IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Document**") following this page and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Document. In accessing the attached Document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER US JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT TO A PERSON WHO IS NOT A US PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S.

THE DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES.

Confirmation of your representation: In order to be eligible to view the Document or make an investment decision with respect to the securities being offered, prospective investors must be a person other than a US person (as defined in Regulation S under the Securities Act) located outside the United States and, if located in the European Economic Area or the United Kingdom, must not be a retail investor (as defined below). The Document is being sent to you at your request, and by accepting the email and accessing the Document you shall be deemed to have represented to the Company and the Joint Lead Managers that (1) you have understood and agree to the terms set out herein, (2) you are a person other than a US person (as defined in Regulation S under the Securities Act) located outside the United States and you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, (3) if you are located in the European Economic Area or the United Kingdom, you are not a retail investor (as defined below) and (4) you consent to delivery of the Document by electronic transmission.

For the purposes of the above paragraph, a "**retail investor**" means (A) in respect of a person located in the European Economic Area, a person who is one (or both) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and (B) in respect of a person located in the United Kingdom, a person who is one (or both) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

You are reminded that the Document has been delivered to you on the basis that you are a person into whose possession the Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Document to any other person.

The materials relating to this offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this issuance of securities be made by a licensed broker or dealer, and one or more of the Joint Lead Managers or any affiliates of one or more of the Joint Lead Managers is a licensed broker or dealer in the relevant jurisdiction, this offering shall be deemed to be made by such Joint Lead Manager(s) or such affiliate(s) on behalf of the Company in such jurisdiction.

The Document may only be distributed to, and is only directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth bodies corporate falling within Article 49(2) of the Order, and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Any investment or investment activity to which the Document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the Document or any of its contents.

The Document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company or the Joint Lead Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

ARÇELIK A.Ş.

(Incorporated under the laws of the Republic of Turkey)

EUR350,000,000
3.000 per cent. Notes due 2026
Issue Price: 100 per cent.

Arçelik A.Ş., a joint stock company (the "**Company**" or "**Issuer**"), is issuing EUR350,000,000 3.000 per cent. Notes due 2026 (the "**Notes**"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities or "blue sky" laws of any state of the United States of America (the "**United States**", the "**U.S.**" or the "**US**"), the United Kingdom ("**UK**") or any other jurisdiction, and are being offered for sale to non-US persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) outside the United States (the "**Offering**") in reliance upon Regulation S. For a description of certain restrictions on sale and distribution of investments in the Notes, see "*Subscription and Sale*" herein.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "*RISK FACTORS*" BEGINNING ON PAGE 5 OF THIS PROSPECTUS.

Interest on the Notes will be paid in arrear on the 27th day of May in each year; provided that, if any such date is not a Business Day (as defined below), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be paid on 27 May 2026 (the "**Maturity Date**"), but may be paid earlier under certain circumstances as further described herein. In addition, the Issuer, may at its option, redeem all (but not some only) of the Notes (i) at any time prior to the date that is 90 days prior to the Maturity Date at the Make Whole Redemption Price as further described herein, and (ii) from and including 27 February 2026 to but excluding the Maturity Date at their principal amount plus accrued interest as further described herein. The Notes initially will be sold to investors at a price equal to 100 per cent. of the principal amount thereof. For a more detailed description of the Notes, see "*Conditions of the Notes*".

This Prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval by the Central Bank of Ireland should not be considered as an endorsement of the Issuer or of the quality of the Notes that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. This Prospectus will be valid until 27 May 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the Official List and to trading on the regulated market (the "**Euronext Dublin Regulated Market**") of Euronext Dublin. References in this Prospectus to the Notes being "**listed**" (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the Euronext Dublin Regulated Market. The Euronext Dublin Regulated Market is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**").

Application has been made to the Capital Markets Board of Turkey (the "**CMB**") in its capacity as competent authority under Capital Markets Law No. 6362 of the Republic of Turkey ("**Turkey**") relating to capital markets (the "**Capital Markets Law**" or "**CML**") for the approval of the sale and issuance of the Notes by the Company outside Turkey. The Notes may not be sold outside Turkey before necessary approvals, the approved issuance certificate (*ihraç belgesi*) and the written approval (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) have been obtained from the CMB. The CMB approval and the issuance certificate (*ihraç belgesi*) for the issuance and sale of the Notes were obtained on 18 March 2021 by the CMB letter dated 19 March 2021 and numbered E-29833736-105.02.02-3758), and the written approval representing the CMB's approval of the issuance of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or otherwise) is expected to be obtained from the CMB on or before the Issue Date.

Under current Turkish tax law, withholding tax at the rate of 0 per cent. applies to interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*".

The Notes are expected to be rated at issuance BB+ by S&P Global Ratings Europe Limited ("**S&P**") and BB by Fitch Ratings Ireland Limited ("**Fitch**" and, together with S&P, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the Rating Agencies is established in the European Union ("**EU**") and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). Each of S&P and Fitch is not established in the UK so has been endorsed by S&P Global Ratings UK Limited and Fitch Ratings Ltd, respectively, and, accordingly may be used for regulatory purposes in the UK in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**").

The Notes are being offered under Regulation S by each of J.P. Morgan Securities plc, Merrill Lynch International and MUFG Securities EMEA plc (each, a "**Joint Lead Manager**" and, collectively, the "**Joint Lead Managers**"), subject to their acceptance and right to reject orders in whole or in part.

The Notes will be represented by interests in a global certificate in registered form (the "**Global Certificate**") which will be registered in the name of a nominee of a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Certificate will be made on 27 May 2021 (i.e. the fifth Business Day following the date of pricing of the Notes (such date being referred to herein as the "**Issue Date**" and such settlement cycle being herein referred to as "**T+5**")).

Joint Lead Managers

BofA Securities **J.P. Morgan** **MUFG**

The date of this Prospectus is 25 May 2021.

This Prospectus constitutes a prospectus for the purpose of Article 6 of the Prospectus Regulation. This Prospectus is to be read in conjunction with the Consolidated Financial Statements (as defined in "*Presentation of Information—Presentation of Financial Information*"), which form part of this Prospectus and are incorporated by reference herein.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company and the Joint Lead Managers to subscribe for or purchase, any Notes (or beneficial interests therein). This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Joint Lead Managers. The Notes (and beneficial interests therein) may not be offered or sold, directly or indirectly, and this Prospectus may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction to the extent that such offer or solicitation is unlawful. The distribution or delivery of this Prospectus and the offer or sale of the Notes (or beneficial interests therein) in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus may come are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes (or beneficial interests therein) and on the distribution or delivery of this Prospectus and other offering material relating to the Notes in the United States, Turkey, the European Economic Area, the UK, Switzerland, Hong Kong, Canada and Singapore, see "*Subscription and Sale*".

No person has been authorised in connection with the offering of the Notes (or beneficial interests therein) to give any information or make any representation regarding the Group (as defined below), the Joint Lead Managers or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorised by the Company or the Joint Lead Managers. The delivery of this Prospectus at any time does not imply that there has been no change in the Group's affairs or that the information contained in it is correct as of any time subsequent to its date or that any other information supplied in connection with the Offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. This Prospectus may only be used for the purpose for which it has been published. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Company during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. No representation or warranty, express or implied, is made by the Joint Lead Managers as to the accuracy or completeness of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or should be relied upon as, a promise or representation, whether as to the past or the future. No Joint Lead Manager accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Company in connection with the offer or sale of the Notes or their distribution.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offer or sale of the Notes should purchase the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Company and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which they participate; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

None of the Company, the Joint Lead Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

UK MIFIR product governance / Professional investors and Eligible Counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes to retail investors in the EEA has been prepared. Offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a "**retail investor**" means a person who is one (or both) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore - In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Canada - The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

GENERAL INFORMATION

The Issuer has obtained the CMB approval letter dated 19 March 2021 numbered E-29833736-105.02.02-3758 (the "**CMB Approval**") and the approved issuance certificate (*ihraç belgesi*) dated 19 March 2021 numbered 2/BA-460 required for the issuance of Notes. In addition to the CMB Approval and the approved issuance certificate (*ihraç belgesi*), a written approval ((which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) is also required to be obtained by the Issuer from the CMB prior to the Issue Date. Pursuant to the CMB Approval, sale and issue of Notes has been approved in accordance with the Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), the Capital Markets Law and the Communiqué VII-128.8 on Debt Instruments (as amended from time to time) or its related regulation. In addition, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) within three Turkish business days from the date of issuance of the Notes of the issue amount, issue date, ISIN, interest commencement date, maturity date, interest rate, name of the custodians, currency of the Notes and the country of issuance.

In addition, the Notes may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has approved the sale and issue of any Notes on the condition that no sale or offering of Notes may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the Decree 32, residents of Turkey may purchase or sell the Notes offshore on an unsolicited (reverse inquiry) basis, provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to the Banking Regulation and Supervision Agency (the "**BRSA**") and/or CMB regulations and the purchase price is transferred through licensed banks authorised under the BRSA regulations. As such, Turkish residents should use licensed banks or licensed brokerage institutions while purchasing Notes and transfer the purchase price through licensed banks authorised under the BRSA regulations.

An application has been made to admit the Notes to listing on the Official List of Euronext Dublin and to have the Notes admitted to trading on the Euronext Dublin Regulated Market; however, no assurance can be given that such application will be accepted.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; however, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Company may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

In this Prospectus, Arçelik A.Ş. on a standalone basis is referred to as the "**Company**". References to the "**Group**" are to the Company together with its subsidiaries. Unless otherwise noted, references to "**management**" are to the members of the Company's board of directors, and statements as to the

Company's or Group's beliefs, expectations, estimates and options are to those of the Company's management.

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company has extracted substantially all of the information contained in this Prospectus concerning the Turkish market and its competitors from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "**Central Bank**") at www.tcmb.gov.tr or the Turkish Treasury's website at www.hmb.gov.tr. Data has been downloaded or observed on various different days and may be the result of calculations made by the Company, and therefore may not appear in the exact same form on such websites or elsewhere. Such websites are not, and should not, be deemed to be a part of, or to be incorporated into, this Prospectus.

Where third-party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Information regarding the Company's shareholders (including ownership levels and agreements) in "*Business Description*" and "*Ownership*" has been based upon public filings and announcements by such parties. Such data, while believed to be reliable and accurately extracted by the Company for the purposes of this Prospectus, has not been independently verified by the Company or any other party and prospective investors should not place undue reliance upon such data included in this Prospectus. As far as the Company is aware and able to ascertain from the information published by such third-party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

CREDIT RATINGS

S&P and Fitch have assigned a credit rating to the Notes. Such credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

MARKET DATA

Included in this Prospectus are various statements relating to the industries in which the Group operates. This information has been provided because the Group considers these markets to be the relevant markets for consideration of its market shares. Unless otherwise indicated, all information regarding the Group's markets in Turkey comes from the White Goods Manufacturers' Association of Turkey ("**TÜRKBESD**"), the leading industry group in Turkey, and internal company estimates. Unless otherwise indicated, all information regarding the Group's other markets comes from GfK, a leading market research firm, and internal company estimates. All positioning statements in this Prospectus are based upon unit market share for six units of major domestic appliances which consist of refrigerators, freezers, washing machines, dryers, dishwashers and cookers ("**MDA6**"), unless otherwise indicated. Unit market share refers to units sold.

TURKISH TAX CONSIDERATIONS

The withholding tax rates on interest payments of bonds issued by Turkish legal entities outside of Turkey vary depending upon the original maturity of such bonds as specified under Council of Ministers' Decree No. 2009/14592, Decree No. 2009/14593 and Decree No. 2009/14594 each dated 12 January 2009 which have been amended by the Presidential Decree No. 842 dated 20 March 2019 (together, the "**Decrees**"). According to the Decrees, the local withholding tax rate on interest payments is 0 per cent. for notes with an initial maturity of three years and more. See "*Taxation—Certain Turkish Tax Considerations*".

PRESENTATION OF INFORMATION

Presentation of Financial Information

Financial Information

As the Company is listed on the Borsa İstanbul (formerly, the Istanbul Stock Exchange), the Consolidated Financial Statements (as defined below) are required to be prepared in Turkish in conformity with Turkish Financial Reporting Standards ("**TFRS**") issued by Public Oversight Accounting and Auditing Standards Authority ("**POA**"). The Consolidated Financial Statements have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002. There may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information of the Company. See "*Operating and Financial Review—Summary of Differences between IFRS and TFRS*" for a discussion of the historical differences between International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board ("**IASB**") and the TFRS.

The Group's consolidated financial statements include:

- the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2020, which include comparative financial information as at and for the year ended 31 December 2019;
- the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2019, which include comparative financial information as at and for the year ended 31 December 2018; and
- the Group's unaudited, reviewed consolidated financial statements as at and for the three months ended 31 March 2021, which include comparative financial information as at and for the three months ended 31 March 2020.
- PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş (a member firm of PricewaterhouseCoopers) ("**PwC**") issued auditor's reports with respect to the annual consolidated financial statements as at and for the years ended 31 December 2020 and 2019 and issued an independent auditor’s review report with respect to the interim condensed consolidated financial statements as at 31 March 2021 and for the three months ended 31 March 2021 and 2020.

The Group also prepares convenience translations into English of its financial statements. Convenience translations into English of the Group's (i) audited annual consolidated financial statements as at and for the year ended 31 December 2020, which include comparative financial information as at and for the year ended 31 December 2019 (the "**2020 Audited Consolidated Financial Statements**"), (ii) audited annual consolidated financial statements as at and for the year ended 31 December 2019, which include comparative financial information as at and for the year ended 31 December 2018 (the "**2019 Audited Consolidated Financial Statements**") and (iii) unaudited, reviewed condensed consolidated interim financial statements as at and for the three months ended 31 March 2021 (the "**2021 Reviewed Consolidated Financial Statements**" and, together with the 2020 Audited Consolidated Financial Statements and the 2019 Audited Consolidated Financial Statements, the "**Consolidated Financial Statements**"), and convenience translations of the audit reports or review reports, as the case may be, thereon, are incorporated by reference in this Prospectus.

Non-GAAP measures

In this Prospectus, certain financial measures used by the Group are presented which are not recognised by IFRS, including Adjusted EBITDA and Net Debt. The Group defines Adjusted EBITDA as profit for the relevant period before tax income/(expense) continuing operations, financial income, financial expense including cash discount expenses, share of profit/loss of investments accounted for using the equity method, profit from sales of subsidiary, loss from financial assets, credit finance income and credit finance changes arising from trading activities, FX gains and losses arising from trading activities and depreciation and amortisation. Net Debt consists of short-term borrowings, short-term portion of long-term borrowings, short-term lease liabilities, long-term borrowings, long-term lease liabilities and derivative instruments (net) minus cash and cash equivalents.

Although Adjusted EBITDA is not typically a measure of operating income, operating performance or liquidity under IFRS, it is presented in this Prospectus because the Group believes it is used by some investors to determine a company's ability to service indebtedness and fund on-going capital expenditure. Adjusted EBITDA should not, however, be considered in isolation or as a substitute for income from operations as determined in accordance with IFRS, or for cash flows from operating activities as determined in accordance with IFRS, or as an indicator of operating performance.

A reconciliation of Adjusted EBITDA to profit for the period is set out below:

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Profit for the period	1,100,192	259,445	2,878,987	953,027	855,841
Add back:					
Income tax expenses	(194,064)	(48,959)	(618,916)	(161,154)	(93,565)
Finance income[(1)]	2,644,751	1.037.633	5,207,384	3,893,198	4,101,530
Finance expense[(1)]	(2,899,835)	(1.326.318)	(6,112,553)	(5,091,622)	(5,271,210)
Dividend income	117	93	93	--	94
Profit from sales of subsidiary			226,498		
Loss from financial assets	--	--	--	(4,320)	--
Income from associates (net)	4,543	7,535	41,226	21,041	12,320
Depreciation and amortization	(344,989)	(281,360)	(1,221,994)	(1,054,934)	(690,414)
ADJUSTED EBITDA	**1,889,669**	**870,821**	**5,357,249**	**3,350,818**	**2,797,086**

(1) These line items differ from the Group's reported financial statements for the three months period ended 31 March 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018. The effects of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expenses are presented under "Other income and expenses from operating activities" in the Consolidated Financial Statements but shown in the financial income and expenses lines due at the above table.

A reconciliation of Net Debt as of the periods is set out below:

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
Short-term borrowings	5,230,269	4,392,510	4,639,579	3,855,251	4,022,086
Short-term portion of long-term borrowings	5,467,681	1,625,122	5,390,255	2,119,221	1,494,640
Short-term lease liabilities	223,311	192,207	201,043	177,283	--
Long-term borrowings	7,534,053	9,167,837	6,128,457	8,245,244	6,431,552
Long-term lease liabilities	832,138	717,409	715,891	558,137	--
Derivative instruments (net)	40,677	149,430	(19,088)	80,598	55,877
minus					
Cash and cash equivalents	10,213,040	7,826,632	12,002,246	6,937,060	5,341,524
Net debt	**(9,115,089)**	**(8,417,883)**	**(5,053,891)**	**(8,098,674)**	**(6,662,631)**

Rounding

Certain numerical figures set out in this Prospectus, including financial data presented in thousands and millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set out in "*Operating and Financial Review*" are calculated using the numerical data in the Consolidated Financial Statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and not using the numerical data in the narrative description thereof. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100 per cent.

Restatement and reclassification of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to assist in an assessment of the Group's financial position and performance. Comparative figures are restated or reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

A number of changes were made to the Group's Consolidated Financial Statements. The reclassifications made to the Group's consolidated statement of financial position are as follows:

- for the period ended 31 March 2020, inventory provision expenses amounting to TRY2,077 has been reclassified from "Other income from operating activities" to "Cost of Sales" in the consolidated statement of profit or loss;
- for the period ended 31 December 2019, inventory provision expenses amounting to TRY44,205 has been reclassified from “Other income from operating activities” to “Cost of Sales” in the consolidated statement of profit or loss; and
- as of 31 December 2019, the Company has reclassified TRY12,042 from “Trade receivables, third parties” to “Due from related parties”.

These reclassifications were performed in order to conform to changes in presentation in the current period consolidated financial statements and are not material to the consolidated financial statements.

Currency Presentation and Exchange Rate Information

In this Prospectus, all references to "**Lira**", "**Turkish Lira**", "**TRY**" or "**Kr**" are to the lawful currency of Turkey; all references to "**US dollars**", "**US$**" or "**USD**" are to the lawful currency of the United States; all references to "**€**", "**Euro**" or "**EUR**" are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; all references to "**pounds sterling**" are to the lawful currency of the United Kingdom; all references to "**Rand**" are to the lawful currency of the Republic of South Africa; all references to "**Lei**" are to the lawful currency of the Republic of Romania; all references to "**Ruble**" are to the lawful currency of the Russian Federation; and all references to "**BDT**" or "**Taka**" are to the lawful currency of Bangladesh.

USE OF PROCEEDS / ELIGIBLE GREEN PROJECTS

None of the Joint Lead Managers makes any representation as to the suitability of the Notes to fulfil environmental or sustainability criteria required by any prospective investors. The Joint Lead Managers have not undertaken, nor are they responsible for, any assessment or verification of the Eligible Green Projects (as defined in "*Use of Proceeds*" below), and their impact or monitoring of the use of proceeds of the Notes (or amounts equal thereto). Investors should refer to the Issuer's Green Financing Framework and the Second Party Opinion, as referred to in "*Use of Proceeds*" below and for the avoidance of doubt, these are not incorporated into, and do not form part of this Prospectus. No representation or assurance is given by the Joint Lead Managers that the admission of the Notes on the Euronext Dublin ESG Bonds Segment will be obtained or maintained for the lifetime of the Notes.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that may be considered to be "forward-looking statements" relating to the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's businesses). When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "may", "will", "should" and any similar expression generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Prospectus, including (without limitation) under "*Risk Factors*", "*Use of Proceeds*", "*Operating and Financial Review*" and "*Business Description*" and include, but are not limited to, statements regarding:

- strategy and objectives;
- trends affecting the Group's results of operations and financial condition;

- future developments in the markets in which the Group operates;
- anticipated regulatory changes in the markets in which the Group operates; and
- the Group's potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements.

Potential investors should not place undue reliance upon any forward-looking statements. The Company does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Prospectus not to occur or to occur in a manner different from what the Company currently expects.

CONTENTS

Page

OVERVIEW

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, "Conditions of the Notes".

Issue:	EUR350,000,000 principal amount of 3.000 per cent. Notes due 2026.
Interest and Interest Payment Dates:	The Notes will bear interest from and including 27 May 2021 at the rate of 3.000 per cent. per annum, payable annually in arrear on 27 May in each year (each an "**Interest Payment Date**"); provided that, as described in Condition 6.4, if any such date is not a Business Day (as defined in Condition 6.4), then such payment will be made on the next Business Day. The first payment (for the period from and including the Issue Date to but excluding 27 May 2022 and amounting to EUR30 per EUR1,000 principal amount of Notes) will be made on 27 May 2022.
Maturity Date:	27 May 2026.
Use of Proceeds:	An amount equal to the net proceeds of the issue of the Notes, expected to amount to EUR349,475,000, will be allocated in accordance with the Green Financing Framework (as described in "*Use of Proceeds*" below).
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1 (*Negative pledge*)) unsecured obligations of the Company and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Company, present and future, but only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge and other Covenants:	The terms of the Notes contain a negative pledge provision binding on the Company as further described in Condition 4.1, as well as financial reporting obligations, an obligation to maintain certain authorisations, and a covenant limiting transactions with affiliates. See "*Conditions of the Notes—Condition 4*".
Taxation; Payment of Additional Amounts:	All payments in respect of the Notes by or on behalf of the Company shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 8.1), unless such withholding or deduction of Taxes is required by law. In that event, the Company will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. Under current Turkish law, withholding tax at the rate of 0 per cent. applies on interest on notes with an initial maturity of three years and more. See "*Taxation—Certain Turkish Tax Considerations*". See "*Conditions of the Notes—Condition 8.1*".

