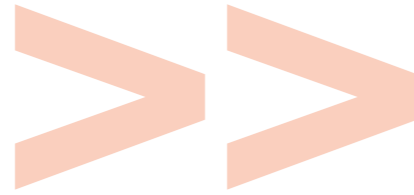


MESSAGE FROM THE GENERAL MANAGER



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 Russell 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.