Optional Redemption:	The Issuer may redeem all (but not some only) of the Notes at any time during the period commencing on (and including) the date that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date at their principal amount, together with interest accrued to the date fixed for redemption. At any time prior to the date that is 90 days prior to the Maturity Date, on a date specified by the Issuer, the Issuer may at its option redeem all (but not some only) of the Notes at the Make-Whole Redemption Price. See "*Conditions of the Notes—Condition 7.2*".
Redemption for Taxation Reasons:	The Notes may be redeemed at the option of the Company in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to but excluding the date fixed for redemption) if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 25 May 2021, on the next Interest Payment Date the Company would be required to pay additional amounts as provided or referred to in Condition 8; and (b) the requirement cannot be avoided by the Company taking reasonable measures available to it.
Events of Default:	The Notes will be subject to certain Events of Default including (among others) non-payment of principal for 5 days, non-payment of interest for 10 days, failure to perform or observe any of the other obligations in respect of the Notes, cross-acceleration and certain events related to bankruptcy and insolvency of the Company or any Principal Subsidiary, all as further described in Condition 10.1. See "*Conditions of the Notes—Condition 10*".
Form and Denominations:	Notes will be represented by beneficial interests in the Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Notes will be issued in denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof. See "*Conditions of the Notes – Condition 1*".
Governing Law:	The Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement, as the case may be, will be governed by, and construed in accordance with, English law.
Listing:	Application has been made to Euronext Dublin for the Notes to be admitted to listing on the Official List of Euronext Dublin and to trading on the Euronext Dublin Regulated Market; however, no assurance can be given that such applications will be accepted. The Issuer has also applied for the Notes to be admitted on the Euronext Dublin ESG Bonds Segment.

Selling Restrictions:	The offer and sale of Notes is subject to restrictions in Turkey, the United States, the UK, Switzerland, Hong Kong, Canada and Singapore. See "*Subscription and Sale*".
Risk Factors:	For a discussion of certain risk factors relating to the Group, Turkey and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".
Issue Price:	100 per cent. of the principal amount.
Yield:	3.000 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Security Codes:	ISIN: XS2346972263 Common Code: 234697226
Representation of Noteholders:	There will be no trustee.
Expected Rating(s):	BB+ by S&P and BB by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Notes could adversely affect the price that a purchaser would be willing to pay for the Notes. As at the date of this Prospectus, each of the Rating Agencies is established in the EU and registered under the CRA Regulation.
Joint Lead Managers	J.P. Morgan Securities plc Merrill Lynch International MUFG Securities EMEA plc
Fiscal Agent, Paying Agent, and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATED TO THE GROUP'S BUSINESS

Risks related to macro-economic conditions

The Group's business, financial condition, results of operations and prospects are significantly affected by global economic, geopolitical and political conditions

The Group operates 22 manufacturing facilities in 8 countries, including Turkey, Romania, Russia, South Africa, Thailand, India, Bangladesh and Pakistan. The group also operates 33 sales and marketing offices and 12 brands in 43 countries (Arcelik, Beko, Grundig, Blomberg, Elektrabregenz Arctic, Leisure, Flavel, Defy, Altus, Dawlance and Voltas Beko) and offers products and services in almost 150 countries. The majority of the Group’s revenues are generated notably in Europe. For the years ended 31 December 2018, 2019 and 2020 respectively, 68.7%, 67.7% and 65.5% of the Group's total consolidated gross revenue were generated outside of Turkey. The Group’s success depends, in part, on its ability to manage continued economic uncertainty, especially in its most significant geographical markets such as Turkey and Europe, as well as any political or economic disruption in other important markets, including South Africa and the Middle East.

The ongoing global economic uncertainty as a result of the Coronavirus ("**COVID-19**") pandemic has had a material negative impact on a number of the principal external markets for the Group's products, with slow or negative growth in certain European and emerging markets, see “*–The Covid-19 pandemic may adversely impact the Group’s business, financial condition and results of operations*”. Further prolonged global economic downturns or a failure of the Group's principal external markets to recover may have a negative effect on the business, financial condition and/or results of operations of the Group. Continued global economic uncertainty, any contraction or stagnation of the global economy and any further tightening in global credit conditions could adversely impact the Group's business and operating results and could, amongst other things:

- negatively impact global and local demand for the Group's products, or lower market prices for the Group's products, which could result in a reduction of the Group's revenues, operating income and cash flows;
- result in increased borrowing costs and reduced, or no, access to the capital markets due to unfavourable market conditions;
- make it more difficult or costly for the Group to obtain financing for the Group's operations and investments or to refinance the Group's debt in the future;
- impair the financial condition of some of the Group's customers, suppliers and contractual counterparties, thereby increasing customer bad debt, non-performance by suppliers or counterparties, increasing impairments on assets and/or collateral, as well as increasing levels of non-performing loans and amounts of loan impairment charges; and
- decrease the value of certain of the Group's investments.

In addition, global demand for the Group's products are significantly affected by Gross Domestic Product ("**GDP**") growth, GDP per capita and disposable income, the availability of consumer credit, interest rates, consumer confidence and debt levels, retail trends, start of new residential construction, sales of existing homes, the level of mortgage refinancing, and foreign currency exchange rates. Any deteriorating global economic conditions, including slowing or negative GDP growth, declining GDP per capita, adverse movements in foreign exchange rates and disposable income may affect consumer demand. In addition, any decrease in disposable income may result in the consumers shifting their preferences to lower value brands of the Group with lower margins or even less expensive products of the Group's competitors and could have an adverse material impact on the Group's sales and profitability.

Additionally, the Group's international production and export activities expose it to risks associated with operating internationally including, for example, the effect of trade disputes, export restrictions, unofficial boycotts for the Group's products, additional protocols to amend affiliated free trade agreements and additional import tariffs, as well as other trade protection measures, rules on transfer pricing and import or export licensing requirements. Additionally, the Group's international production and sales activities in Russia, Romania and South Africa expose it to domestic risks associated with each of these countries, such as political, economic, regulatory, or social risks in such countries. Other risks associated with the Group's international activities that could result in a reduction of the Group's revenue, operating income and cash flows, include:

- lower global demand for Group's products;
- changes in exchange rates and inflation in Turkey and the Group's international markets;
- capital controls;
- changes in a specific country's or region's political, economic or social conditions, particularly in developing markets (including in particular, as a result of Brexit and EU trade policy);
- adverse consequences from changes in foreign regulatory requirements, including environmental rules and regulations;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex international laws, treaties, and regulations;
- adverse consequences from changes in tax laws; and
- distribution costs, disruptions in shipping or reduced availability of freight transportation.

Consequently, the Group's success will depend, in part, on its ability to manage continued global economic uncertainty, as well as any political or economic disruption in international markets. These risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and negatively impact the Group's overall liquidity and financing and borrowing costs, as well as create significant credit risks relative to its local customers and depositary institutions. For a further discussion of international business environment may affect the Group, see "*–The Group is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate*".

The Group's business, financial condition, results of operations and prospects are significantly affected by economic, geopolitical and political conditions in Turkey

As of 31 December 2020, nine out of 22 production facilities of the Group are located in Turkey, and nearly one-third of the Group's revenues are generated in Turkey. Accordingly, Turkish economic conditions have a direct and significant impact on the Group. Turkey's economy continues to face a number of significant challenges, principally due to the volatile global economic environment as well as domestic economic, geopolitical and political concerns. Turkey's domestic environment faces a number of challenges, including slowing growth rates, persistent high unemployment, a significant current account deficit, high inflation, volatile exchange rates and commodity prices, availability of energy supplies, consumer confidence, access to global credit markets and geopolitical tensions.

Turkish GDP growth has slowed in the past several years, with GDP growth of 7.4% in 2017, 2.8% in 2018, 0.9% in 2019, and 1.8% in 2020. High unemployment and inflation rates continue to be key challenges for the Turkey economy. The country had 13.2% unemployment rate at the end of 2020, which is higher than the rate recorded at the end of 2009 (i.e. a year after the global financial crisis in 2008). In addition to the youth unemployment rate of 25% and its recent upward trend, there remains a significant concern that unemployment is a threat to the demand for goods and services in Turkey.

Additionally, although the recent inflation rates in Turkey are relatively low compared to the average rates of over 60% in the 1990s, especially during the last 3 years, it has maintained its persistence at a much higher level than the period between 2005 and 2013. The country recorded inflation rates of 11.92% in 2017, 20.3% in 2018, 11.84% in 2019 and 14.6% in 2020. Persistent high inflation rates cause consumer purchasing power to diminish and may as a result cause a decline in demand for goods and services in Turkey.

Moreover, Turkey's economic performance relies on the implementation of key structural and institutional reforms. In March 2021, the Turkish Government announced a new economic reform package. As part of this economic reform package, the Turkish Government is aiming for a domestic economy with fewer imports and more exports and is focusing on boosting investment, production, jobs and exports and driving Turkey's potential economic growth through boosting production efficiency. However, there can be no assurance that the Turkish Government will continue to implement its current and proposed economic and fiscal policies successfully. Even if the Turkish Government continues to implement these policies successfully, there can be no assurance that the economic growth achieved in recent years will continue in light of potential external and internal shocks. Accordingly, as a result of the Group's very significant presence in the Turkish economy, any adverse developments within the wider Turkish economic or political system could materially adversely affect the Group's business, financial condition and results of operations. For a further discussion of how economic conditions in Turkey affect the Group, see "*—Risks Related to Turkey*".

The Covid-19 pandemic may adversely impact the Group's business, financial condition and results of operations

On January 2020, the World Health Organization (the "**WHO**") declared the emerging new coronavirus outbreak in Wuhan, China, as a public health emergency. On March 2020, the WHO declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, labour shortages, supply chain interruptions and overall economic and market instability. The outbreak of the pandemic has disrupted and is expected to continue to disrupt financial markets and the operations of businesses worldwide. The outbreak's long-term economic impact, however, including on the Group's business, remains difficult to predict and quantify.

The Group continues to monitor the impact of the COVID-19 outbreak. In particular, the Group continues to monitor the impact COVID-19 could have on the markets in which it operates, including global trade, supply chains and the macro-economic outlook as governments and international agencies impose a range of measures to deal with the outbreak. There is significant uncertainty relating to the potential effects of COVID-19 on the Group's business. Infections may become more widespread with the lack of vaccines and the presence of mutant viruses, including in countries where the Group sources its products or has operations. Further lockdowns have continued in a number of the Group's key markets, including in Turkey, due to further increases in cases. This may worsen the supply shortage or force the Group to restrict access to its facilities, which could negatively impact production or other operations within the Group. Raw material and transport costs increased during the pandemic and a number of the Group's suppliers and the manufacturers of a number of the Group's products have been and may continue to be adversely impacted if the ongoing pandemic continues for an extended period of time. As a result, the Group has faced and may continue to face delays or difficulties in sourcing products, which could negatively affect its business and financial results. Alternative sources may also be more costly for the Group which could adversely impact the Group's profitability and financial condition.

In addition, COVID-19 may have a negative impact on consumer habits. Initially, there was an increase in the demand for the Group's products due to government imposed lockdowns and social distancing measures which led to an increase in consumers cooking at home. However, with the ease of government imposed restrictions, consumers may spend their disposable income mostly on outside activities like dining at a restaurant or going on a holiday, as a result of being subject to restrictions for so long. Additionally, although the Turkish government took preventive measures against collective layoffs, in other countries where the Group's products are sold, prolonged lockdowns resulted in permanent business closures and high unemployment rates, which further accelerated the Group's move towards online sales channels. An overall decrease in disposable income may cause consumers to allocate less of their budget to the Group's products. Consumers may also choose to purchase from the Group's lower-priced competitors. As a result of the change in consumer habits, the Group could lose its market share and sales. If the global economy does not recover from the pandemic to its pre-pandemic conditions, the Group's business, financial condition and results of operations could be materially and adversely affected. For further discussion on the effect of COVID-19 on economies, please see the section titled "*The COVID-19 pandemic has negatively affected the global and Turkish economy and may negatively impact the Group's operations*".

Climate change or efforts to ensure sustainability may adversely affect the Group's business

There is increasing concern that a gradual increase in global average temperatures due to the increased concentration of carbon dioxide and other greenhouse gases ("**GHGs**") in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of extreme weather events and natural disasters. Investors now face increasing pressure from the Carbon Disclosure Project ("**CDP**") and the S&P Global (formerly Dow Jones) on where they choose to lend their money and whether their investees have strategies to comply with the 1.5/2C scenario.

Climate change may exacerbate water scarcity and cause a further deterioration of water quality in affected regions, which could limit the availability of water for the Group's operations. The Group may face water scarcity due to climate change in especially high or extremely high water stressed regions such as South Africa, Pakistan, India and Bangladesh where a significant portion of the Group's production facilities are located. The exposure to other physical risks such as floods, hurricanes, wildfires and rising sea levels may cause disruptions in the Group's operations. In addition, as local communities may also be affected from these physical risks, the demand for the Group's products may deteriorate due to disruptions in the local economy.

Additionally, the Group uses a wide range of materials and components in its global production lines, which are obtained from numerous suppliers around the world. Not all of the Group's supplies may be guaranteed, and a few of the Group's key components may only be available from a single supplier or a limited group of suppliers. The Group's operations and those of its suppliers may be subject to disruption for a variety of reasons, including extreme weather events, long-term changes in temperature levels, water availability, fire, earthquakes, flooding, or other natural disasters. In addition, certain proprietary component parts used in some of the Group's products are provided by single-source unaffiliated third-party suppliers. The Group may be unable to obtain these proprietary components for an indeterminate period of time if these single-source suppliers were to cease or interrupt production or otherwise fail to supply these components to the Group, because of the factors identified above. Insurance for certain disruptions may not be available, affordable or adequate.

In addition, the Group may face increased compliance costs related to new environmental taxes. Carbon border adjustment mechanisms may expose companies to additional taxation cost in order to eliminate the risk of carbon leakage. As the Group generates a majority of its revenues from Europe, the Group may be required to pay additional taxes on the Group's exports to Europe from non-EU manufacturing plants.

As a result, adverse weather conditions and other effects of climate change along with measures to control it, could have an adverse impact on the Group's business and results of operations.

Risks related to the Business of the Group

The Group operates in highly competitive markets

The markets for the Group's products are highly competitive and there is considerable pressure to reduce prices, especially when faced with adverse economic conditions, changes in consumer behaviour and possible reductions in consumer demand. Price competition, particularly in consumer electronics, has been intense, marked by shortening product cycles and an emphasis on price and technology leadership. The Group faces strong competitors, who also have significant financial resources to respond to and develop the markets in which both they and the Group operate.

The Group's competitors may consolidate in the future, which could result in the Group facing increased competition and affect the Group's relative market position globally and in Turkey. In addition, many of the Group's markets are highly fragmented. The Group has a variety of local and international competitors in each region. A change in the number of competitors, investment undertaken by its competitors, or other changes in the competitive environment in its markets may cause a reduction in the sale of the Group's products and in its market share and may lead to a decline in its revenue. Significant new competitors or increased competition from existing competitors may materially and adversely affect the Group's business, financial condition and results of its operations.

The Group's failure to respond to any changes to the Group's competitors' pricing policies, an increase in the volume of cheaper competing products or in the introduction of new competing products or brands may result in a loss of the Group's customers and market share and the implementation of its pricing strategy may be restricted. Any or all of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the rapid and continuous emergence of new distribution channels, particularly in e-commerce, may create consumer price deflation, affecting the Group's retail customer relationships and presenting additional challenges to increasing prices in response to cost increases. Moreover, if the Group is unable to adjust to new distribution channels and developments in e-commerce, the Group may be disadvantaged by the increase of online shoppers, which could adversely affect the Group's business, financial condition and results of operations. Effective advertising campaigns by competitors may also weaken consumer demand for the Company's products, and some competitors may be willing to reduce prices and accept lower profit margins to compete with the Group. As a result of this competition, the Group could lose its market share and sales, or be forced to reduce its prices to meet competition, which could adversely impact its margins. If the Group's product offerings are unable to compete successfully, its sales, results of operations and financial condition could be materially and adversely affected. For further information, please see the section titled "*Core Market Leadership*".

The Group is dependent on sales to retail chains and other large customers in its international markets, who may exercise pricing and other pressures on the Group

In its export markets, the Group sells to a sophisticated customer base of large trade customers that have significant leverage as buyers over their suppliers. Most of its products are sold through one-year contracts that allow flexibility in pricing and volume terms, which facilitates the trade customers' ability to change volume among suppliers. As the Group's trade customers continue to become larger, they may seek to use their position to improve their profitability by various means, including improved efficiency, lower pricing, and increased promotional programmes. If the Group is required to lower prices or is otherwise unable to meet the requirements of its customers, its volume growth and financial results could be negatively affected.

The loss of or substantial decline in volume of sales to key retail customers, major buying groups or any other trade customers to which the Group sells a significant volume of products could adversely affect its financial performance. In addition, in the event of a loss of a key customer, end consumers may choose to purchase products from alternative companies who are not customers of the Group. If the Group were to experience a material reduction in orders by volume or revenues or become unable to fully collect its accounts receivable from any major customer, where there is no security in place or where such security is not sufficient for any reason, its net sales and financial results would suffer. Additionally, the loss of market share or financial difficulties, including bankruptcy, impacting these trade customers could have a material adverse effect on the Group's liquidity, financial position and results of operations.

The success of the Group depends on the Group's ability to effectively market and distribute its products

The Group's products are sold and serviced through a network of dealers, distributors and service centres across a number of markets in Turkey and worldwide. Any underperformance by such dealers or distributors could adversely affect the sales and results of operations of the Group and could indirectly have a material adverse effect on the Group's business, financial condition and/or results of operations. Having to finance an extensive distribution network increases working capital needs and there can be no assurance that the Group will be able to maintain and develop sales techniques and distribution networks that effectively adapt to customer preferences or changes in the regulatory environment in the major markets in which the Group operates. The inability of the Group to maintain well-developed sales techniques and distribution networks may result in decreased sales and market shares and may adversely affect the financial condition and results of operations of those segments and, indirectly, those of the Group.

The Group’s dependence on suppliers makes it vulnerable to a disruption in the supply of its products

As of December 2020, the Group uses a variety of raw materials sourced from about 1,800 direct suppliers in 55 countries for its operations. The Group coordinates the procurement of its raw materials in line with its global needs, with offices in 8 different countries and around 200 personnel. The principal raw materials used to produce the Group's products, including flat steel, polyurethane, metal and plastic materials, copper and electronic components, are sourced either on a global or regional basis by the Group or its suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances.

In addition, an unfavourable change in any of the following could have a material adverse effect on the Group’s business, financial condition and results of operations:

- its ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which it purchases products from its suppliers, including applicable exchange rates, transport costs and other costs, its suppliers’ willingness to extend credit to it to finance its inventory purchases and other factors beyond its control;
- the financial condition of its suppliers;
- political instability in the countries in which its suppliers are located;
- its ability to import outsourced products;
- its suppliers’ non-compliance with applicable laws, trade restrictions and tariffs;
- its suppliers’ ability to manufacture and deliver outsourced products according to the Group’s standards of quality on a timely and efficient basis; or
- the supplier entering the international sanctions list.

If the Group’s relationships with any of its suppliers deteriorates due to the factors set out above, or any other reason, it may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, moulds or other specialised production equipment or processes used by such supplier in the manufacture of the Group’s products. The Group’s global purchasing team works closely with its suppliers to avoid supply-related problems and the Group is increasing its sources of supply for raw materials and sourced finished products, but there can be no assurances that it will not experience problems in the future.

Moreover, the Group relies on a limited number of suppliers and related parties for certain raw materials used in the production of its products. The Group’s business, financial condition and results of operations could be adversely affected if the Group’s suppliers, including its related parties are unable to deliver products within the agreed timeframe and of the agreed quality. If the Group’s suppliers fail to deliver products or raw materials of sufficient quality on time and at reasonable prices, the Group could have difficulties fulfilling the Group’s orders, sales and profits could decline, and the Group’s commercial reputation could be damaged.

Additionally, the Group is dependent on various modes of transportation for its raw materials and any interruptions in the Group’s supply chain logistics, including a reduction in international container availability (such as during the COVID-19 pandemic), strikes or other work stoppages, could adversely affect the Group’s production. A significant disruption in the supply of these materials for any reason could decrease the Group’s production and shipping levels, which could materially increase the Group’s operating costs and therefore its profit margins.

As a result, the Group’s raw material sourcing can fluctuate due to a number of factors beyond its control.

Additionally, although the Group generally enters into contracts for the supply of raw materials with a term of one year, as pricing terms are set quarterly or semi-annually, the Group is still exposed to raw material cost fluctuations as future prices, or availability of, raw materials required for the production or packaging of its products cannot be predicted. In addition, there can be no assurance that material contracts for the supply of raw materials will be renewed on favourable terms to the Group, or at all.

Consequently, there is no assurance that the Group will be able to pass on increases in raw material prices to its customers, as this will depend largely on market conditions. In the event that the Group cannot pass on raw material price increases to customers, or if sales volumes decrease as a result of higher product prices, the Group's sales and/or profits may decrease, which could have a material adverse effect on the Group's prospects, business, financial condition and results of operations. For further information, please see the sections titled "*Supply Chain Management*" and "*Supplier Management*".

Significant erosion of the Group's reputation or the reputation of one or more of its brands could have a material impact on its financial results

Significant erosion of the Group's reputation or the reputation of one or more of its brands could have a material impact on its financial results. The Group's reputation is the foundation of its relationships with key stakeholders and other constituencies, such as customers and suppliers. The Arçelik brand is well known in Turkey and certain of its brands, such as Beko and Grundig, also have worldwide recognition. This recognition is the result of the significant investments the Group has made in its brands and products over many years. The Group also devotes significant time and resources to programmes designed to protect and preserve its reputation, such as social responsibility and environmental sustainability. If the Group is unable to effectively manage real or perceived issues, including concerns about safety, quality, efficiency or similar matters, these issues could negatively impact sentiments toward its brands or its products, its ability to operate could be impaired and its financial results could suffer. The Group's financial success is directly dependent on the success of its brands in which it has made significant investments over many years, and the success of these brands can suffer if the Group's marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Costs associated with brand improvements can be significant and could have an adverse impact on the Group's results if they do not produce the desired outcomes. The Group's results could also be negatively impacted if one of its brands suffers substantial damage to its reputation due to a significant product recall or product-related litigation. In addition, given the association of its individual products with its overall brand, an issue with one of its products could negatively affect the reputation of its other products, or the Group as a whole, which could have an adverse impact on its results of operations and financial condition.

The Group's ability to meet its growth targets depends on its ability to innovate and successfully respond to competition

Sustaining the Group's market position and achieving the Group's business objectives depends, in part, on the successful development, introduction and marketing of new products and improvements to its equipment and manufacturing processes. Successful innovation and product development depend on its ability to correctly anticipate customer and consumer acceptance, to obtain and maintain necessary intellectual property protections and to avoid infringing the intellectual property rights of others. Due to advanced technological innovation and the relative ease of technology imitation, new products and services tend to become standardised more rapidly, leading to more intense competition and ongoing price erosion.

Product innovation and development are critical factors in improving margins and enabling net sales growth in all of the Group's product lines. Innovation in energy efficiency in the White goods segment has been especially important to the Group's businesses in recent years, particularly in the Turkish market, where household energy is expensive and energy efficient products have been a particular focus for both consumers and the government. Product development is also driven by consumer demand for better environmental performance, lower water use and noise reduction. Introducing new products requires significant management time and a high level of financial and other commitments to research and development, which may not always result in success.

Consequently, the Group's success depends greatly on its ability to anticipate and respond to emerging customer preferences and demands by ensuring continuing and timely development of new, as well as enhancements to existing, products and services and generate customer demand for new and upgraded products. If the Group's investments do not yield the innovation or the expected results quickly enough, or its competitors lead the Group in technological innovation, hindering its ability to commercialise, in a timely manner, new and competitive products and services that meet the needs of the market, the Group's innovative reputation, sales and/or profits may decrease, which could have a material adverse effect on the

Group's prospects, business, financial condition and results of operations. For further information, please see the section titled "*Research and Development"*.

The Group may not be able to realise expected benefits and synergies from acquisitions of businesses or product lines

The Group has increased, in the past, and as part of its strategy for the future may increase, significant market positions in its product areas through acquisitions. In 2016, the Group acquired Dawlance, which is one of the largest home appliance manufacturers in Pakistan. In 2019, the Group acquired a 57% stake in Singer's operations in Bangladesh. Singer is one of the largest home appliance manufacturers in Bangladesh. In addition, the Group is in the process of acquiring a 60% stake in Hitachi Home Appliance Business Line (excluding Japan). Expansion through acquisitions is inherently risky due to the number of uncertainties including:

- difficulties with identifying suitable acquisition targets, integrating people, operations, technologies and products in an effective and efficient manner;
- significant acquisition, administrative and other costs in connection with such transactions, including costs related to the integration of the acquired or restructured businesses;
- the acquisition may require additional indebtedness or additional equity to be issued in order to finance and these financing options may not be available on favourable terms or at all;
- there can be no assurances that the Group will be able to successfully integrate any businesses it acquires into existing operations or that they will perform according to expectations once integrated;
- dispositions of certain non-core assets may prove more costly than anticipated and may affect the Group's net sales and results of operations; and
- anticipated synergies may not materialise, revenue improvements and cost savings may be less than expected, sales of products may not meet expectations, and acquired businesses may carry unexpected liabilities.

In addition, the Group's ability to execute further acquisitions or investments is subject to a number of risks, including:

- difficulties with acquiring businesses or operations on favourable terms;
- increased competition for acquisition targets, which could result in decreased availability of suitable targets or increases in the price the Group would have to pay for such targets;
- difficulties with the execution of acquisitions as a result of legal, financial and antitrust factors, among others; and
- the lack of financial resources or the inability to obtain the necessary financing, on commercially acceptable terms or at all, to finance such acquisitions.

No assurance can be made that the Group will be able to successfully carry out further acquisitions, investments and business integrations since such transactions may involve the assumption of certain actual or potential, known or unknown, liabilities and if the Group is not able to achieve its strategic objectives, planned revenue improvements, synergies and cost savings in connection with current and future acquisitions, its financial condition and results of operations will be adversely impacted. For further information, please see the section titled "*Acquisitions*".

The Group is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate

The Group offers services and products in 5 continents in almost 150 countries. With this global presence, the Group's performance depends on economic, political and social conditions in the Group's principal international markets Any political tension including trade disputes, such as, between the United States and China, or trade conditions and arrangements between the UK and the EU, or news and rumours of a potential trade war, could have an adverse impact on the Group's business, financial condition and results of operations.

A significant portion of the Group's sales take place in international markets. In addition, most of the Group's manufacturing facilities and a significant number of its suppliers are located in emerging markets. The Group's pursuit of international growth opportunities may require significant investments in those markets for an extended period before returns on these investments, if any, are realised. The Group's international operations are subject to risks, including, among others:

- political and economic instability, as a result of terrorist attacks, natural disasters or otherwise;
- lack of developed infrastructure;
- restrictions on transfers of funds;
- import and export duties and quotas, as well as general transportation costs;
- changes in domestic and international customs and tariffs;
- changes in foreign labour laws and regulations affecting the Group's ability to hire and retain employees;
- difficulty in complying with foreign law;
- difficulty in obtaining distribution and support;
- adverse tax consequences or more rigorous enforcement by tax authorities;
- changes in tax laws and the interpretation of those laws;
- discriminatory or conflicting fiscal policies;
- imposition of more or new tariffs, quotas, trade barriers and similar restrictions on the Group's sales; and
- imposition of boycott or unofficial sanctions of local authorities for the Group's products.

Any of the foregoing factors may have a material adverse effect on the Group's sales, manufacturing or supply of its products and on its financial condition or results of operations generally.

There are risks inherent in global manufacturing which could negatively impact the Group's business

The Group needs to maintain key manufacturing and supply arrangements to achieve its targets on cost of sales. While the Group has business continuity and contingency plans for key manufacturing sites and the supply of raw materials, significant disruption of manufacturing, such as labour disputes, loss or impairment of key manufacturing sites, natural disasters, acts of war or terrorism, and other external factors over which the Group has no control, could interrupt raw material, component or finished product supply and, if not remedied, have an adverse impact on its business. Many of the Group's manufacturing facilities produce single products. If any of these facilities were to become incapacitated, the Group could lose its ability to produce certain products for a given period of time. In addition, the Group has several large manufacturing facilities and loss of any facility or material part thereof could have a significant impact on overall production volumes.

In addition, the time required to recover from disruptions, whether caused by the factors above or other causes, such as natural disasters or pandemics, may be greater in certain countries where the Group has manufacturing operations and are a key component of the Group's strategy. Moreover, as emerging markets are becoming increasingly important to its operations, the Group expects to become more susceptible to the above-mentioned risks, which may have an adverse impact on its operating results and financial condition.

The interests of the Group's principal shareholder, Koç Holding, may be inconsistent with the interests of the Noteholders

Arçelik is an affiliate of, and indirectly controlled by, Koç Holding. As a result, Koç Holding has, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and its day-to-day operations, as well as the ability to elect and change the Group's management and to approve other changes to its operations. The interests of Koç Holding and its affiliates could, in certain circumstances, conflict with those of the Noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. For example, Koç Holding could vote to cause the Group to incur additional indebtedness. Koç Holding and its affiliates could also have an interest in the Group pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, although such transactions might involve risks to Noteholders.

Risks related to the Operations of the Group

The Group's success depends on the ability to recruit and retain skilled technical employees and management professionals

In order to continuously develop, design, manufacture, market and sell successful White goods and electronics products in increasingly competitive markets, the Group must attract and retain key personnel, including its executive team, other management professionals, creative talent and skilled employees such as R&D engineers. However, there is high demand for such skilled employees, and the Group may be unable to attract or retain qualified employees to keep up with future business needs. A lengthy period of time is required to hire and develop replacement personnel when skilled personnel depart. An inability to hire, develop and retain a sufficient number of qualified employees could materially hinder the Group's business by, for example, delaying its ability to bring new products to market or impairing the success of its operations.

A deterioration in labour relations may have a material and adverse effect on Group's business

Approximately 80% of the Group's labour force in Turkey, 29% of its global labour force are union members who are covered by collective bargaining agreements that are subject to periodic renegotiation. The agreement covering all of the Group's unionised workers in Turkey came into effect on 1 September 2019 and is expected to expire on 31 August 2021. As of the date of this Prospectus, the scheduled date for renegotiation of the agreement has not been announced. While the Group currently expects to negotiate an extension to the terms of this and other agreements, there can be no assurance that it will be able to obtain terms that are satisfactory or otherwise reach any agreement at all with the relevant parties. In addition, in the course of its business, the Group may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favourable than those included in the Group's current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favourable than its existing collective bargaining agreements, could adversely affect the operation of the Group's business, including through increased labour expenses. The Group may experience strikes, work stoppages or other industrial actions in the future. Under Turkish legislation, strikes are only allowed during the periodic renegotiation of collective bargaining agreements, and, in the event the conditions prescribed for by the legislation are not met, work stoppages and other industrial actions in Turkey may qualify as unlawful labour disruption. While the Group intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that it will be able to do so and any non-compliance could subject the Group to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

A failure of one or more key information technology systems, networks, processes, associated sites or service providers could have a material adverse impact on the Group's business or reputation

The Group relies extensively on information technology ("**IT**") systems, networks and services, including internet sites, data hosting and processing facilities and tools, and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting its business. The various uses of these IT systems, networks and services include, but are not limited to:

- managing the Group's global purchasing operations;

- converting materials to finished products;
- shipping products to customers;
- marketing and selling products to consumers;
- collecting and storing customer, consumer, employee, investor and other stakeholder information and personal data;
- processing transactions;
- summarising and reporting results of operations;
- hosting, processing and sharing confidential and proprietary research, business plans and financial information;
- complying with regulatory, legal or tax requirements;
- providing data security; and
- handling other processes necessary to manage the Group's business.

The Group's IT systems are subject to the threat of incidents such as, denial of access to databases, breaches of information security systems, phishing attacks and Internet of Things and connected devices attacks, theft of valuable information through IT systems and the failure of critical service providers. Increased IT security threats with more disruptive and rapidly changing services and more sophisticated computer crimes pose a potential risk to the security of the Group's IT systems, networks and services, as well as the confidentiality, availability and integrity of the Group's data. If the IT systems, networks or service providers the Group relies upon fail to function properly, or if the Group suffers a loss or disclosure of business or stakeholder information, due to any number of causes, ranging from catastrophic events to power outages to security breaches, and the Group's business continuity plans do not effectively address these failures on a timely basis, the Group may suffer interruptions in its ability to manage operations and reputational, competitive and/or business harm, which may adversely impact its results of operations and/or financial condition.

In addition, the failure to comply with laws and regulations such as the EU General Data Protection Regulation, and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, the suspension of production or distribution, costly changes to equipment or processes due to required corrective action or a cessation or interruption of operations at the Group's facilities (or those of suppliers), as well as damage to its image and reputation, all of which could harm the Group's business, financial condition and results of operations.

A number of the Group's production facilities are located in natural disaster zones

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. On 17 August 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake, measuring 7.2 on the Richter scale, struck in the city of Düzce, between Ankara and İstanbul, resulting in significant financial costs to Turkey. More recently, on September 26, 2019, an earthquake measuring 5.8 on the Richter scale struck in the city of İstanbul which was felt in neighbouring cities such as Tekirdağ, Kırklareli, Kocaeli and Sakarya causing minor property damage. Additionally, on 24 January 2020, an earthquake measuring 6.8 on the Richter scale struck in the city of Elazığ, the eastern part of the country, and on 30 October 2020, an earthquake measuring 6.6 on the Richter scale struck in the city of İzmir the western part of the country, causing significant property damage and loss of life. A significant portion of Turkey's population and most of its economic resources are in a first-degree earthquake risk zone, which is a zone with the highest level of risk of damage from earthquakes. The Group's headquarters in İstanbul and its production facilities in İstanbul, Tekirdağ, Bolu, Eskişehir are closely located in first-degree earthquake risk zones.

Additionally, Thailand and Bangladesh have been subjected to severe floods mainly resulting from heavy rain in monsoon season, overloaded capacities of dams and rivers, slow river flow in low-lying areas and increase in water levels in coastal areas with high tides and storms. The Group's production facilities in

Rayong (Thailand) and Dakka (Banglasdesh) are located in high flood risk zones that may take several weeks for water levels to return to normal level and operations to recover after a major flood.

Although the Group maintains property damage and business interruption insurance and insurance for loss of profits, there can be no assurance that it will be able to fully enforce its rights under these policies. The occurrence of a severe natural disaster could adversely affect one or more of the Group's facilities, causing an interruption in, and an adverse effect on, its business. For further information on natural disasters, please see the section titled "*Earthquakes, natural disasters and other catastrophic events could damage the Group's facilities and harm the Turkish economy in general*".

The Group is exposed to the risk of increased warranty expenses

The Group's value chain comprises all the steps in its operations, from research and development, through production, marketing and sales. Operational failures in its value chain processes could result in quality problems or potential product, labour safety, regulatory or environmental risks. Such risks are particularly present in relation to the Group's production facilities which are located all over the world and have a high degree of organisational and technological complexity. Unforeseen product quality problems in the development and production of new and existing products could result in loss of market share and significantly higher warranty expenses. While there is a provision in the Group's financial statements to cover warranty expenses, there can be no guarantee that it will be adequate to cover all future contingencies.

Financial Risks relating to the Group

As a result of its international operations, the Group faces a number of risks related to exchange rates and foreign currencies

The Group's international sales and certain of its expenses are transacted in currencies other than its reporting currency, the Turkish Lira. The Group expects that the amount of its revenues and expenses transacted in other currencies will increase as its international operations grow and, as a result, its exposure to risks associated with foreign currencies could increase accordingly.

Significant changes in the value of local currencies will affect the Group's cost of goods sold and its operating margins and could result in exchange losses or otherwise have a material effect on its business, financial condition and results of operations. Changes in currency exchange rates may also affect the Group's sales to, purchases from and loans to its subsidiaries as well as sales to, purchases from and bank lines of credit with its customers, suppliers and creditors that are denominated in foreign currencies. Since the currency in which sales are recorded may not be aligned with the currency in which the expenses are incurred, foreign exchange rate fluctuations, particularly fluctuations of the Euro exchange rate against the Turkish Lira may affect the Group's operating results. In addition, as the Group's businesses have expanded in geographic areas such as South Africa, Bangladesh and Pakistan, where the majority of revenue is in local currencies such as the South African Rand, Taka or Pakistani rupee but the cost of sales are partially exposed to major foreign currencies, the impact of fluctuations of the aforementioned currencies against the Turkish Lira, Euro and other major currencies may have an adverse effect on the Group's results of operations. If the values of foreign currencies, including the Euro, fluctuate significantly more than expected in the foreign exchange markets, the Group's operating results and financial condition may be adversely affected. In addition, the Group sources products from over 10 countries. To the extent other relevant currencies appreciate with respect to the Turkish Lira, the Group may experience fluctuations in its results of operations.

While the Group uses derivative financial instruments to manage this exposure and may enter into further hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and the Group may not be able to successfully hedge its exposure to currency fluctuations. Further, the Group may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, its results of operations may be adversely impacted. For further information, please see the section titled "*Foreign Currency Fluctuations*".

Significant volatility or disruption in the global financial markets or a ratings downgrade may adversely affect the availability and cost of funding of the Group

The global financial markets have, in recent years, experienced significant levels of volatility and disruption, generally putting downward pressure on financial and other asset prices and impacting credit availability. Historically, the Group's primary sources of funds have been cash flows from operations, borrowings from banks and other institutional lenders, and the sale of equity. There can be no assurance that such sources of funding will continue to be available on acceptable terms. If market disruption and volatility occur, the Group may draw down funds from lines of credit from financial institutions or seek other sources of funding. There can be no assurance that under such market conditions these funding sources will be available on acceptable terms or in amounts sufficient to meet the Group's requirements. In turn, any such funding disruptions could have a material adverse impact on the Group's results of operations and financial condition.

The Group may face risks related to interest rates

The Group's financial expenses are affected by changes in interest rates. The Turkish Lira interest rate has fluctuated significantly in the past in response to the expansion or contraction of the Turkish economy, inflation, Turkish government policies and other factors. No assurance can be given that any measures the Group may adopt to manage its interest rate risk, such as the use of a combination mix of fixed rate and floating rate borrowings will be effective. As a result, any significant increase in interest rates in the future could have a material adverse effect on the Group's financial expenses, which in turn, could have a material adverse effect on its prospects, business, financial condition and results of operations.

The Group may be exposed to significant product liability claims or product recall costs which its insurance may not cover, and which could harm its reputation

In the ordinary course of its business, the Group may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. In the event that any of its products prove to be defective, the Group may need to recall and/or redesign such products. Any such matters could have adverse effects on its business, results of operations and financial condition if the Group is unable to successfully defend against or settle these matters or if its insurance coverage is insufficient to satisfy any judgments against the Group or settlements relating to these matters. Although the Group has product liability insurance coverage and an excess umbrella policy, its insurance policies may not provide coverage for certain, or any, claims against the Group or may not be sufficient to cover all possible liabilities. Additionally, the Group does not maintain product recall insurance. It may also not be able to maintain any insurance policies on acceptable terms, if at all, in the future.

In 2017, the Group undertook a product recall relating to its electric product ranges. Since 2018, there has been no major recall for the Group's products. However, there can be no assurance that the Group will not suffer reputational damage as a result of these or future recalls and/or the adverse publicity associated with them. For further information on recent product recalls, please see the section titled "*Litigation and other disputes*".

In particular, product recalls or product liability claims challenging the safety of its products may result in a decline in sales for a particular product, particularly if those claims or recalls cause customers to question the safety or reliability of its products. Under laws in many countries regulating consumer products, the Group may be forced to recall or repurchase some of its products under certain circumstances, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of products could be costly and may damage the Group's reputation. If it were required to remove, or voluntarily remove, any of its products from the market, the Group's reputation could be tarnished, and it might have large quantities of unfinished products that could not be sold. Accordingly, there can be no assurances that product recalls would not have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

The Group is subject to a wide variety of risks and its insurance coverage may not be sufficient to cover all potential losses

While the Group believes it has comprehensive insurance coverage for all anticipated exposures in line with industry standards and no material litigation or fines have arisen in connection with past product recalls, there can be no assurances that it will be able to maintain such insurance on acceptable terms, if at all, at all times in the future or that claims will not exceed, or fall outside of, its third-party insurance coverage. In addition, there can be no assurance that its third-party insurers will be able to meet their undertakings at all times, or whether the Group's provisions for uninsured or uncovered losses will be sufficient to cover its ultimate loss or expenditure. Additionally, in the future, the Group may not be able to obtain insurance cover at its current levels, if at all, and the Group's insurance premiums may increase significantly in order to maintain its current level of cover. Materialisation of any such loss or risk could have a material adverse effect on the Group's assets, financial condition, results of operations or prospects. For further information, please see the section titled "*Insurance*".

Legal and Regulatory Risks relating to the Group

The Group's business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions

The Group faces the risk of litigation and regulatory proceedings in different countries in the ordinary course of its business such as commercial lawsuits, customer claims, employee complaints, tax disputes and investigations and enforcement and debt collection proceedings. Legal proceedings, including regulatory actions, may seek to recover very large indeterminate amounts or limit the Group's operations, and the possibility that they may arise and their magnitude may remain unknown for substantial periods of time. For example, legal proceedings, including regulatory actions, may result from antitrust scrutiny of market practices for anti-competitive conduct. A substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings may have an adverse effect on the Group's business, operating results, financial condition, cash flows and reputation. For further information, please see the section titled "*Litigation and Other Disputes*".

The Group is subject to a wide range of regulations due to the international nature of its operations

The Group is subject to a broad range of laws and regulations covering issues related, *inter alia*, to the environment, occupational health and safety and labour practices. These include laws and regulations relating to air pollution; water pollution; the management, elimination or reduction of the use of hazardous substances; energy efficiency of certain products; waste management; recycling; site remediation and worker and consumer health and safety. For example, the Group is currently required to comply with:

- Turkish environmental regulations;
- environmental regulations enacted by the EU, such as the Restriction of Hazardous Substances Directive, the Waste Electrical and Electronic Equipment Directive, the ecodesign requirements for Energy-related Products Directive and the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals;
- regulations or governmental policies related to climate change issues such as carbon disclosure, greenhouse gas emission reduction, carbon taxes and energy efficiency for electronics products;
- "cap and trade" and other systems for reducing emissions; and
- laws and regulations related specifically to purchasing activities, including raw materials procurement, in respect of the environment and labour.

There is a growing global focus on environmental initiatives and an increase in new regulations being announced to combat global climate change.

Carbon prices associated with emissions trading schemes, carbon taxes, fuel taxes and other policies are expected to rise in the future as governments take action to reduce emissions of GHGs consistent with the Paris Agreement. The speed and level to which carbon prices rise is uncertain and likely to vary across countries and regions. The Group may be subject to the risk of the potential financial impacts of a high, medium and low carbon price scenario. Upstream Scope 3 emissions may contribute further to the Group's overall carbon pricing risk. Unmitigated risk under a high carbon price scenario may increase operating expenditures and lower the Group's operating profit margin.

In addition to climate change, regulations at the local level or in international jurisdictions could require the Group to limit emissions, change manufacturing processes or product offerings, or undertake other costly activities. The Group may be subject to rising costs due to strict taxation measures and GHG emission targets, resulting in carbon taxation measures, including the new EU Green Deal and Europe's ambition to become carbon neutral by 2050. The potential increase in voluntary carbon credits or Emissions Trading System carbon credits and green electricity prices may result in higher operational and potential CAPEX expenditures. The Group may need to set rigorous science-based targets for GHG reductions and related sustainability targets, and any failure to achieve sustainability goals or reduce the Group's impact on the environment, any changes in the scientific or governmental metrics utilised to objectively measure success, or the perception that the Group has failed to act responsibly regarding climate change could result in negative publicity and adversely affect business and reputation. Additionally, the Group may be subjected to future liabilities, fines or penalties or the suspension of product production for failing to comply, or being alleged as failing to comply, with various laws and regulations, including environmental regulations. The Group may not successfully constitute resiliency and focus on the commitment to keeping global warming below the 2°C target set by the Paris Agreement.

Additionally, to help EU consumers cut their energy bills and carbon footprint, a new version of the EU energy label including the Groups' products was made applicable from March 2021. As a result of the updated EU Energy Labelling Framework, the Group is now required to put more energy efficient products on the EU market.

Moreover, there is growing consumer focus on labour practices, including the working environment and environmental initiatives at manufacturers of consumer electronics components and products, particularly in low cost countries. Social responsibility and environmentally friendly laws and regulations may become more significant and stringent in the future. Such new laws and regulations may result in an increase in the Group's cost of compliance. Additionally, if the Group is not perceived as having responded to any existing and new laws and regulations in these varied areas, it may result in fines, penalties, legal judgments or other costs or remediation obligations, and may adversely affect its operating results and financial condition. In addition, such a finding of non-compliance, or the perception that the Group has not responded appropriately to growing consumer concern for such issues, whether or not legally required to do so, may adversely affect its reputation, and consequently its operating results and financial condition.

Any changes or potential uncertainties in government policies or any changes in regulation and taxes may adversely affect the Group's business

The Group is subject to the laws of the countries that the Group operates and due to its export of consumer durables products, to the laws of certain international jurisdictions. The main areas in which the Group is subject to regulatory oversight include environment, labour, transportation, tax, and antitrust. Regulations are subject to amendments based on policy changes and the Group cannot predict the future course of changes in laws, regulations, taxes and orders, or the ultimate effect that regulatory changes may have on it.

The adoption of new measures, legislation, regulations or a stricter interpretation of the former in Turkey may increase the Group's operating costs, lead to restrictions on its operations or give rise to an interruption of the Group's operations, which may adversely affect its business, financial condition and results of operations. Other changes in regulations may result in increased compliance costs, higher taxes, and increased costs of raw materials or increased prices for its products, which could have a material adverse effect on its prospects, business, financial condition and results of operations.

From time to time, the Turkish government provides fiscal incentive schemes, such as Social Security Institution premium exemptions, incentives related to facilities located in the organised industrial zones, research and development incentives, value-added tax exemptions, tax deductions and customs tax exemptions, to encourage major capital investments in various industries and areas, increase the rate of employment and productivity, establish continuity of investments and reduce the level of inter-regional differences in terms of development. According to the investment strategy, the Group has obtained investment, employment, export and research and development incentives.

Additionally, governments may announce changes in corporate tax regulation mainly including but not limited to:

- reductions in the rate of corporation tax;
- the definition of the corporate tax base;
- policy and practice concerning tax evasion and unacceptable tax avoidance; or
- administration and collection, including plans for increased use of digital systems.

Any unfavourable change relating to corporate tax policy in the future may result in an increase in the Group's exposure to additional liability and may adversely and materially affect the Group's business and financial condition.

Furthermore, no assurance can be given that the Group will continue to be able to comply with all eligibility requirements in order to benefit from receiving these incentives. There can also be no assurance that the Turkish government will continue to introduce further incentives. Even if the Turkish government does introduce these incentives, the Group or its projects may not be eligible to obtain them. Failure to obtain incentives for the Group's future investments could have a material adverse effect on the Group's business, financial condition and results of operations.

The Groups operations subject it to legal and regulatory risks in the event of any breaches of regulations, including economic and trade sanctions imposed by the United States, the EU and other jurisdictions

The Group operates in regions in which certain countries are, or have been, subject to comprehensive sanctions ("**Sanctions**") administered by the United States Office of Foreign Assets Control ("**OFAC**") and other governmental organisations. Whilst the Group seeks to conduct its business in compliance with Sanctions and other regulations, the Group is subject to an ongoing investigation by OFAC of certain US dollar payments for prior Iran-related transactions related to certain limited historical sales of consumer appliance products to distributors in Iran amounting to less than 0.5% of the Group's revenues that involved payments in US dollars at some stage of the supply chain. The Group is cooperating with OFAC and has submitted a report in relation to these historic payments. The Group has ceased all prior activities involving sales in any currency or shipping of consumer goods involving Iran and a comprehensive remediation programme has been put in place to ensure compliance with Sanctions regulations pertaining to Iran, however breaches of these or other Sanctions regulations could adversely affect the reputation of the Group and lead to financial and other penalties which could have an adverse effect on the Group's financial condition and results of operations.

The Issuer is a publicly listed company that is subject to the CMB's regulatory regime

The Issuer is a public company listed on Borsa İstanbul. Publicly listed companies in Turkey are subject to regulatory obligations established by the CMB with respect to major corporate governance and operational issues, including the structure of the board of directors, handling of material transactions such as major asset purchases or divestitures, related party transactions, dividend distributions, reorganisations such as mergers and acquisitions, disclosure obligations, and market abuse regulations. Any change to the CMB's existing regulatory regime or in the interpretation or enforcement of existing rules or regulations, the adoption of new rules or regulations, or any failure to comply with such rules or regulations, may have a material and adverse effect on the Company and other publicly-listed companies in the Group and, in turn, on the Group's business, financial condition and/or results of operations.

The Group may not be able to adequately establish and protect its intellectual property rights

Intellectual property includes copyrights, trade secrets and know-how and other proprietary information. As of 31 December 2020, the Group had 2,500 granted patents and 850 patent applications pending that it considers to be a valuable aspect of its business. While it attempts to protect its intellectual property rights through patents, trademarks, copyrights and trade secret laws on a continuous basis, its failure to obtain or adequately protect its intellectual property rights, its product innovations or its manufacturing processes may substantially diminish the Group's competitiveness and adversely affect its business.

The Group has applied for patent protection in numerous jurisdictions with respect to certain innovations, product features and processes. It cannot make assurances that the relevant governmental authorities will approve any of its patent applications. Additionally, its intellectual property rights could be invalidated or others could design around its patents and the patents may not be of sufficient scope or strength to provide the Group with any meaningful protection or commercial advantage.

The Group relies upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licences, confidentiality agreements and other contractual arrangements in order to establish and protect its intellectual property rights. The measures taken to protect the Group's intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating its intellectual property. The Group may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by the Group, or a trademark application claiming a trademark, service mark or trade dress also used by the Group, in order to protect its rights, the Group may have to participate in expensive and time consuming proceedings. Similarly, the Group's intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. Furthermore, even if the Group's intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of its intellectual property rights, or its competitors may independently develop technologies that are substantially equivalent or superior to the Group's technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require the Group to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to the Group's proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in the Group's favour. The risk that other parties may breach confidentiality agreements or that the Group's trade secrets become known or independently discovered by competitors could harm the Group by enabling its competitors, who may have greater experience and financial resources, to copy or use the Group's trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of the Group's trade secrets would impair its competitive position, thereby weakening demand for its products or services and harming its ability to maintain or increase its customer base.

Moreover, the laws of certain foreign countries in which the Group operates or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of Turkey, which may negate the Group's competitive or technological advantages in such markets. Also, some of the technology underlying the Group's products, principally in consumer electronics, is the subject of non-exclusive licences from third parties. As a result, this technology could be made available to the Group's competitors at any time. If the Group is unable to establish and then adequately protect its intellectual property rights, its business, financial condition and results of operations could be materially and adversely affected. For further information, please see the section titled "*Intellectual Property*".

RISKS RELATED TO TURKEY

Developments in the political situation in Turkey could have a material adverse effect on the Group's business, financial condition, results of operations and prospects

Turkey became a parliamentary democracy in 1923. Coalition governments and political instability characterise the Turkish democratic system, and Turkey has, as a result, had 66 governments since parliamentary democracy was established. Political tensions in Turkey often result in the early calling of general elections. Whilst the influence of the Turkish military has declined to some extent, it has historically been a major factor in Turkish government and politics. Military intervention in the country's political life took place in 1960, 1971 and 1980, with the most recent intervention being an abortive coup attempt by a section of the Turkish army in July 2016. The Turkish government, security forces and loyal elements in the Turkish army quickly re-established and subsequently maintained control. However, this abortive coup resulted in the government of Turkey imposing a two-year nationwide state of emergency, which only ended in July 2018.

A referendum on amendments to the Turkish constitution took place on 16 April 2017. The proposed constitutional amendments were approved by 51.41% of voters who cast their ballots. On the basis of the referendum result, the Turkish parliamentary system and council of ministers were replaced by a presidential system of government and an executive presidency.

President Recep Tayyip Erdoğan was re-elected President on 24 June 2018, having garnered a vote share of approximately 52.6%. Parliamentary elections were also held on the same day, in which the People's Alliance, comprising candidates from the Justice and Development Party (Adalet ve Kalkınma Partisi) (the "**AKP**") and the Nationalist Movement Party *(Milliyetçi Hareket Partisi)* (the "**MHP**") achieved a parliamentary majority of 344 seats out of 600. The AKP won 295 seats and the MHP won 49 seats. Local elections were held on 31 March 2019; however, the results of the Istanbul election, in which the opposition narrowly led, were declared void by the Supreme Election Board of Turkey. Local elections were re-run on 23 June in the same year, resulting in a change in control in the Istanbul municipality to the opposition Republican People's Party *(Cumhuriyet Halk Partisi)* from the AKP. Concerns about the government's economic policies and, among other things, the independence of the Central Bank have negatively affected some investors' views about Turkey and its economy. Illustrative of this is Moody's downgrading of its rating for Turkey from Baa3 (negative outlook) to B2 (negative outlook) and Fitch's downgrading of its rating from BBB- (stable outlook) to BB- (stable outlook) since 2016. Similarly, since 2016 Standard & Poor's unsolicited rating for Turkey was reduced from BB+ (stable outlook) to B+ (stable outlook).

Whether perceived or actual, unstable political conditions or an adverse political situation in Turkey could have negative consequences for the economy of Turkey. These factors could negatively impact the value of the Turkish Lira, domestic demand and international investors' perception of Turkey and this could have an adverse effect on the Group's business, its condition (including its financial condition) and the value or the market price of the Notes.

Conflict, civil upheaval and terrorism within Turkey or in neighbouring countries could have a material adverse effect on the Group's business, financial condition and results of operations

Turkey is situated in a region characterised by political and security concerns, which have intensified in recent years. Any political uncertainty within Turkey and some other countries in the region, including Iraq, Syria, Iran, Georgia, Cyprus, Egypt, Ukraine and Armenia may have an adverse effect on the Turkish securities market and the Group's business, its financial condition and the value or the market price of the Notes.

Risks associated with conflict in Syria and Iraq

Political instability has increased significantly in the Middle East and North Africa, especially in countries such as Syria, Iraq, Egypt, Libya, Tunisia, Jordan, Bahrain and Yemen. Tensions have also escalated throughout the Middle East, particularly concerning relations between Iran and Saudi Arabia. Such continuing unrest could politically impact Turkey or negatively affect its economy, including the Turkish financial markets.

Middle Eastern political instability is starkly illustrated by internal conflicts in Syria and Iraq and escalating unease between Iran and Israel. In 2014, the Islamic State of Iraq and the Levant (the "**ISIL**") and its allies embarked on a major offensive in northern Iraq against the government of Iraq. This resulted in the capture of territory in this region, including a number of cities and oil fields in eastern Syria. In response, a U.S.-led coalition instigated an aerial campaign against ISIL and its allies in northern Iraq and Syria in August 2014, which Turkey joined at the end of July 2015, initiating air strikes against ISIL in Syria and the Syrian Democratic Forces, which Turkey considers linked to the People's Congress of Kurdistan in northern Iraq. Turkey has also conducted cross-border operations in Iraq and Syria, targeting those groups it considers to be terrorist organisations which would otherwise conduct terrorist activities hostile to Turkey. On 27 February 2020, an airstrike against Idlib, which Turkish authorities claimed had been carried out by forces belonging to the Syrian regime, resulted in casualties among Turkish military forces. In return, Turkey launched "Operation Spring Shield" against the Syrian regime on 1 March 2020. Hostilities continue to take place in Syria, and, given the number of actors in such hostilities, predictions of the effects on political stability in the region, which includes Turkey, are difficult to arrive at. Similarly, any potential resulting adverse effect on the Turkish economy is difficult to determine. Elevated levels of conflict in Iraq and Syria have also caused a significant displacement of people. Turkey is among the countries that have taken a significant number of Syrian refugees, which had serious social and economic impacts on the country.

Further developments in northern Syria (including those involving Turkish operations), could result in increasing tensions with international stakeholders, and Turkey may face increased economic and/or security risks. Such risks could include terrorists retaliating against military action, or the U.S. or European states taking restrictive or punitive actions against Turkey, its economy or its institutions. Such actions, which could involve the escalation of diplomatic and political tensions between Turkey and the U.S. or other countries, other political circumstances and related actions, rumours and/or uncertainties might have a material adverse effect on the Group's business, financial condition and/or results of operations, which may also affect the market price of the Notes.

Risks from events affecting Turkey's relationship with Russia

Russia is currently Turkey's second-largest trading partner, and supplies most of Turkey's natural gas needs and consequently elevated tensions between Turkey and Russia over the conflict in Syria or Russia's annexation of the Crimean peninsula could have a material negative effect on the Turkish economy. In late 2015, Russian fighter aircraft commenced air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border on the grounds that Russia was violating Turkey's airspace, an event which has resulted in a deteriorating relationship between Turkey and Russia, culminating in Russia imposing sanctions against Turkey. The impact on Turkey's economic relationship with Russia and its political consequences remain uncertain.

As of the date of this Prospectus, Libya remains a locus of political unrest, and other countries take differing political positions with respect to Libya. Some, including Turkey, support the Tripoli-based United Nations-recognised Government of National Accord ("**GNA**"), whilst others maintain support for Haftar's Libyan National Army, which occupies the east of the country. Turkey and Russia fall on either side of this political divide. Turkey intervened in the Libyan conflict in January 2020, by sending troops and drones to support the GNA. While the differing positions on Libya may not directly impact Turkey's territory, the dispute could have a negative effect on Turkey's economy as a result of its impact on the global economy and the effect it might have on the Russian energy supplies on which Turkey is reliant. This may, in consequence, have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks from events affecting Turkey's relationship with the U.S.

In response to recent operations in northern Syria, the U.S. House of Representatives on 29 October 2019 passed a bill, by a majority of 403 votes to 16, envisaging the imposition of potential sanctions on Turkey, including on a Turkish state-controlled bank, Türkiye Halk Bankası A.Ş., and on any foreign financial institution that the U.S. State Department determines has knowingly enabled significant transactions on behalf of the Turkish Armed Forces or Turkey's defence industry concerning "Operation Peace Spring" which, among other things, included airstrikes conducted by the Turkish Air Force in October 2019 in northern Syria. This bill has not yet, however, been introduced in the Senate, and as of the date of this Prospectus does not have legal force. Relations between Turkey and the U.S. remain tense on several issues, including the conviction of a Türkiye Halk Bankası A.Ş. executive (who was released in July 2019, having served his sentence). As of the date of this Prospectus, it remains unknown, what the effect of the final outcome of the judicial process, including any appeal, will be, and whether any sanction, fine or penalty will be imposed by the OFAC or any other U.S. regulatory body on Türkiye Halk Bankası A.Ş. or any other Turkish bank or person concerning these issues, as well as what the reaction (if any) of the financial markets may be.

The relationship with the United States was also impacted by Turkey's agreement to acquire a USD 2.5 billion S-400 air and missile defence system from Russia in December 2017. In response, the United States announced that Turkey will be removed from the F-35 programme under which Turkey acquires fighter jets from the United States and the United States has threatened further sanctions. On 14 December 2020, the U.S. administration imposed sanctions on Turkey's Presidency of Defence Industries and its president and other senior officers. While such sanctions were less impactful than others that were available to be imposed and did not have a material impact on Turkish markets, it is uncertain if any other member of the North Atlantic Treaty Organization ("**NATO**") will impose any sanctions or other measures (or if the U.S. will impose additional sanctions or other measures) against Turkey and, if imposed, how such measures might impact the Turkish economy and/or the relationship between Turkey and any other NATO member.

Any sanctions that may be imposed, depending on their reach and nature, could have a material adverse effect on the market price of the Notes, and could potentially impair the ability of some investors to hold or transfer the Notes and/or the ability for payments to be made into and processed through the clearing systems. Political instability in Turkey (whether perceived or actual), increasing political and diplomatic tensions with the United States or other countries, and/or other political conditions, related actions, rumours and/or uncertainties, could have a material adverse effect on the Group's business, financial condition or results of operations or on the market price of the Notes.

Risks from events affecting Turkey's relationship with the EU

Turkey entered into an agreement with the EU in March 2016 in an attempt to establish control over the irregular transit of refugees from Turkey to the EU, many of whom were the results of the conflict in

Syria. This agreement has not yet been fully implemented as of the date of this Prospectus, and in 2019 Turkish officials stated that the EU has not yet fulfilled its undertakings under the agreement.

A number of significant natural gas deposits have been recently discovered in the territorial waters and exclusive economic zone belonging to Cyprus in the eastern Mediterranean. The Republic of Southern Cyprus (legally recognised by the EU but not by Turkey), supported by Greece, and the Turkish Republic of Northern Cyprus (not legally recognised by the EU but supported by Turkey), have laid claim to the natural gas deposits in these waters and commenced exploration activities. On 15 July 2019, the Council of the EU recalled its previous conclusions, and gave new conclusions stating that (i) such Turkish exploration (deemed illegal by the Council), have an immediate and serious negative impact across the range of EU-Turkey relations, (ii) it has decided not to hold further high-level EU-Turkish dialogue for the time being, (iii) it endorses the European Commission's proposal to reduce pre-accession assistance to Turkey for 2020, and (iv) it invites the European Investment Bank ("**EIB**") to review its lending activities in Turkey, especially in respect of sovereign-backed loans. On 11 November 2019, the EU adopted a framework for the imposition of sanctions on individuals or entities responsible for, or involved in, these exploration activities. In February 2020, the EU imposed sanctions on two executives of the Turkish Petroleum Corporation over drilling activity in the Eastern Mediterranean.

The above-mentioned events and any similar issues arising in the future, including the deterioration of relations between Turkey and Greece due to the matter of eastern Mediterranean natural gas reserves and any actions which might be taken by the EU in response to Turkey's aforementioned activities in the eastern Mediterranean or northern Syria, could contribute to a deterioration of the relationship between Turkey and the EU, and could negatively impact investors' perceptions of Turkey its economy, for reasons which include Turkey's lack of access to EU funding.

Risks relating to domestic terrorism

Turkey has faced domestic terrorist attacks, which have increased in frequency from time to time. In 2018, Turkey experienced a number of major acts of domestic terrorism, however there have been no significant or widespread domestic terrorism incidents since then. Nevertheless, terrorism and the threat of future terrorism have previously had and could in future have a material adverse effect on Turkey's capital markets, tourism, foreign investment and other features of the Turkish economy, and ultimately on the Group's financial condition and results of operations. The Group maintains property and business interruption insurance which covers damage to insured property directly caused by terrorism, however such insurance may be insufficient to cover any losses that may be incurred.

Other risks arising from events that may affect Turkey's international relations

On 2 October 2018, a Saudi journalist, Jamal Khashoggi, went missing after entering the Saudi consulate in Istanbul. Turkish prosecutors commenced criminal investigations into Mr. Khashoggi's disappearance and, on 31 October 2018, the chief prosecutor of Istanbul issued a written statement on the matter. According to this statement, evidence had been discovered to the effect that Mr. Khashoggi had been killed intentionally within the Saudi consulate, and that investigations would continue. As of the date of this Prospectus and to the best of the Group's knowledge, judicial process in both Turkey and Saudi Arabia is continuing, and the outcome and consequent implications for Turkey-Saudi Arabia relations are neither clear nor predictable.

In addition, there also exists political tensions between Turkey and Egypt, which resulted in both Turkey and Egypt recalling their respective ambassadors in 2013. Turkey and Egypt take opposing political positions with regard to the political situation in Libya, and the outcome of the Libya conflict and its implications on the relationship between Turkey and Egypt are neither clear nor predictable.

The securities market in turkey is volatile due to developments in and perceptions of risks in other emerging markets and other global markets

Turkey, as is the case with other emerging markets, is subject to enhanced risk of being perceived negatively by investors due to external events. Such events include, but are not limited to, volatility in other emerging markets, United States and Eurozone monetary policies, unrest in Syria and Iraq or a reduction in China's economic growth. These are considered to be of greater influence than they would be in more-developed markets, and financial turmoil in emerging markets could precipitate a "domino effect", with consequent disruption affecting the Turkish business environment. Moreover, financial turmoil in one or more emerging markets adversely affects stock prices and the prices for debt securities in all emerging market countries, as investors move their money to comparatively stable and economically developed countries. Heightened perceived risk associated with investing in emerging economies could negatively impact capital flows into Turkey, which could detrimentally affect the Turkish economy. Consequently, investors' interest in the Notes (and thus their price) may be subject to fluctuations that may not be related to the Turkish economy or the financial performance of the Group.

The global financial crisis of 2008 had a relatively modest impact on Turkey, however Turkey has experienced adverse contagion effects in the past, including following the financial crisis of 1994 and that of 2000 to 2001. Turkish Lira fell in value by approximately 40% against the US dollar between the beginning of 2018 and August 2018 and it lost approximately 25% of its value in the first two weeks of August 2018. Similar events will likely affect the Turkish economy in the future, which might have in consequence an adverse impact on the prices of obligations relating to Turkish capital markets issuances, and also adversely impact the Notes.

The Group's performance will continue to be affected by global economic conditions. The global economic outlook over the near to medium term remains challenging, which also influences prospects for the stabilisation and improvement of economic and financial conditions in Turkey. In addition, if the economies of EU countries suffer any reduction in growth due to the departure of the UK from the EU, there would be an adverse impact on Turkey's exports to the EU and on Turkey's economic growth and performance.

Investors' interest in Turkey may be negatively affected by events in other emerging markets or in the global economy, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Economic instability in Turkey could have a material adverse effect on the Group's business, financial condition, results of operations and prospects

Since the mid-1980s, the Turkish economy has evolved from being a highly protected and state-directed system to a market-oriented, free enterprise system. Economic reforms have, among other things, significantly reduced price controls and subsidies, reduced the role of the public sector, promoted growth in the industrial and service sectors, liberalised foreign trade, reduced tariffs, promoted export growth, eased capital transfer and exchange controls, encouraged foreign investment, strengthened the independence of the Central Bank, enabled full convertibility of the Turkish Lira through the acceptance of Article VIII of the International Monetary Fund's (the "**IMF**") Articles of Agreement and overhauled the tax system.

Although the Turkish economy has experienced significant development since 2001, it has also weathered a number of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, increased volatility of the Turkish Lira, significant current account deficits, high rates of inflation and high real rates of interest. These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies, particularly between 1994 and 2001. As of 30 September 2020, general government gross debt stock was USD 435.1 billion, with a general government gross debt to GDP ratio of 59.1%. Previously, the general government gross debt to GDP was 28.3%, 28.2%, 30.4% and 33.1% as of 31 December 2016, 2017, 2018, and 2019, respectively. A substantial current account deficit may also contribute to economic vulnerability. See "— *Turkey's economy is subject to inflation and other risks relating to its current account deficit*".

In 2001, Turkey adopted a macroeconomic programme backed by a USD 19.0 billion stand-by agreement with the IMF. The Turkish government supplemented this with a further three year stand-by agreement with the IMF in 2005. Having successfully completed the two IMF stand-by agreements, Turkey paid the last instalment under the agreements to the IMF in May 2013, and is now free from liability for further payments. Negotiations concerning the conditions of a new stand-by agreement took place between Turkey and the IMF in 2009, but these negotiations were unsuccessful and the Turkish government has not signed any new agreement with the IMF, the cited reason being disagreement over issues such as, among other things, funding for local government. The United States announced in March 2019 that imports from Turkey and India would no longer be eligible for tariff relief under the "Generalized System of Preferences" programme, which seeks to promote economic growth in specified developing countries. In the case of Turkey, the United States cited rapid economic development in Turkey since its entry into the programme, and that for this reason it should no longer benefit from the programme's tariff preferences. Such regulatory changes illustrate the increasing challenges faced by some exporters, which could have a material adverse effect on Turkey's economy and/or the financial condition or one or more Turkish industries.

Additionally, Turkey may not be able to maintain economic stability during any future periods of weakness in the global economy due to its reliance on external demand and external financing. Turkey's GDP growth was 3.2% in 2016, primarily supported by government consumption, with all other sub-segments underperforming as compared to 2015. In 2017, the contribution from government incentives aimed at the recovery of economic activity led to an increase in GDP growth to 7.5%. In 2018, even with the contribution of government spending, GDP growth decreased to 2.8%. GDP growth decreased to 0.9% in 2019, primarily as a consequence of the negative impact of reduced domestic demand mostly resulting from a contraction in private consumption and investments. In 2020, GDP growth rate of Turkey increased to 1.8%, as the country emerged as one of only a few globally to avoid a contraction due to COVID-19, which was supported by a near doubling of lending by Turkish state banks to stimulate the economy face down the financial impacts of the pandemic.

Further economic setbacks and failure to achieve growth targets could negatively impact the Group's business strategies, with consequent material adverse effect on the Group's business, financial condition and results of operations.

Turkey's economy is subject to inflation and other risks relating to its current account deficit

Turkey has historically experienced high rates of inflation. This has been considered to be one of the most significant problems faced by the Turkish economy. Over the five-year period ended 31 December 2002, the Turkish economy experienced annual inflation averaging approximately 54.4% per year, as measured by the consumer price index (the "**CPI**"). In 2006, Turkey adopted an open inflation targeting framework, which included binding inflation targets. Inflation reduced as a result, but remained stubbornly higher than the Central Bank's medium-range target of 5%, and was successively driven by inflationary shocks including the depreciation of the Turkish Lira, the 2007 and 2008 surge in commodity prices, temporary increases in government expenditure and increased taxes.

Although previous policies have achieved limited success in reducing inflation from its formerly high levels, inflation has rebounded in recent years and repeating policies may not again be successful, especially in light of Turkey's significant current account deficit and global liquidity situation. The yearly CPI for 2016 was 8.53%, whereas, as of June 2017, CPI had risen to 10.9%, mainly as a result of increases in the price of alcoholic beverages, tobacco, transport and healthcare services. As at 31 December 2017, CPI stood at 11.9%, mainly as a result of the pass-through effects of the depreciation of the Turkish Lira and rising food prices. As at 31 December 2018, CPI stood at 20.30%, mainly as a result of increases in the prices of home appliances, food and non-alcoholic beverages. CPI stood at 11.84% as at 31 December 2019 and reached a level of 14.6% as at 31 December 2020.

Inflation has also been a key area of focus of the Central Bank. In November 2020, Mr. Naci Ağbal, a former Minister of Finance, was appointed as the CBRT Governor. Following this event, Minister of Treasury and Finance, Mr. Berat Albayrak also resigned and he was replaced with a Justice and Development Party MP Mr, Lütfi Elvan. By late 2020, the Central Bank implemented significant rate increases and elevated the policy rate to 17% while also indicating that further rate rises would be implemented, if needed. On 18 March 2021, the Central Bank under Mr. Naci Ağbal's governorship increased the policy rate to 19%. On 20 March 2021, Mr. Naci Ağbal was dismissed by President Erdoğan, and replaced with Mr. Şahap Kavcıoğlu, a former Justice and Development Party MP. Such changes in the governance and operation of Turkey's institutions, could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the actual or perceived independence of such institutions.

If inflation in Turkey fluctuates or increases significantly for any reason, the Group's costs may increase, and, if not accompanied by an increase in interest rates, the Group's operating and net margins may decrease. Inflationary pressures may also curtail the Group's ability to access foreign financial markets, which could lead to further government economic intervention, including a monetary policy tightening and government policies which could in turn have a further adverse effect on the Turkish economy. The various impacts of inflation may, therefore, have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Group's business

Turkey's current account deficit or adverse changes in its balance of payments (including the availability of external financing) could lead to exchange rate changes and higher inflation, which could have a material adverse effect on the Group's business, financial condition and/or results of operations. Over 12 months, Turkey's current account deficit declined to USD 29.4 billion as of June 2016. However, this trend reversed in the third quarter of 2016 due to the depreciation of the Turkish Lira against the US dollar. Turkey's current account deficit stood at USD 32.6 billion in 2016 and USD 47.2 billion in 2017. As the economy slowed down throughout 2018, the current account deficit decreased to USD 27.3 billion by the year end. Due to ongoing weakness in economic activity, Turkey's current account balance in 2019 showed a surplus of USD 1.7 billion, which was the first surplus since 2002; however, this development was temporary. In 2020, Turkey's current account deficit widened to USD 36.7 billion due to various events and circumstances, including, *inter alia*, the impact of COVID-19 on the economy, a decline in Turkey's foreign trade and tourism revenues, political risks and an increase in the price of oil.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent on trade with Europe. A decline in the economic growth of any of Turkey's major trading partners, such as the EU, is likely to have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports into the EU could have a material adverse effect on Turkish exports and on Turkey's economic growth, which would in turn result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit as described immediately above.

Turkey is a country that is dependent on energy, and any political developments concerning energy security could have a material impact on Turkey's current account balance. Turkey recorded USD 14.3 billion of energy imports in the first half of 2020. In 2019, Turkey recorded USD 41.7 billion of energy imports, which decreased from USD 43.6 billion in 2018, itself an increase from USD 37.7 billion in 2017. Any geopolitical development impacting energy security could have a material impact on Turkey's current account balance. Volatile oil and natural gas prices (including as a result of agreements among the members of the Organisation of the Petroleum Exporting Countries and/or other oil-exporting nations to cut output or any geopolitical development concerning energy security and prices, such as the United States' withdrawal from the Joint Comprehensive Plan of Action and the re-imposition of previously suspended secondary sanctions on Iran or the decision of the United States to impose sanctions on Venezuela), together with the Turkish Lira's depreciation against the US dollar (in which most of Turkey's energy imports are priced), may have a negative impact on Turkey's current account deficit. If political tensions increase in the Middle East, resulting in growing concerns around global energy supply, world oil prices may increase, which could result in a higher current account deficit for Turkey. Examples of such events include restrictions in oil trade due to events taking place in Saudi Arabia or the Straits of Hormuz, or additional sanctions being imposed on Iran by the U.S. and/or the EU. A higher current account deficit may adversely affect the performance of the Turkish economy, and may consequently have a material adverse effect on the Group's business, financial condition and/or results of operations.

Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey), as well as an increase in energy prices, might result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues.

Turkey's current account deficit remains a matter of significant concern, and may be subject to further government intervention. If the Central Bank were to impose additional measures aimed at limiting further increases in the current account deficit, such measures would be likely to suppress economic growth and, in consequence, have a material adverse effect on the Group'sbusiness, financial condition and/or results of operations.

Moreover, failure to reduce the current account deficit could have a negative impact on Turkey's sovereign credit ratings. This could in turn limit the Group's access to credit markets and foreign financial markets and negatively impact its ability to comply with its obligations, including those under the Notes as well as increase financing costs for the Group. There can be no assurance that government intervention designed to counteract inflationary pressure and reduce the current account deficit, but which may be harmful to the Group's business, financial condition and results of operations, will not occur in the future.

The value of the Turkish Lira fluctuates with respect to other currencies

Although the international nature of the Group’s operations provide it with a natural hedge, enabling the Group to offset its foreign exchange losses due to foreign currency-denominated cost of sales items, against fluctuations in the Turkish Lira with respect to other currencies, the Group’s operational expenses are nevertheless vulnerable to fluctuations in exchange rates between the Turkish Lira and other currencies. Fluctuations in exchange rates can, therefore, have a significant effect on the Group’s results and financial condition. Significantly, any depreciation of the Turkish Lira against the US dollar or other major currencies may negatively affect the Group’s ability to repay any debt denominated in currencies other than the Turkish Lira, or negatively affect the financial condition of any of the Group’s businesses that has not appropriately managed its exposure to foreign currencies.

The Turkish Lira has experienced significant volatility in recent years, including periods of sharp depreciation, which has increased the Group's foreign currency risk. The value of the Turkish Lira has depreciated with respect to major currencies in recent years due to a number of factors, including increased perceived risk in global markets regarding market expectation that the U.S. Federal Reserve will increase the U.S. federal funds rate, and investor perception concerning the political and economic environment in Turkey.

Further significant depreciation of the Turkish Lira against the US dollar or other major currencies may adversely affect the financial condition of Turkey as a whole, and may have a material adverse effect on the Group’s business, financial condition and/or results of operations.

The COVID-19 pandemic has negatively affected the global and Turkish economy and may negatively impact the Group’s operations

The COVID-19 pandemic has caused significant disruption in the global and Turkish economy and financial markets. Within Turkey and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labour shortages, supply chain interruptions and overall economic and financial market instability. Impacts to the Turkish economy may be significant, which in turn could materially and adversely impact the Group's business.

The spread of the virus and measures taken to minimise its spread resulted in (amongst other outcomes) lower than expected GDP, higher unemployment rates, volatility in foreign trade balances and housing prices. Turkey’s economic conditions had already weakened since the latter half of 2018 due to a number of macroeconomic factors, including the depreciation of the Turkish Lira, higher interest rates and increasing political uncertainties. The current account balance turned to a deficit in the second quarter of 2020 and the deficit was US$27.5 billion (3.8% of GDP) as of 30 September 2020, on a 12-month rolling basis, primarily because of the decrease in services revenue due to the conditions stemming from the COVID-19 pandemic and the increase in trade deficit. On the services side, the revenue from tourism and transportation sectors decreased by 70% and 40% respectively in the nine months ended 30 September 2020 compared to the same period in 2019.

Although various vaccination strategies are expected to have a recovery effect in the markets, the future impact of the outbreak as well as any mutation risks beyond 2021 remain uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the Group’s business, financial condition and/or results of operations at any time. Due to a rapid increase in the number of new cases, the Turkish government has gradually tightened the measures recently and finally on 26 April 2021 announced a country-wide lockdown, subject to certain exemptions, effective from 29 April 2021 to 17 May 2021. The extent of the impact, if any, will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19.

Earthquakes, natural disasters and other catastrophic events could damage the Group’s facilities and harm the Turkish economy

Almost 45% of the population of Turkey and most of its economic resources are situated in a first-degree earthquake risk zone. Turkey has suffered from many of earthquakes in recent years, including some which have been of significant magnitude. In 1999, two discrete earthquakes measuring 7.5 and 7.2 on the Richter scale occurred near the cities of İzmit and Düzce, respectively, with catastrophic loss of life and the destruction of numerous buildings. These earthquakes resulted in substantial financial cost to Turkey. The eastern part of Turkey was hit by an earthquake measuring 7.2 on the Richter scale in October 2011, resulting in the loss of several lives and damage to property. On 6 February 2017, an earthquake measuring 5.3 on the Richter scale hit Ayvacık on the North Aegean Coast of Turkey, and was felt in Izmir, Bursa, Istanbul and other nearby cities. This earthquake caused damage, but there were no fatalities. On 2 March2017, an earthquake measuring 5.5 on the Richter scale and its aftershocks measuring 4.0 on the Richter scale hit the Adıyaman Samsat District in south-eastern Turkey, causing no casualties. On 26 September 2019, an earthquake measuring 5.8 on the Richter scale occurred to the south-west of Istanbul. In this earthquake there was one fatality due to a heart attack and 43 people suffered injuries. This earthquake was also felt in Tekirdağ, Kırklareli, Kocaeli, Yalova and Sakarya. Buildings in seven provinces in the region were destroyed or damaged as a result of a 6.8 magnitude earthquake that occurred in Elazığ in the eastern province of Turkey on 24 January 2020, causing the deaths of 41 people and injuring 1,607 people. On 30 October 2020, an earthquake with a magnitude of 6.6 occurred in Izmir, causing the deaths of 114 people and injuring 1,035.

Major earthquakes and other natural disasters have effects due to the direct impact of such events on the Group and its employees, including any consequent interruption of production or loss of inventory. Amelioratory measures of the Turkish government (including tax raising for rebuilding), may also have a material adverse effect on the Group. There can be no assurance that Turkey would recover from the negative economic impact of a major earthquake or other natural disaster, or that recent GDP growth rate would remain sustainable in such circumstances. A severe earthquake or other natural disaster could negatively impact the Turkish economy, which could adversely affect the Group's business, financial condition and/or results of operations.

Changes in Turkish tax laws may have an adverse impact on the taxes applicable to the Group's business

The Turkish government may introduce tax changes that may affect the Group and its customers. These changes could include changes in prevailing tax rates and, occasionally, the introduction of temporary taxes to finance designated governmental projects. Most recently, Temporary Article 13 of the Corporate Income Tax Law (Law No. 5520) has been introduced on 22 April 2021 according to which the 20% corporate income tax shall be applied as 25% for the (entire) year 2021 and 23% for the year 2022.

Changes such as these may result in increases to the Group's tax payments, which could adversely affect the Group's profitability and increase the prices of its services, restrict its ability to do business in its existing and new markets and adversely affect its financial results. There can be no assurance that the Group will be able to maintain its projected cash flow and profitability following increases in Turkish taxes applicable to it and its operations.

Turkish disclosure standards differ in several significant respects from those prevalent in more developed markets, leading to a relatively limited amount of available information

The Issuer is a public company listed on Borsa Istanbul, and is subject to the public disclosure rules of the CMB. The accounting, financial, corporate governance and other disclosure standards applicable to public companies in Turkey are less exhaustive than those in the EU, the U.S. or in other jurisdictions with developed capital markets. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU, the United States or in other markets of similar size and/or complexity, and any information that is published might only be available in the Turkish language. Certain disclosure rules and limited corporate governance standards have been adopted, but their interpretation and application are still evolving. Many aspects of Turkish law and regulation concerning public companies and the capital markets have not yet been subject to judicial or regulatory interpretation or review, and are, therefore, still subject to uncertainty with respect to their application. As a result, investors might not have access to the same disclosure standards concerning the Group as they would have for similar investments in companies in the U.S., the EU and other similar markets.

Turkey may not accede to the EU as intended

Turkey enjoys a long-standing relationship with the EU. Turkey has been party to an association agreement with the EU since 1963, and a supplementary agreement was entered into in 1970 providing for a transitional second stage of Turkey's integration into the EU. In October 2005, Turkey began negotiating its accession to the EU and expects to join the EU sometime in the future. Turkey's accession, however, depends on a number of economic and political exigencies concerning both Turkey and the EU. Although the shared objective of the negotiations is EU accession, these negotiations are not time-limited, and the outcome and timing of any such outcome is not guaranteed. In December 2006, the EU suspended negotiation of eight out of 35 chapters, and decided not to close the other 27 chapters due to Turkey's restrictions concerning the Greek Cypriot Administration. On 24 November 2016, the European Parliament voted to temporarily suspend accession negotiations with Turkey: a decision which, however, is not legally binding. Turkey maintains its desire to become an EU member state, however it may not accede to the EU for several years, if at all. Further delays or other adverse developments concerning Turkey's accession to the EU may have a negative effect on Turkey's economy and its economic performance and credit ratings in particular, and could consequently have an adverse effect on the Group's position and results of operations.

RISKS RELATED TO THE NOTES

The Notes will constitute unsecured obligations of the Issuer

The obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate cash flows, which could be affected by (*inter alia*) the circumstances described in these "*Risk Factors*". Any such factors could affect the Issuer's ability to make payment of interest and principal under the Notes.

The Notes are subject to optional redemption by the Issuer

The Issuer may redeem the Notes at its option at any time and without specifying any reason. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Any such optional redemption by the Issuer would require the Issuer to redeem the Notes at the Make-Whole Redemption Price (unless the redemption is to occur during the period commencing 90 days prior to the Maturity Date of the Notes in which case the Issuer may redeem the Notes at their principal amount together with accrued interest to the applicable redemption date). Notwithstanding this, investors in the Notes might not be able to reinvest the amounts received on the applicable redemption date at a rate that will provide an equivalent rate of return as their investment in the Notes and potential investors should consider reinvestment risk in light of other investments available at that time.

Claims of Noteholders under the Notes are effectively subordinated to those of certain other creditors of the Issuer and to creditors of the Issuer's subsidiaries

The Notes are unsecured and unsubordinated obligations of the Issuer. The Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness; however, the Notes will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law, such as wages of employees.

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets would be available for distribution to the Issuer, as direct or indirect shareholder. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to the Notes.

There is no public trading market for the Notes and an active trading market may not develop or be sustained in the future

There is no active trading market for investments in the Notes. If investments in the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Group's financial condition. Although application has been made for the Notes to be listed on the Official List maintained by Euronext Dublin and to be admitted to trading on the Euronext Dublin Regulated Market, there can be no assurance that such application will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Notes does not develop or is not maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

The market price of the Notes is subject to a high degree of volatility

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Group's financial condition or results of operations.

The market price of investments in the Notes is also influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries (including Russia and Ukraine) may diminish investor interest in securities of Turkish issuers, including the Group's, which could adversely affect the market price of investments in the Notes.

There can be no assurance that the use of proceeds will be suitable for the investment criteria of an investor seeking exposure to sustainable assets

Prospective investors should have regard to the information in "*Use of Proceeds*" regarding the use of the net proceeds of the Notes and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Joint Lead Managers that the use of such proceeds for any Eligible Green Projects (as further described in "*Use of Proceeds*") will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations or requirements regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (also called the "**EU Taxonomy Regulation**") or Regulation (EU) 2020/852 as it forms part of UK domestic law by virtue of the EUWA) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion (including the Second Party Opinion (as discussed in "*Use of Proceeds*" and available at https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/, which for the avoidance of doubt, is not incorporated in, and does not form part of this Prospectus)) or certification of any third party (including the Second Party Opinion provider, whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of the Notes and in particular with any Eligible Green Projects to fulfil any environmental, social, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Joint Lead Managers or any other person to buy, sell or hold any Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that the Notes are listed or admitted to trading on any dedicated "green", "environmental", "social" or "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Joint Lead Managers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Joint Lead Managers or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the net proceeds of the Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in "*Use of Proceeds*", there can be no assurance that the Issuer will be able to do this. Nor can there be any assurance that any Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. In addition, there can be no assurance that any Eligible Green Projects will achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated.

Any such event or failure to apply the net proceeds of the Notes for any Eligible Green Projects or to obtain and publish any such reports, assessments, opinions and certifications, will not constitute an event of default under the Notes or give rise to any other claim of a holder of any Notes against the Issuer. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Credit ratings may not reflect all risks

In addition to the ratings on the Notes provided by S&P and Fitch, one or more other independent credit rating agencies may assign credit ratings to the Notes. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by S&P and Fitch will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Group could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

Investors in the Notes must rely on Euroclear and Clearstream procedures

The Notes will be represented on issue by a Global Certificate that will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective participants will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

The Issuer may create and issue further Notes

The Issuer may from time to time without the consent of the Noteholders create and issue further Notes, having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

It may not be possible for investors to enforce foreign judgments against the Issuer or its management

The Issuer is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Issuer reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the Issuer's and a majority of the Group's assets are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. There is no treaty between Turkey and the UK providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the UK; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the UK by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon non-Turkish laws. For further information, see "*Enforcement of Judgments and Service of Process*".

Furthermore, any claim against the Issuer that is denominated in a foreign currency would, in the event of bankruptcy of the Issuer, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira equivalent amount of any such claim would be the Central Bank's exchange rate that is effective on the date the relevant court decides on bankruptcy of the Issuer in accordance with Turkish law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Prospectus:

(a) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (including comparative financial information as at and for the year ended 31 December 2019) (https://www.arcelikglobal.com/media/6244/arcelik_ar20_2603.pdf);

(b) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (including comparative financial information as at and for the year ended 31 December 2018) (https://www.arcelikglobal.com/media/5705/annual-report_2019_08072020_compressed.pdf); and

(c) the unaudited, reviewed consolidated financial statements of the Group as at and for the three month period ended 31 March 2021 (including comparative financial information as at and for the three month period ended 31 March 2020) (https://www.arcelikglobal.com/media/6280/arcelik-31-03-2021-spk-eng.pdf).

The Consolidated Financial Statements incorporated by reference into this Prospectus, all of which are in English, were prepared as convenience translations of the corresponding Turkish language Consolidated Financial Statements (which translations the Company confirms were direct and accurate).

Copies of documents incorporated by reference in this Prospectus are available on the Company's website at https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/.

Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus do not (and shall not be deemed to) form part of this Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference, the contents of any website referenced in this Prospectus do not form part of (and are not incorporated into) this Prospectus.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deduction of commissions, fees and estimated expenses, is expected to be approximately €349,475,000. An amount equal to the net proceeds of the Notes will be allocated by the Issuer in accordance with its Green Financing Framework (as defined below) to finance and/or refinance new and existing businesses and projects whose activities meet the eligibility criteria detailed in the Green Financing Framework (the "**Eligible Green Projects**").

The Green Financing Framework

The Group has established its green financing framework (the "**Green Financing Framework**") under which the Issuer may issue green bonds to finance and/or refinance Eligible Green Projects. The Group may, in the future, review the Green Financing Framework in line with developments in the market. Such review may result in the Green Financing Framework being updated and amended.

The Issuer believes that the Green Financing Framework is aligned with the International Capital Market Association's Green Bond Principles, 2018. This conclusion is confirmed by the second party opinion dated 10 May 2021 obtained by the Issuer from Sustainalytics (the "**Second Party Opinion**"), an external ESG research & analysis provider, which confirms the alignment of the Green Financing Framework with the International Capital Market Association's Green Bond Principles, 2018.

See the Green Financing Framework, the Second Party Opinion and any public reporting by or on behalf of the Issuer in respect of the application of proceeds (each of which will be available on the Issuer's website at https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/) for further information. Neither any such public reporting, the Second Party Opinion nor the Green Financing Framework is incorporated in, and they do not form part of, this Prospectus.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of the Second Party Opinion and in particular as to whether any Eligible Green Projects fulfil any environmental, sustainability, social or other criteria. The Second Party Opinion is not a recommendation to buy, sell or hold the Notes.

None of the Joint Lead Managers shall be responsible for (i) any assessment of the Eligible Green Projects; (ii) any verification of whether the Eligible Green Projects fall within an investor's requirements or expectations of a "green" or "sustainable" or equivalently-labelled project; or (iii) the ongoing monitoring of the use of proceeds in respect of the Notes.

EXCHANGE RATES

The table below sets forth, for the periods indicated, the period end, average and high and low rates determined by the Central Bank, in each case for the purchase of TRY, all expressed in TRY per Euro. The TRY/EUR exchange rate determined by the Central Bank on 17 May 2021 was TRY10.07 to EUR1.00. The rates may differ from the actual rates used in the preparation of the Group's Consolidated Financial Statements and other financial information appearing in this Prospectus. Fluctuations in the exchange rates between the Lira and Euro in the past are not necessarily indicative of fluctuations that may occur in the future. The Company does not represent that the Euro amounts referred to below could be or could have been converted into TRY at any particular rate indicated or any other rate at all.

	TRY per EUR1.00			
Period	**High**	**Low**	**Average**[(1)]	**Period end**[(2)]
2021 (to 17 May)	10.07	8.39	9.19	10.07
2020	10.03	6.51	8.03	9.01
2019	6.94	5.93	6.35	6.65
2018	7.83	4.48	5.66	6.03
2017	4.69	3.71	4.12	4.55
2016	3.78	3.16	3.34	3.69
2015	3.47	2.62	3.02	3.18
2014	3.21	2.75	2.91	2.82

Notes:

(1) For each of the years 2014 to 2021, this represents the yearly averages of the monthly averages of the TRY/EUR exchange rates determined by the Central Bank for the relevant period, which monthly averages were computed by calculating the average of the daily TRY/EUR exchange rates on the business days of each month during the relevant period. For the months (or periods) of 2014, this represents the monthly (or period) averages of the TRY/EUR exchange rates determined by the Central Bank for such month (or period), which averages were computed in the same manner described above.

(2) Represents the TRY/EUR exchange rates for the purchase of euros determined by the Central Bank on the last working day of the relevant period.

Consolidated Statements of Profit or Loss

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Net sales	12,983,814	7,767,528	40,872,483	31,941,773	26,904,384
Cost of sales	(8,500,972)	(5,299,810)	(27,066,110)	(21,726,871)	(18,388,766)
Gross profit	**4,482,842**	**2,467,718**	**13,806,373**	**10,214,902**	**8,515,618**
Marketing, selling and distribution Expenses	(2,285,710)	(1,534,375)	(7,469,259)	(6,124,521)	(5,094,434)
General administrative expenses	(570,825)	(487,243)	(2,175,948)	(1,594,398)	(1,209,472)
Research and development expenses	(87,472)	(72,718)	(318,211)	(256,751)	(204,792)
Other income	890,017	575,052	1,769,360	918,735	1,324,815
Other expenses	(750,728)	(175,410)	(760,019)	(504,209)	(694,413)
Operating profit	**1,678,124**	**773,024**	**4,852,296**	**2,653,758**	**2,637,322**
Income from investment activities	2,273	895	240,668	6,816	13,278
Expenses from investment activities	(2,596)	(675)	(64,485)	(8,556)	(6,795)
Income from associates (net)	4,543	7,536	41,226	21,041	12,226
Financial income	1,776,185	694,084	3,852,496	3,114,323	2,965,219
Financial expenses	(2,164,273)	(1,166,460)	(5,424,296)	(4,673,202)	(4,671,844)
Income before tax	**1,294,256**	**308,404**	**3,497,905**	**1,114,180**	**949,406**
Taxes on income	(220,655)	(76,079)	(481,032)	(244,526)	(248,748)
Deferred tax expense	26,591	27,120	(137,884)	83,372	155,183
Net income from continued operations	**1,100,192**	**259,445**	**2,878,989**	**953,026**	**855,841**
Attributable to:					
Non-controlling interest	7,457	3,711	31,150	28,193	4,085
Equity holders of the parent	**1,092,735**	**255,734**	**2,847,839**	**924,833**	**851,756**
Earnings per share (Kr)	**1.617**	**0.378**	**4.214**	**1.369**	**1.261**

Consolidated Statements of Financial Position

	As at 31 March		As at 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
ASSETS					
Current assets:					
Cash and cash equivalents	10,213,040	7,826,632	12,002,246	6,937,060	5,341,524
Trade receivables					
– Due from related parties	145,250	23,116	103,153	29,716	12,059
– Trade receivables, third parties	15,588,594	9,133,748	12,046,292	9,486,129	7,744,252
Derivative instruments	8,907	6,054	27,354	2,008	28,405
Inventories	10,124,948	5,821,470	7,095,622	5,630,251	5,087,676
Prepaid expenses	541,718	357,480	496,783	209,835	181,519
Current income tax assets	154,231	129,442	143,032	141,244	118,220
Other current assets	1,410,133	881,510	1,146,367	746,403	681,903
Total current assets	**38,186,821**	**24,179,452**	**33,060,849**	**23,182,646**	**19,195,558**
Non-current assets:					
Financial investments	4,480	3,037	5,614	3,009	1,856
Trade receivables					
– Trade receivables, third parties	69,144	53,025	68,225	51,543	35,690
Derivative instruments	—	-	-	-	166,813
Investments accounted for using the equity method	709,691	538,620	648,016	526,499	346,605
Property, plant and equipment	7,866,966	6,241,535	7,296,568	6,041,402	4,534,276
Intangible assets					
– Goodwill	1,121,835	803,022	989,060	808,786	507,966
– Other intangible assets	3,923,817	3,045,459	3,563,944	2,977,935	2,600,849
Prepaid expenses	101,774	134,171	83,484	125,390	100,501

	As at 31 March		As at 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Deferred tax assets	1,018,647	1,097,214	833,284	1,012,290	878,247
Total non-current assets	**14,816,354**	**11,916,083**	**13,488,195**	**11,546,854**	**9,172,803**
Total assets	**53,003,175**	**36,095,535**	**46,549,044**	**34,729,500**	**28,368,361**
LIABILITIES					
Current liabilities					
Short-term borrowings	5,453,580	4,084,717	4,840,622	4,032,534	4,022,086
Short term portion of long term financial liabilities	5,467,681	2,125,122	5,390,255	2,119,221	1,494,640
Trade payables					
– Due to related parties	970,515	555,734	995,829	605,967	441,597
– Trade payables, third parties	11,174,213	5,022,906	8,649,373	4,958,172	4,292,847
Derivative instruments	49,584	108,986	8,266	13,509	251,095
Employee benefit obligations	452,375	334,017	492,554	468,255	344,171
Other payables					
– Due to related parties	--	25,737	--	31,655	27,794
– Other payables, third parties	1,154,461	404,640	726,074	400,570	241,069
Current income tax liabilities	128,770	6,320	7,736	8,740	42,978
Provisions					
– Other provisions	1,263,510	980,650	977,478	713,522	582,339
Other current liabilities	1,851,004	1,166,908	1,738,729	1,362,780	756,340
Total current liabilities	**27,965,693**	**14,815,737**	**23,826,916**	**14,714,925**	**12,496,956**
Non-current liabilities					
Long-term borrowings	8,366,191	9,885,245	6,844,348	8,803,381	6,431,552
Derivative instruments	--	46,498	--	69,097	--
– Other payables	--	--	--	--	--
– Due to related parties	--	--	--	--	28,180
Provisions					
– Provision for employee benefits	417,828	335,111	419,517	344,486	289,560
– Other provisions	337,650	151,555	289,640	139,281	155,868
Deferred tax liabilities	789,587	570,254	563,071	575,898	511,386
Other non-current liabilities	636,839	289,044	581,706	266,463	235,697
Total non-current liabilities	**10,548,095**	**11,277,707**	**8,698,282**	**10,198,606**	**7,652,243**
Total liabilities	**38,513,788**	**26,093,444**	**32,525,198**	**24,913,531**	**20,149,199**
EQUITY					
Paid-in capital	675,728	675,728	675,728	675,728	675,728
Adjustment to share capital	468,811	468,811	468,811	468,811	468,811
Share premium	889	889	889	889	889
Other comprehensive income/expense not to be reclassified to profit or loss					
– Actuarial gain/loss arising from defined benefit plans	(304,775)	(251,217)	(298,280)	(228,111)	(177,981)
Other comprehensive income/loss to be reclassified to profit or loss					
- Gains/ losses on financial assets measured at fair value through other comprehensive income	3,841	2,470	4,918	2,443	1,348
– Financial assets revaluation fund	--	--	--	--	--
– Non-current assets revaluation fund.	--	--	--	--	--
– Foreign currency hedge of net investments in foreign operations	(1,057,993)	(743,655)	(966,053)	(675,927)	(601,215)
– Cash flow hedges	839	(68,199)	(3,072)	(60,101)	5,405
– Currency translation differences	6,164,029	3,622,121	5,225,745	3,611,032	2,871,675
Contribution to shareholders' equity related to merger	14,507	14,507	14,507	14,507	14,507
Restricted reserves	555,736	409,115	409,115	409,115	409,115
Retained earnings	6,641,116	5,439,898	5,439,898	4,515,065	3,663,309
Net income for the period	1,092,735	255,734	2,847,839	924,833	851,756
Attributable to:					
Equity holders of the parent	14,255,463	9,826,202	13,820,045	9,658,284	8,183,347
Non-controlling interest	233,924	175,889	203,801	157,685	35,815
Total equity	**14,489,387**	**10,002,091**	**14,023,846**	**9,815,969**	**8,219,162**
Total liabilities and equity	**53,003,175**	**36,095,535**	**46,549,044**	**34,729,500**	**28,368,361**

Statement of Cash Flow

	As at 31 March		Years ended 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Cash and cash equivalents at the beginning	11,988,227	6,922,938	6,922,938	5,337,278	2,580,893
Cash flows provided by/(used in) operating activities..	(1,724,120)	769,474	6,420,998	3,174,880	1,680,909
Cash flows provided by/(used in) investing activities..	(422,177)	(273,934)	(1,321,853)	(1,912,128)	(1,781,726)
Cash flows provided by/(used in) financing activities..	(565,407)	60,122	(1,307,361)	(160,651)	2,402,330
Net (decrease)/increase in cash and cash equivalents..	(1,783,149)	897,192	5,065,289	1,585,660	2,756,385
Cash and cash equivalents at the end of period	10,205,078	7,820,130	11,988,227	6,922,938	5,337,278

Other Financial Data

	Three months ended 31 March		Years ended 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Adjusted EBITDA	1,889,669	870,821	5,357,249	3,350,818	2,797,086
Capital expenditure [(1)]	400,963	307,584	1,752,325	1,391,153	1,810,143
Net Debt	(9,115,089)	(8,417,883)	(5,053,891)	(8,098,674)	(6,662,631)

(1) Capital expenditures do not include IFRS 16 balances.

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, which are incorporated by reference in this Prospectus. TFRS differ in certain respects from IFRS. See "Summary of Differences between IFRS and TFRS" in this Operating and Financial Review.

Overview

Arçelik is a leading producer of White goods and consumer electronics. Founded in 1955, the Company has grown to become the third largest White goods company in Europe. It has strong market positions in Turkey, Europe, the Middle East, Africa, Pakistan and Bangladesh, where it generated 96% of its revenues in 2020. The Group focuses on innovation and customer appeal in its product lines and places a particular emphasis on environmentally friendly and energy-efficient technology. The Group had total revenues of TRY40,872.48 million and Adjusted EBITDA of TRY5,357.25 million in the year ended 31 December 2020, which have grown from 2018 to 2020 at a CAGR of 23.3% and 38.4%, respectively. For the three months ended 31 March 2021, the Group had total revenues of TRY12,983.81 million and Adjusted EBITDA of TRY1,889.87 million. The Group had 37,413 employees as at 31 December 2020.

The Group owns 12 brands, including Arçelik, Turkey's leading White goods brand, Beko, the largest appliance brand in the UK and the number two brand in Europe, Arctic, the leading brand in Romania and Defy, the leading brand in the South African White goods market. The Group's principal product segments are:

- *White goods*: including refrigerators, freezers, washers and dryers, dishwashers, ranges and ovens, which generated revenues of TRY31 billion (76% of total revenue) in the year ended 31 December 2020;

- *Consumer electronics*: including televisions ("**TVs**"), personal computers ("**PCs**"), audio, video and recording systems, which generated revenues of TRY4.5 billion (11% of total revenue) in the year ended 31 December 2020; and

- *Other*: including air-conditioners, personal care products and small kitchen appliances, which generated revenues of TRY5.3 billion (13% of total revenue) in the year ended 31 December 2020.

Based on volume share data as at 31 December 2020, the Group, with its global and local brands, holds leadership positions in Great Britain, Poland, Romania, Turkey, South Africa and Pakistan, and is one of the top three brands in many of its other markets, including Spain, Belgium, Denmark, Serbia and Israel.

Key Factors Affecting the Group's Results of Operations

Economic environment in key markets

Turkey is the Group's largest single market, followed by Europe, Africa, Bangladesh and Pakistan. Within Europe, the UK is the Group's largest market, but it also has significant presence in most other major Western European countries. The Group became active in Africa principally upon its acquisition of Defy in November 2011. The Group's Africa business is concentrated in South Africa and the Group started to use the Defy brand as a base for expansion into sub-Saharan Africa. The Group also conducts business in North African markets through its Turkey operations, supported by production facilities in Turkey and Romania. The Group acquired the local brand, Dawlance in Pakistan in 2016 and, in 2019, the Group acquired a 57% stake in Singer's Bangladesh operations, which is one of the largest home appliance manufacturers of Bangladesh.

The Group's business is significantly dependent on consumer confidence, demand and spending patterns in the various markets where it sells its products. This, in turn, depends on local and regional economic conditions. Macroeconomic factors that influence consumer confidence and spending behaviour include the level of inflation and unemployment, fluctuations in energy and material prices, conditions in the construction sector and general economic conditions. An actual or anticipated improvement or a deterioration of economic conditions in any of the Group's major markets, including Turkey, Europe and South Africa, Pakistan and Bangladesh and, to a lesser extent, other regions in which it does business such as the Middle East, Russia and other countries in the Commonwealth of Independent States ("**CIS**"), may affect consumer confidence and spending, resulting in a corresponding fluctuation in consumption that would impact the level of demand for the Group's products and the prices at which they can be sold.

Turkey

The Turkish market for major domestic appliances market declined in 2018 and 2019. In particular, despite the positive effects of the reduction in Special Consumption Tax in the first half of 2019, the domestic market, which consists of six major product categories, contracted by 6% in 2019.

In 2020, the economic outlook of Turkey was mainly characterised by the adverse effects of the COVID-19 global pandemic, rising inflation and interest rates and the devaluation of the Turkish lira. Along with the uncertainty resulting from the pandemic, the fluctuation in exchange rates in particular compounded the unpredictability of the Turkish economic outlook.

The impact of the pandemic in 2020 was significant on the White goods industry as well as in other product categories of the Group. However, Turkey's economy grew by 5.9% in the fourth quarter and by 1.8% in 2020 as a whole. Lending policies accelerated a record drop in the Lira, which reduced the country's foreign currency reserves and helped push inflation to levels exceeding 15%.

In 2020, production in the sector grew by 3% and export figures moved parallel to that. The Turkish White goods industry maintained its position as an important manufacturing hub of Europe. According to data published by TÜRKBESD, domestic sales in Turkish White goods grew by 16% in 2020. Relatively negative outcomes were partly offset by the changing trends in customer preferences in the consumer and home appliances sector in the face of the pandemic. Consumers tended to allocate more of their spendable income to household appliances given increased time spent indoors. Increased time at home also facilitated the change in consumer behaviour and consumer campaigns focusing on food safety needs, hygiene concerns and a rise in house sales together enabled growth during the pandemic, along with pent-up demand from lockdowns.

EMENA (Europe, Middle East, North Africa)

As a result of lockdowns resulting from the COVID-19 pandemic, market slowdowns were observed in key markets during March to April in 2020. However, as consumers began to spend increased time at home, the Group has seen increased demand for consumer technology products, especially in the information technology, office equipment and the domestic appliances sectors. Fuelled by rich experience trends at home, the Group has seen shifts in demand towards higher performance products, multifunction devices, increased online shopping and higher demand for products offering hygiene and personal care.

In Europe, the Group has been benefiting for years from the value it offers its customers through both moderately priced and premium products compared to its competitors and new technologies it introduced to the industry with renewed purpose-led brand identity for both of its global brands, Beko and Grundig, incorporating the global sustainability vision it adopts. The Group also offers a wide range of premium segment products to its customers who are searching for a higher value, higher quality, higher service level and better customer experience in most European countries.

While the increase in the amount of time spent indoors and the increase in the demand for safer and healthier environment introduced new market conditions and consumption habits all over the world, the Group benefits from its strong presence in online channels. In the recent period, the Group's market share in online sales and channels has increased significantly.

In response to the increasing demand from European markets as well as all over the world, the Group has been increasing its investment in capacity, product, technology and quality as well as in the expansion of distribution. The Group also invests in brand perception and awareness across Europe, where it already enjoys strong awareness in the Eastern half of the continent.

The Group has therefore managed to sustain its sales and total market share in Europe and has been able to increase its profitability. Moreover, in the Middle East and North African countries, the Group continues to conduct its operations and establish new subsidiaries and representative offices across the region successfully despite uncertain political and economic conditions. In North Africa, the Group not only increased its sales significantly but it is also increasing its presence in both existing and new distribution channels.

Sub-Saharan Africa

Sub-Saharan Africa, with a young population of more than one billion people is rapidly urbanising and has substantial natural resource potential. These factors make Defy a significant base for the Group's operations and growth in the region.

Economic growth in Sub-Saharan Africa is estimated to have contracted by 2.0% in 2020 due to the COVID-19 pandemic. Eastern and southern African countries were hit hardest by the economic impact of the COVID-19 pandemic, partly because of the stronger output contractions in South Africa and Angola. In west and central Africa, the decline in growth is projected to be driven mainly by a fall in oil exports.

Immediately prior to the COVID-19 pandemic, South Africa also endured several years of low growth. In 2019, the economy grew by only 0.2%, partially caused by the resurgence of load shedding. South Africa's economy contracted by 7% in 2020, as the COVID-19 pandemic weighed heavily on both external demand and domestic activity and the government implemented containment measures.

Prospects for the region's recovery are growing amid attempts to contain new waves of the COVID-19 pandemic and the ramp up of the rollout of vaccinations. The African Continental Free Trade Area, which connects 1.3 billion people across 55 countries, is expected to support the region's recovery and cushion the effects of the COVID-19 pandemic through the deepening of integration of African countries and to establish regional and global value chains.

Asia

Global growth is expected to gain momentum in Asian countries and is expected to be of great significance for the Group's overall growth. In Asia-Pacific, most of the countries have enjoyed sustainable strong GDP growth in recent years. However, this was affected by the COVID-19 pandemic in 2020. Certain service-focused economies in the region such as Thailand (which recorded -6.1% GDP in 2020) and the Philippines (which recorded -9.5% GDP in 2020) were affected worse than others and had negative GDP growth in 2020. On the other hand, in the next 5 years, GDP growth expectation is higher than 5% for almost all countries in the region. However, low vaccination speeds and delayed normalisation are risks for the region in the next two years.

Pakistan experienced stable GDP growth rates between 2014 to 2018 but this has slowed down from 5.5% in 2018 to 1.9% in 2019, amid continuing political issues and attempted taxation reforms. This was however largely resolved by 2020. In 2020, real GDP growth contracted by 0.4%, as COVID-19 containment restrictions, including the suspension of travel and the closure of businesses, induced concurrent demand and supply shocks that significantly reduced output in the second quarter. With the acquisition of Dawlance in 2016, the Group has demonstrated its growth strategy in the region, where Pakistan has a vital role with its population and household consumption trends. Since the acquisition, overall market and sales growth had stabilised up until the COVID-19 pandemic. As a result of the worsening COVID-19 situation and strict government rules, dealers initially looked to reduce inventory in the event of a prolonged lockdown. As a result, markets slowed down at first though economic activities have started gaining momentum from the fourth quarter of 2020, with a continuing trend of increased consumer demand in 2021.

Bangladesh has sustained high GDP growth rates and has become one of the fastest growing economies in the world in recent years. However, GDP growth dropped from 8.2% in 2019 to 3.8% in 2020, due to a drop in economic activity after COVID-19 related lockdowns, a decline in exports of ready-made garments, a fall in remittances from Bangladeshis living abroad and a decline in oil prices. Singer Bangladesh is one of the country's most recognized brands and has the largest retail network in Bangladesh. Singer increased its turnover from BDT 13,559.2 million in 2018 to BDT 15,485.2 million in 2019, and despite two months of national lockdown due to the pandemic, turnover was BDT 15,046.3 million in 2020.

North America

North America is a mature market with high product penetration and is highly consolidated with top five companies accounting for almost 70% of the market. Despite suppressed demand in the first half of 2020, consumer demand for appliances recovered in the second half, as consumers were willing to spend more on goods that elevate their quality of life and safety during a pandemic. The Group established a subsidiary in the United States in 2016 with the target to achieve critical growth in North America. Despite operations being relatively small as compared to the Group's other regions, the Group enjoys greater profit margins in the region. The Group is mainly serving residential projects with higher-end products under the Blomberg brand and is continuing to build retail distribution by signing new deals under the Beko brand.

Product quality and perception

Improvements to the Group's existing products, the extent to which it brings new products to market, consumer perception of quality and value and acceptance by consumers all affect the Group's ability to compete effectively and have a significant impact on the Group's results of operations. In order to drive further growth through new product initiatives, the Group invests in targeted research and development. The Group's research and development expenditure are centrally managed, with a significant portion of research and development activity based in Turkey.

The Group competes in highly competitive global markets characterised by evolving industry standards and continual improvements in product quality, reliability, manufacturing processes and product performance features, which result in the frequent introduction of new products. In particular, product lifecycles in the consumer electronics business are very short. In the mature White goods segments, product cycles are longer but there is constant pressure in all markets to design products that are appealing to customers. Continued and timely development of new products and services and enhancements to existing products and manufacturing processes are critical to maintaining and improving the Group's competitive position. Accordingly, the Group has made, and will continue to make, significant investments in research and development of new technologies, products and services. Research and development costs are, in part, capitalised and in part expensed. Costs incurred on development projects relating to the design, quality, reliability and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility. Development costs that have been capitalised are amortised on a straight-line basis from two to ten years from commercial production. All other research and development expenditures are charged to the income statement in the year in which they occur. The Group's focus on research and development has led to a consistent increase in overall research and development spend year on year for the years ended 31 December 2018, 2019 and 2020.

The Group's principal focus in product and technology development in White goods has been on technology, connectivity, promoting energy and resource efficiency, reliability, durability, decreasing noise levels, increasing perceived quality and moving up the quality and value chain. The impact of this product development is different across the Group's key markets. In Turkey, the brand awareness of Arçelik is such that it has become strongly associated with high-quality, energy-efficient products which are supported by comprehensive after sale services. In Europe, the Group's brands are currently less well developed, and consumers tend to choose the Group's products based on the features and pricing of the products themselves. The main influencing factor for consumers of the Group's products in European markets is value for money and has been a significant contributor to the Group's growth in these markets in recent years, particularly in the UK. The Group's concerted focus on product quality has been enhanced by its organisational structure across the product categories in the Small Domestic Appliances ("**SDA**"), MDA6 and TVs. The Group has had several award-winning products recognised by independent organisations, such as Which?, Stiwa and the Energy Saving Trust, whose recognition has led to increases in product sales, particularly as such endorsements tend to increase the online presence of the relevant product and its brand.

Price positioning and cost competitiveness

The Group believes that its ability to position its pricing and maintain cost competitiveness in its various markets has a significant effect on its results of operations and gross margins in each of its product segments. Its ability to do so varies across products and markets, particularly with respect to product pricing in the White goods segment.

Arçelik is the Group's premium brand in White goods in the Turkish market, which is positioned in the premium price segment. The Group has a centrally managed business model of acting through exclusive dealers across Turkey, many of whom have longstanding relationships with the Group. Exclusive dealers in Turkey operate on standard Group-wide sales contracts (with a range of deviations that may be acceptable based on size, location and rental costs of the dealer's showroom, among other things). The Group also manages key aspects of the dealers' operations, including marketing, store presentation, promotions and after sale care, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms.

In Europe, the Group sells through a mix of retailers (including internet retailers) whose pricing terms are negotiated individually. Large retailers generally have a strong presence and purchase power in developed markets, and therefore the Group is less able to set its pricing. It nevertheless seeks to increase its pricing by focusing on premium retailers for internet sales, where the Group incurs lower costs. It operates a similar distribution model in South Africa. Accordingly, the constraints on its ability to set pricing are akin to those that are present in Europe, although Defy's strong brand status in South Africa gives the Group more leverage over pricing of Defy White goods, as is similar to the Dawlance brand in Pakistan. In Pakistan, the Group has an extensive distribution and service network with 16 sales offices, 181 after sales-service centres and around 2,000 dealers. In Bangladesh, the Group has retail operations along with an extensive retail and service network.

In consumer electronics, the Group has a "fast follower" business model, whereby the Group follows developments of market leaders, producing similar products with meaningful differentiations within a reasonable period of time after product introduction. While this may lower manufacturing and research costs, the Group has limited ability to set its prices.

Competitive conditions in the Group's markets require it to manage its cost base rigorously. The largest component of the Group's costs is the cost of raw materials, namely steel, aluminium, copper, plastics and polyurethane. Although the Group purchases from low-cost countries, seeks to obtain favourable and flexible pricing mechanisms in its supply contracts and centrally manages its purchasing activities, prices for raw materials are strongly influenced by commodity prices over which the Group has no control. The Group, however, has more capacity to manage its logistics costs, unit costs and costs of its manufacturing facilities, which the Group believes constitutes a competitive advantage and provides support for its margins. In particular:

- *Logistics costs*: The Group's factories are strategically located close to its main markets, which the Group believes provides a logistical cost advantage, particularly with respect to transport. The Group estimates that its logistics costs to transport its products to its European markets are less than the cost to transport comparable goods to the same markets from Asia. This competitive advantage is even more apparent with entry and mid-level products as the costs of transport from Asia typically form a significant proportion of the eventual sales price. The Group also believes that its manufacturing operations require shorter lead times and less working capital support than many Asian manufacturers of similar products.

- *Unit cost*: The Group believes that by locating its manufacturing operations in low cost countries, it is also able to achieve higher utilisation rates in its operations than many of its competitors. The Group manufactures its products in low labour cost countries, including Turkey, Romania, Russia South Africa, Bangladesh and Pakistan and believes that this offers an advantage against some of its competitors, which generally have legacy manufacturing operations in Central and Eastern European jurisdictions which were historically considered to be low cost, but which, for a variety of reasons, are no longer low cost when compared to the jurisdictions where the Group's manufacturing facilities are located. While unit costs in Asia are generally lower for the Group, the Group believes this is more than offset by logistics costs and other costs when accessing the Group's markets. With different locations of manufacturing, the Group also has the advantage of flexible manufacturing to meet the different needs of each local market efficiently. This advantage also applies to the non-manufacturing elements of the Group's operations. Employees in divisions such as research and development and management are mainly based in Turkey. The Group has a dynamic and focused organisation structure with purchasing offices in 8 countries and over 200 employees. The Group has created a category-based purchasing organisation to make use of economies of scale after expanding its manufacturing lines. The purchasing organisation closely monitors various factors, such as regulations, fluctuations in commodity prices, domestic and global economic developments, supplier risks and also manages its raw materials and components, purchasing centrally to help control costs. The Group seeks to purchase raw materials and components from low cost countries.

- *Economies of scale*: The Group also believes that many of its manufacturing facilities are the largest of their kind and therefore provides benefits in economies of scale. These factors have allowed the Group to support its margins even during periods of competitive price reduction.

Acquisitions

The Group has engaged in the past, and may in the future, engage in acquisitions. On 30 November 2011, it acquired 100% of the shares of the Defy Group, a leading producer of White goods in South Africa.

On 2 November 2016, the Group completed the acquisition of Pakistan's home appliances brand Dawlance. Pakistan is a member of SAFTA (South Asian Free Trade Area) and is one of the world's most promising markets with its high population, being the sixth largest country in the world, and competitive advantage with relatively low labour cost.

On 23 May 2017, the Group announced the establishment of a joint venture for consumer durables in India with Voltas Limited, which is part of the Tata Group. The joint venture in India, Voltbek Home Appliances Private Limited ("**Voltbek**"), was incorporated on 18 August 2017. Voltbek uses the brand name "Voltas Beko". India has a high population with it being the second largest country in the world in terms of population. The Group also invested in a greenfield factory with its joint venture partner to become one of the key players in the fast-growing consumer durables market in India with the Voltas Beko brand.

In 2019, the Group completed the acquisition of Retail Holdings Bhold BV, which is the majority shareholder of Singer Bangladesh, one of the leading home appliances retailers and manufacturers in Bangladesh. This acquisition is critical to the continued expansion of the Company's footprint in Asia-Pacific.

On 16 December 2020, the Group announced an acquisition in line with its growth strategy in emerging markets. Accordingly, a Share Purchase Agreement was signed between the Company and Hitachi Global Life Solutions, Inc. ("**Hitachi GLS**"), in order to establish a partnership that the Group will control through its majority interest to operate the Hitachi brand in the global home appliances market (outside of Japan).

The transaction value for the acquisition has been calculated as US$300 million on a cash-free and debt-free basis for 60% of the business, including all minority interests. The transaction value is subject to customary adjustments based on the balance of net debt and net working capital of the Company (and minority interests) as at the closing date. Hitachi GLS may also acquire some of the minority interests before the closing date. There will be minority shares adjustment for the outstanding minority shares as at the closing date.

The companies subject to acquisition mainly sell refrigerators, washing machines, vacuum cleaners, rice cookers, water pumps and air-conditioners. The annual production capacity of its Thai and Chinese manufacturing capabilities is 3 million units of refrigerators and washing machines in total. The consolidated net turnover of the Hitachi home appliances business line (excluding Japan) to be acquired was around US$1 billion and EBITDA was approximately US$70 million for the fiscal year ended 31 March 2020.

Further to the closing of the transaction, the product range is expected to be expanded with dryers, dishwashers, stoves, hoods, ovens and other small household appliances.

The transaction is expected to be completed by 1 July 2021.

Foreign currency fluctuations

The Group's results are impacted by foreign currency exposure arising from revenue or purchases by its businesses in currencies other than the Group companies' functional currencies. The Group, however, also has the ability to have natural hedge through revenue generation in foreign currencies that compensates for purchases in those foreign currencies. In addition to the Euro, the Group mainly has cost base currency exposure to US dollars through its raw material purchases. The Group uses forward foreign exchange contracts and swaps to hedge its exposure mainly to US dollars arising from raw material purchases and to minimise the risk that the profit generated from certain transactions will be affected by foreign exchange movements which occur after the price of the contract has been determined. The Group's revenues are also exposed to currency fluctuations that occur between the production and sale of a product.

As a result of the global nature of its business, the Group expects to continue to be exposed to foreign currency fluctuations. It strives to naturally offset foreign exchange risk by matching foreign currency receivables with its foreign currency payables and its overseas subsidiaries have sought to further mitigate the adverse impact of exchange rate fluctuations by hedging their exposure through currency forward contracts and swaps. The Group has key performance indicators which monitor the maximum foreign exchange exposure that can be held as a percentage of its equity and these key performance indicators are closely monitored by senior management and reported in risk committees.

Results of Operations

The following table sets forth the Group's consolidated statements of profit or loss for the years ended 31 December 2020, 2019 and 2018 and for the three months ended 31 March 2021 and 31 March 2020.

	Three months ended 31 March		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
	(reviewed)				
			(TRY '000)		
Net sales	12,983,814	7,767,528	40,872,483	31,941,773	26,904,384
Cost of sales	(8,500,972)	(5,299,810)	(27,066,110)	(21,726,871)	(18,388,766)
Gross profit	**4,482,842**	**2,467,718**	**13,806,373**	**10,214,902**	**8,515,618**
Marketing, selling and distribution Expenses	(2,285,710)	(1,534,375)	(7,469,259)	(6,124,521)	(5,094,434)
General administrative expenses	(570,825)	(487,243)	(2,175,948)	(1,594,398)	(1,209,472)
Research and development expenses	(87,472)	(72,718)	(318,211)	(256,751)	(204,792)
Other income	890,017	575,052	1,769,360	918,735	1,324,815
Other expenses	(750,728)	(175,410)	(760,019)	(504,209)	(694,413)
Operating profit	**1,678,124**	**773,024**	**4,852,296**	**2,653,758**	**2,637,322**
Income from investment activities	2,273	895	240,668	6,816	13,278
Expenses from investment activities	(2,596)	(675)	(64,485)	(8,556)	(6,795)
Income from associates (net)	4,543	7,536	41,226	21,041	12,226
Financial income	1,776,185	694,084	3,852,496	3,114,323	2,965,219
Financial expenses	(2,164,273)	(1,166,460)	(5,424,296)	(4,673,202)	(4,671,844)
Income before tax	**1,294,256**	**308,404**	**3,497,905**	**1,114,180**	**949,406**
Taxes on income	(220,655)	(76,079)	(481,032)	(244,526)	(248,748)
Deferred tax expense	26,591	27,120	(137,884)	83,372	155,183
Net income from continued operations	**1,100,192**	**259,445**	**2,878,989**	**953,026**	**855,841**
Attributable to:					
Non-controlling interest	7,457	3,711	31,150	28,193	4,085
Equity holders of the parent	**1,092,735**	**255,734**	**2,847,839**	**924,833**	**851,756**
Earnings per share (Kr)	**1.617**	**0.378**	**4.214**	**1.369**	**1.261**

Net sales

Net sales comprises total revenue less discounts. The Group's discounting policy principally includes volume discounts given to customers. In Turkey, the Group applies uniform discount parameters to all dealers across its network. Outside Turkey, discounts are applied on a case-by-case basis, and depend on volumes sold, type of product, type of customer and other considerations.

Net sales increased by 67% to TRY12,984 million for the three months ending 31 March 2021 from TRY7,768 million for the three months ended 31 March 2020. This was primarily attributable to White goods sales and depreciation of TRY in comparison to the first quarter of 2020.

Net sales increased by 28% to TRY40,872 million in 2020 from TRY31,942 million in 2019. Some of the impact of this growth was mainly attributable to the appreciation of the Euro, US dollar and pounds sterling against the Turkish Lira during the period. In addition, the Group's sales in Turkey increased by 36.6% due to increased demand resulting from the COVID-19 pandemic.

Net sales increased by 19% to TRY31,942 million in 2019 from TRY26,904 million in 2018. Growth of the Turkey market and the acquisition of Singer Bangladesh were the main factors for the increase in net sales, along with increases in sales to Europe.

The following tables set forth a breakdown of the Group's net sales by product segment for the years ended 31 December 2020, 2019 and 2018 and for the three months ended 31 March 2021 and 31 March 2020.

	Three months ended 31 March 2021	Percentage of total (%)	Percentage change (%)	Three months ended 31 March 2020	Percentage of total (%)
	(TRY '000, except percentages) (reviewed)				
White goods	9,947,022	76,6	73,8	5,722,942	73.7
Consumer electronics	1,158,657	8,9	18,2	980,404	12.6
Other	1,878,135	14,5	76,5	1,064,182	13.7
Total	**12,983,814**			**7,767,528**	

	Year ended 31 December							
	2020	**Percentage of total (%)**	**Percentage change (%)**	**2019**	**Percentage of total (%)**	**Percentage change**	**2018**	**Percentage of total (%)**
	(TRY '000, except percentages)							
White goods	31,027,344	75.9	26.8	24,475,896	76.6	18.5	20,657,411	76.8
Consumer electronics	4,516,077	11	38.9	3,250,606	10.2	15.8	2,806,453	10.4
Other	5,329,062	13	26.4	4,215,271	13.2	22.5	3,440,520	12.8
Total	**40,872,483**			**31,941,773**			**26,904,384**	

White goods

Net sales of White goods increased by 73.8% to TRY9,947 million for the three months ended 31 March 2021 from TRY5,723 million for the three months ended 31 March 2020. This was attributable principally to increased sales in Turkey and other European markets.

Net sales of White goods increased by 26.8% to TRY31,027 million in 2020 from TRY24,476 million in 2019. The Group increased its sales as a result of broader growth of the global White goods market.

Net sales of White goods increased by 18.5% to TRY24,476 million in 2019 from TRY20,657 million in 2018. Despite consumer price sensitivity and competition in European markets, the Group has continued to increase its sales in this region. Despite the challenging market conditions in the Middle East and North Africa, the Group has also achieved strong growth in this region.

Consumer electronics

Net sales of consumer electronics increased by 18.2% to TRY1,159 million for the three months ended 31 March 2021 from TRY980 million for the three months ended 31 March 2020. This was primary attributable to an increase in TV sales.

Net sales of consumer electronics increased by 38.9% to TRY4,516 million in 2020 from TRY3,251 million in 2019. The Group has looked to follow closely the market's needs and improve its product range and sales, as well as to continue to update and strengthen its sales channels.

Net sales of consumer electronics increased by 15.8% to TRY3,251 million in 2019 from TRY2,806 million in 2018. The Group has continued to invest in innovative and user-oriented TV products. In particular, Arçelik has established one of the most modern production facilities in the sector in Çerkezköy. Çerkezköy Electronics Plant, which has been implemented with an environmentally friendly and sustainable business model, has an annual production capacity of 3.2 million TVs. Strengthening its product range and sales channel in line with market needs, Arçelik has a wide variety of TV products ranging from 24 to 75 inches in size in international markets.

Other

Net sales of other products increased by 76.5% to TRY1,878 million for the three months ended 31 March 2021 from TRY1,064 million for the three months ended 31 March 2020. This was primarily due to an increase in air-conditioner and SDA sales.

Net sales of other products increased by 26.4% to TRY5,329 million in 2020 from TRY4,215 million in 2019. The reason for the increase is the SDA and air-conditioning product groups, where the Group has continued to develop and implement its growth strategy in its main markets.

Net sales of other products increased by 22.5% to TRY4,215 million in 2019 from TRY3,441 million in 2018. In particular, sales of global SDA and air-conditioners by the Group outpaced the previous year.

The following tables set forth a breakdown of the Group's net sales by geographic region for the years ended 31 December 2020, 2019 and 2018 and the three months ended 31 March 2021 and 2020.

	Three months ended 31 March				
	2021	Percentage of total (%)	Percentage change (%)	2020	Percentage of total (%)
		(TRY '000, except percentages) (reviewed)			
Turkey	4,686,398	36.1	69.3	2,768,859	35.6
Europe	5,632,306	43.4	56.7	3,594,532	46.3
Africa	736,213	5.7	88.0	391,681	5.0
Other	1,928,897	14.9	90.5	1,012,456	13.0
Total	**12,983,814**			**7,767,528**	

	Year ended 31 December							
	2020	Percentage of total (%)	Percentage change (%)	2019	Percentage of total (%)	Percentage change (%)	2018	Percentage of total (%)
				(TRY '000, except percentages)				
Turkey	14,102,538	35	36.6	10,326,217	32.3	22.6	8,425,038	31.3
Europe	19,309,628	47	28.2	15,066,835	47.2	13.5	13,271,626	49.3
Africa	2,267,040	5	7.3	2,112,454	6.6	9.7	1,925,939	7.2
Other	5,193,277	13	17.1	4,436,267	13.9	35.2	3,281,781	12.2
Total	**40,872,483**			**31,941,773**			**26,904,384**	

Turkey

Net sales in Turkey increased by 69.3% to TRY4,686 million for the three months ended 31 March 2021 from TRY2,769 million for the three months ended 31 March 2020. This was driven primarily by increased White goods sales, which increased by 89% quarter-on-quarter.

Net sales in Turkey increased by 36.6% to TRY14,103 million in 2020 from TRY10,326 million in 2019. The increase was seen across all product areas, but particularly White goods, where sales increased by 32% According to TÜRKBESD, volumes in the Turkish market increased by 16% from 2019 to 2020.

Net sales in Turkey increased by 22.6% to TRY10,326 million in 2019 from TRY8,425 million in 2018. Domestic sales in Turkey decreased by approximately 6% in the White goods market. Although inflation and increasing costs played a role in this decline, the decline was low due to the anti-inflation campaigns by the Turkish government. The Group's market leadership in White goods was maintained and, as a result, an increase in sales was achieved.

Europe

Net sales in Europe increased by 56.7% to TRY5,632 million for the three months ended 31 March 2021 from TRY3,595 million for the three months ended 31 March 2020. A significant portion of the increase was attributable to an increase in White goods sales.

Net sales in Europe increased by 28.2% to TRY19,310 million in 2020 from TRY15,067 million in 2019. Despite the restrictions that came into effect at the beginning of the second quarter, due to the COVID-19 pandemic, the Group ended the year with growth in the European market. Countries with high turnover growth include Germany, the UK and Poland.

Net sales in Europe increased by 13.5% to TRY15,067 million in 2019 from TRY13,272 million in 2018. The Group continues to increase its sales in Europe, despite consumer price sensitivity and competition in European markets.

Africa

Net sales in Africa increased by 88.0% to TRY736 million for the three months ended 31 March 2021 from TRY392 million for the three months ended 31 March 2020. The increase in sales was largely attributable to White goods, where net sales increased by 87% (mainly arising from sales in South Africa).

Net sales in Africa increased by 7.3% to TRY2,267 million in 2020 from TRY2,112 million in 2019. While net sales increased in South Africa, it decreased in North Africa.

Net sales in Africa increased by 9.7% to TRY2,112 million in 2019 from TRY1,926 million in 2018. The increase was mostly due to the increased sales in South Africa.

Other Geographies

Net sales in other countries increased by 90.5% to TRY1,929 million for the three months ended 31 March 2021 from TRY1,012 million for the three months ended 31 March 2020. This was primarily attributable to North America and Asia-Pacific markets.

Net sales in other countries increased by 17.1% to TRY5,193 million in 2020 from TRY4,436 million in 2019. Turnover increased in North America and Asia-Pacific markets.

Net sales in other countries increased by 35.2% to TRY4,436 million in 2019 from TRY3,282 million in 2018. The acquisition of Singer Bangladesh was one of the main factors for the increase in net sales.

Cost of sales

The table below sets out the main components of cost of sales for the three months ended 31 March 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018.

	Three months ended 31 March		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(TRY '000)		
	(reviewed)				
Raw materials, supplies and trade goods[1]	9,413,477	4,877,454	24,457,741	19,508,766	16,860,787
Changes in finished goods, work in process and trade goods[2]	(1,947,840)	(243,139)	(694,380)	(500,633)	(745,233)
Personnel expenses	642,274	414,387	2,025,671	1,632,065	1,402,131
Depreciation and amortisation	142,589	118,745	514,988	459,016	379,124
Other	250,472	132,363	762,090	627,657	491,957
Total	**8,500,972**	**5,299,810**	**27,066,110**	**21,726,871**	**18,388,766**

(1) Raw materials, supplies and trade goods also include the provision for impairment on inventories.

(2) Changes in finished goods, work in process and trade goods represent the net difference in value between the inventory held at the balance sheet date at year end compared to the prior year end and varies due to the level of inventory on the relevant date.

Cost of sales increased by 60% to TRY8,501 million for the three months ended 31 March 2021 from TRY5,300 million in 2020.

Cost of sales increased by 25% to TRY27,066 million in 2020 compared to 2019, following the increase in net sales during the period, together with the foreign exchange rate differences arising from depreciation of the Turkish Lira against the Group's other major currencies, particularly the USD and EUR. In addition to increased sales volumes, personnel expense increased as a result of wage increases and expansion of headcount between 2019 and 2020.

Cost of sales increased by 18% to TRY21,727 million in 2019 from TRY18,389 million in 2018, which increased in line with higher sales volumes during the period. Net sales increased by 19% in 2019, together with the foreign exchange rate differences arising from depreciation of the Turkish Lira against the Group's other major currencies, particularly the USD and EUR.

Gross margin

The following table sets out the Group's gross margins for the years ended 31 December 2018, 2019 and 2020 and for the three months ended 31 March 2021 and 2021.

	Three months ended 31 March		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(%)		
	(reviewed)				
White Goods	36.5	33.4	36.2	33.6	40.0
Consumer Electronics	20.5	23.3	22.4	23.4	27.1
Other	33.0	31.0	29.2	28.9	35.5
Group	**34.5**	**31.8**	**33.8**	**32.0**	**38.1**

Gross margin in White goods and other products increased for the three months ended 31 March 2021 as compared to the same period in 2020. On-going improvements in gross margin in these segments were attributable to higher prices achieved through improved foreign-exchange effects in the Group's international markets. Increased price indices in international markets along with the advantageous foreign exchange rates between the Euro, USD, pounds sterling and Turkish Lira contributed to the majority of the increase. High utilisation and partially strong EUR/USD interest rate movements were also significant factors. On the other hand, gross margin decreases in consumer electronics in the first quarter of 2021 as compared to the same period in 2020 was the result of the reduction in service revenue for cash register products due to sale of Group’s Token subsidiary.

The increase in gross margins in 2020 across White goods and other products group also resulted from an improving product mix in international markets along with increased volume in value-added products and improving effects in foreign exchange. However, the sale of the Group's Token subsidiary in 2020 had a negative impact on consumer electronics segments' gross profit margin as compared to 2019.

The increase in the gross margin in 2019 from 2018 was mainly due to the impact of a sales price increase and product mix improvements in Turkey, especially in White goods.

Marketing, selling and distribution expenses

Marketing, selling and distribution expenses increased by 49% to TRY2,286 million for the three months ended 31 March 2021 from TRY1,534 million for the three months ended 31 March 2020. The increase was mainly attributable to increased transportation costs, advertising expenses and personnel expenses, all of which were impacted directly and indirectly by the effects of exchange rate fluctuations over the period.

Marketing, selling and distribution expenses increased by 22% to TRY7,469 million in 2020 from TRY6,125 million in 2019. The increase was mainly attributable to personnel expenses, warranty expenses, logistic expenses (higher sales volumes and increases in transportation unit price) and outsourced services expenses. The overall increase was generally in line with the increased sales volumes and increases in inflation and the depreciation of the Turkish Lira against the Group's other major currencies.

Marketing, selling and distribution expenses increased by 20% to TRY6,124 million in 2019 from TRY5,094 million in 2018. The increase was driven by higher marketing expenses, warranty and personnel expenses.

General administrative expenses

General administrative expenses increased by 17% to TRY571 million for the three months ended 31 March 2021 from TRY487 million for the three months ended 31 March 2020. The increase was driven by higher personnel expenses, rent, insurance and consultancy expenses.

General administrative expenses increased by 36% to TRY2,176 million in 2020 from TRY1,594 million in 2019. The increase was attributable to higher personnel expenses in line with inflation rate increases in Turkey and due to the impact of exchange rates on expenses for personnel located outside Turkey and higher IT expenses.

General administrative expenses increased by 32% to TRY1,594 million in 2019 from TRY1,209 million in 2018. The increase was driven by higher personnel expenses, IT, audit and consultancy expenses. It was also significantly impacted by the effect of foreign currency exchange rate changes.

Research and development expenses

Research and development expenses increased by 20% to TRY87 million for the three months ended 31 March 2021 from TRY73 million for the three months ended 31 March 2020. This was primarily attributable to an increase in depreciation and amortisation expenses resulting from amortisation of capitalised product development costs. Total expenditure allocated to research and development increased by 26% to TRY147 million for the three months ended 31 March 2021 from TRY107 million for the three months ended 31 March 2020.

Research and development expenses increased by 24% to TRY318 million in 2020 from TRY257 million in 2019 and increased by 25% to TRY257 million in 2019 from TRY205 million in 2018. Total expenditure allocated to research and development increased by 15% to TRY492 million in 2020 from TRY429 million in 2019 and increased by 31% to TRY429 million in 2019 from TRY328 million in 2018. Research and development plays a major role in developing technologies that help the Group maintain a leading position in White goods, particularly with energy-efficient and innovative products.

Operating profit

Operating profit increased by 117% to TRY1,678,124 million for the three months ended 31 March 2021 from TRY773,024 million for the three months ended 31 March 2020. This was primarily attributable to an increase in net sales, which increased by 67% to TRY12,984 million for the three months ended 31 March 2021 from TRY7,768 million for the three months ended 31 March 2020. Operating margin was 12.9% for the three months ended 31 March 2021, as compared to 9.9% for the three months ended 31 March 2020.

Operating profit increased by 83% to TRY4,852 million in 2020 from TRY2,653 million in 2019. Operating margin was 11.9% in 2020, as compared to 8.3% in 2019. The increase was mainly attributable to improved performance at the gross profit level, which was TRY3,591 million higher than 2019. Foreign exchange gains/losses arising from trading activities was also higher than the previous year. In 2020, the Group also recognised TRY284.3 million in compensation income resulting from a competition lawsuit discussed below.

Operating profit increased by 1% to TRY2,653 million in 2019 from TRY2,637 million in 2018.

Net income

Net income increased by 324% to TRY 1,100.19 million for the three months ended 31 March 2021 from TRY 259.45 million for the three months ended 31 March 2020. The increase in net income was mainly related to an increase in gross profit and operating profit as compared to the same period in the previous year.

Net income increased by 202% to TRY2,878 million in 2020 from TRY953 million in 2019. Net income increased by 11% to TRY953.03 million in 2019 from TRY855.84 million in 2018. The increase in net income in 2020 was mainly attributable to the gain from the sale of a subsidiary, the previously 100%-owned subsidiary Token Finansal Teknolojiler A.Ş., to Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 April 2020, with the sale recognising a gain of TRY226.5 million, and compensation income (upon the decision by the European Commission to apply a penalty to a group of cathode ray tube producers due to violation of competition laws, which resulted in the Group obtaining compensation income of TRY284.3 million by way of settlement). In 2020, the Group also enjoyed the relatively low level of interest rates by rolling the loans with lower rates and had TRY226 million lower interest expenses compared to 2019.

Liquidity and Capital Resources

Capital expenditure

The following table sets out the Group's capital expenditures for the years ended 31 December 2020, 2019 and 2018 and for the three months ended 31 March 2021 and 31 March 2020 (which do not include IFRS 16 balances).

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
			(TRY '000)		
	(reviewed)				
Property, plant and equipment	279,988	211,558	1,293,508	977,178	1,471,293
Research and development costs	115,810	93,044	389,119	343,908	270,147
Other intangible assets	5,165	2,982	69,698	70,067	68,703
Total	**400,963**	**307,584**	**1,752,325**	**1,391,153**	**1,810,143**

The principal components of capitalised property, plant and equipment expenditures are expenditures on machinery, equipment, moulds, buildings, motor vehicles and fixtures. The Group has no outstanding mortgages on any property, plant or equipment. The investment in property, plant and equipment is in line with the Group's developing operations and expansion strategy.

Capitalised research and development costs increased over the relevant periods covered above, highlighting the Group's continued focus on and investment in product innovation and development.

Capitalised expenditures on other intangible assets relate principally to customer relationships, trademark licences, brand rights and computer software. The Group has not purchased any individual brands but realises these investments through business acquisitions.

Indebtedness

The following table sets out the Group's indebtedness as at 31 December 2020, 2019 and 2018 and for the three months ended 31 March 2021 and 31 March 2020. During these periods, the Group's outstanding indebtedness consisted of bank loans and the Group's bond issuances.

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
			(TRY '000)		
	(reviewed)				
Short-term bank borrowings	5,181,725	3,770,668	4,518,863	3,729,284	3,896,688
Short-term portion of long-term bank borrowings	5,467,681	2,125,122	5,390,255	2,119,221	1,494,640
Other	271,855	314,049	321,759	303,250	125,398
Total short-term borrowings	**10,921,261**	**6,209,839**	**10,230,877**	**6,151,755**	**5,516,726**
Long-term bank borrowings	2,174,294	2,891,209	2,461,293	1,954,840	1,698,024
Long-term bond issue	5,359,759	6,276,628	3,667,163	6,290,404	4,730,835
Other	832,138	717,408	715,892	558,137	2,693
Total-long term borrowings	**8,366,191**	**9,885,245**	**6,844,348**	**8,803,381**	**6,431,552**
Total	**19,287,452**	**16,095,084**	**17,075,225**	**14,955,136**	**11,948,278**

Short-term bank borrowings are denominated principally in Turkish Lira and the Euro, with other facilities in US dollars, Pakistani rupee, Taka, South African Rand, Australian dollars and Russian rubles. Long-term bank borrowings are denominated principally in Turkish Lira and US dollars, with other facilities in Pakistani rupee, Taka and South African Rand.

The table below sets out the maturity profile of the Group's long-term borrowings as at 31 March 2021.

Year due	
	(TRY '000)
2022	746,798

Year due	(TRY '000)
2023	6,079,001
2024	216,798
2025	216,798
2026	170,849
2027	107,050
Total	**7,537,294**

Certain of the Group's loan agreements contain Net Debt/EBITDA and interest cover ratio covenants.

Off-balance sheet transactions

The Group has certain off-balance sheet transactions in the form of foreign currency hedging instruments such as forwards and swaps. These instruments are mainly short term (up to three months in duration) and are used principally to manage foreign currency position to minimise the impact of foreign exchange fluctuations. The Group has key performance indicators, which monitor permissible levels of foreign currency exposure. In addition to forwards and swaps, the Group has off-balance sheet interest rate swap contracts that are executed against its long-term TRY-denominated bond issuances.

The Group also has commitments received, which relate to exports from Turkey and collateral and guarantees given for on its own behalf and on behalf of fully consolidated subsidiaries.

Related party transactions

In the ordinary course of its business, the Group engages in transactions with related parties. The Group sells certain of its products and purchases certain materials and services from other companies owned and controlled by Koç Group. Certain financial services are received from Yapi ve Kredi Bankası A.S., which is Koç Group's principal retail bank. Typically, all such transactions are carried out on arm's-length terms.

Summary of Differences between IFRS and TFRS

The Group's Consolidated Financial Statements are prepared in accordance with TFRS and interpretations as adopted in line with international standards by the POA in line with the communiqué numbered II-14.1 "*Communiqué on the Principles of Financial Reporting In Capital Markets*" announced by the CMB on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS is identical to IFRS promulgated by the IASB and the interpretations issued by the International Financial Reporting Interpretations Committee, except as follows:

- the format for presentation of financial statements are regulated by the POA and some reclassification differences between finance income/expense and other income/expense; and

- through its official communiqués, the POA has eliminated certain alternative accounting options available under IFRS, for example the impact of business combinations of entities under common control transactions.

BUSINESS DESCRIPTION

Arçelik is a leading producer of White goods and consumer electronics. Founded in 1955, the Company has grown to become the third largest White goods company in Europe. It has strong market positions in Turkey, Europe, the Middle East, Africa, Bangladesh and Pakistan where it generated 96% of its revenues in 2020. The Group focuses on innovation and customer appeal in its product lines and places a particular emphasis on environmentally friendly and energy efficient technology. The Group had total revenues of TRY40,872.48 million and Adjusted EBITDA of TRY5,357.25 million in the year ended 31 December 2020, which have grown from 2018 to 2020 at a CAGR of 23.3% and 38.4%, respectively. For the three months ended 31 March 2021, the Group had total revenues of TRY 12,983.81 million and an Adjusted EBITDA of TRY 1,889.67 million. The Group had 37,413 employees as at 31 December 2020.

The Group owns 12 brands, including Arçelik, Turkey's leading White goods brand, Beko, the largest appliance brand in the UK and the number two brand in Europe, Arctic, a leading brand in Romania and Defy, a leading brand in the South African White goods market. The Group's principal product segments are:

- *White goods*: including refrigerators, freezers, washers and dryers, dishwashers, ranges and ovens, which generated revenues of TRY31,027 million (76% of total revenue) in the year ended 31 December 2020;

- *Consumer electronics*: including TVs, PCs, audio, video and recording systems, which generated revenues of TRY4,516 million (11% of the total revenue) in the year ended 31 December 2020; and

- *Other appliances*: including air-conditioners, personal care products and small kitchen appliances, which generated revenues of TRY5,329 million (13% of total revenue) in the year ended 31 December 2020.

For the year ended 31 December 2020, the Group was the leader of the Turkish market. The Group, with its global and local brands also holds leadership positions in Great Britain, Poland, Romania, Turkey, South Africa and Pakistan, and is one of the top three brands in many of its markets, including Spain, Belgium, Denmark, Serbia and Israel, based on volume share data as at 31 December 2020 in each country.

The Group has 22 production facilities located in Turkey, Romania, Russia, South Africa, Thailand, Pakistan, Bangladesh and India which generally benefit from relatively low labour costs as well as lower logistics costs for distribution, as a result of their proximity to end consumers which supports the Group's margins. The Group has sales and marketing organisations in 43 countries and distributes its products in over 150 countries. Going forward, the Group aims to improve retail channel penetration and shelf space in international markets to reach more consumers with a broader product range, covering the full product and price range. The Group also aims to improve its digital profile in global markets by leveraging its internet presence. The Group operates 109 websites in 39 different languages in 70 countries.

The Group is majority owned and controlled by Koç Group, Turkey's largest industrial and service group. Koç Group ranked 471 in the Fortune 500 in 2020 and had consolidated sales revenue of TRY183.8 billion in 2020. Koç Group operates in key sectors such as energy, automotive, consumer durables and finance and has a combined revenue of 6.4% of Turkey's GDP and with exports to more than 150 countries with an export volume of 6.7% Turkey's total export volume. The net asset value breakdown per sector for Koç Holding is as follows: 31% for the automotive (PC & CV manufacturing), 15% for finance, 14% for automotive (other than PC & CV manufacturing), 14% for refining, 11% for consumer durables and 3% for oil & gas distribution respectively. A majority of the Koç family's business ventures are via Koç Group. The Koç family has its own internal governance and investment vehicle, Temel Ticaret, which provides stability in its shareholder structure. The shareholding ownership structure in Koç Group is as follows: 43.65% by Temel Ticaret, 20.64% by the Koç family, 7.26% by the Vehbi Koç Foundation, 1.99% by the Koç Pension Fund and 26.46% are free-float shares. Approximately 75% of shares within the free-float category are owned by foreign investors.

Strengths

The Group believes it offers a number of key competitive advantages in the markets in which it operates, including:

Core market leadership

Turkey

The Group is Turkey's leading producer of White goods and Arçelik is the Group's premium brand in the Turkish White goods market, and its Arçelik branded products are positioned in the premium price segment. The Group's international brand, Beko, is also among the top three brands in the Turkish market. The Group has a centrally managed business model of acting through exclusive dealers for each of its Arçelik and Beko brands across Turkey, many of whom have long-standing relationships with the Group, stature in local communities and detailed knowledge of local markets. Exclusive dealers in Turkey operate on standard Group-wide sales contracts, which include recommended retail pricing guidance that is followed closely by the dealers but also provides for a range of other options. The Group also manages key aspects of the dealers' operations including marketing, store presentation, promotions and after sale services, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms. This dealer network generates customer loyalty, significant brand awareness and also establishes a high barrier to new entrants, as any newcomer would have to establish or acquire a network to serve this market, which would require significant time and resources. The Group's market leading brand awareness and entrenched retail and after sales infrastructure constitute a significant competitive advantage in the Turkish market and increases the Group's bargaining power. The Group also caters to price conscious consumers through its Altus brand of home appliances and TVs which are sold through other retailers. The Group believes that, given the expected continued growth in the Turkish economy, urbanisation and other demographic factors, the White goods sector in Turkey remains underpenetrated and that there is significant growth potential in the near to medium term.

International

The Group also has market leading positions in many of its key international markets and has continued to grow its market share in regions outside of Turkey through organic and inorganic growth. The Group believes that it has experienced steady growth in market share in each of its key markets during recent years and going forward, intends to continue its focus on brand improvement and recognition in order to retain and grow its leadership positions. In 2020, 65% of the Group’s revenue was from international sales, with a solid presence in Europe and increasing sales in emerging markets through organic growth with greenfield investments and also through the Group's opportunistic approach to seize inorganic growth alternatives.

In the MDA6 category, together with the Beko brand, the Group has the second largest market share in the European market. In addition to market share growth, the Group has also increased its penetration of key distribution channels, including technical superstores and internet outlets.

Strong brand portfolio in local and international markets

The Group has a comprehensive global and local brand portfolio including Arçelik, Beko, Grundig, Altus, Blomberg, Arctic, Leisure, Elektrabregenz, Flavel, Defy, Dawlance, Voltas Beko, Singer Bangladesh and Hitachi.

The Group has powerful brand awareness across its portfolio, based on an annual Ipsos Brand Equity tracking in more than 25 countries. The Group's brands have more than 70% awareness levels in Czechia, Poland, Romania, Russia, Serbia, Ukraine, Kazakhstan, Austria, France, Germany, UK, Ireland, Israel, Jordan, South Africa, Pakistan, Bangladesh and Turkey. Inspired by technology and sustainability, the Group serves customers in over 145 countries with 12 brands.

Arçelik, Turkey's Lovemark, is the leader of durable goods in Turkey. The brand is known for ecological and innovative products that are well designed and equipped with the latest technologies. It boasts Turkey's strongest and most widely available sales and service network, and an impressive product range that includes White goods, built-in appliances, electronics, small appliances, turnkey kitchens, water and home heaters, air conditioners, and Heating Ventilating and Air Conditioning ("**HVAC**") systems.

Beko is Europe's number-one freestanding White goods manufacturer. Beko is number one in the British and Polish White goods market, and the French freestanding White goods market. Beko has been offering products since 1955 and focuses on innovation and customer satisfaction in its operations.

During 2020, Beko also maintained collaborations with FC Barcelona, Fenerbahçe Men's basketball team and League of Legends European Championship as part of its "Eat Like A Pro" awareness campaign. Furthermore, the Company continued to support the UNICEF managed campaign to prevent obesity among children in Latin America in 2020.

Grundig was established in 1945, starting with radios and continuing with TVs and it now covers many other aspects of its consumer's life, ranging from White goods to consumer electronics and from small home appliances to personal care products and sound systems.

Grundig's goal is to make people's lives easier and more valuable without compromising on sustainability, quality and aesthetics, which are the pillars of its growth. Grundig focuses on not only developing eco-friendly, high-quality technologies, but also on inspiring people to take daily action for a better and more sustainable future. Grundig takes every opportunity to raise awareness on food waste with its "Respect Food" initiative and creates partnerships around this vision. Grundig launched campaigns and shared content in order to raise awareness on how to prevent waste and respect food.

The Group has invested continuously in the development of its brands to gain market share across the geographies in which it operates. The Group's brand portfolio has been strategically deployed across its key markets to ensure coverage at different price points and product mix through a combination of its global brands, such as Beko and Grundig and its local brands such as Arctic in Romania and Defy in South Africa, with a key objective of ensuring no cannibalisation of market share.

In particular, Voltbek is a joint venture founded in 2018 of equal shares between Arçelik and Voltas Limited, a leading air-conditioner brand in India. The products and services offered under the Voltas Beko brand has promptly received positive feedback from the market. Voltas Beko reached 2,500 retail stores throughout the country and continues to reach more points of sale, especially in Tier-II and Tier-III cities. Voltas Beko expanded its product portfolio with 52 new models during 2020.

On December 16, 2020, in line with the Group's growth strategy in emerging markets, a share transfer agreement was signed with Hitachi GLS to build a partnership for the global home appliances markets (excluding Japan), where the Hitachi brand would be used. This is expected to support the Group's growth in Asia-Pacific.

Sustainable cost competitiveness

The Group has been able to manage its costs by focusing on low cost labour jurisdictions, achieving economies of scale in production and optimising logistics costs by locating production facilities near its customer base. It also benefits from Turkey's customs union with the EU. The Group believes that by locating its manufacturing operations in low cost countries, it is also able to achieve higher utilisation rates in its operations than many of its competitors. The Group manufactures its products in low labour cost countries, including Turkey, Romania, Russia, South Africa, India, Bangladesh, Pakistan and Thailand as it believes this offers an advantage against many of its competitors, most of whom have legacy manufacturing operations in Central and Eastern European jurisdictions which were historically considered to be low cost, but which, for a variety of reasons, are no longer low cost when compared to the jurisdictions where the Group's manufacturing facilities are located. The Group also believes that many of its manufacturing facilities are the largest of their kind, providing benefits from economies of scale. The Group has a dynamic and focused organisation structure with purchasing offices in eight countries and over 200 employees in line with global needs and the expansion of manufacturing network. The Group has created a category-based purchasing organisation to make use of economies of scale after expanding its manufacturing lines. The purchasing organisation closely monitors various factors, regulations, fluctuations in commodity prices, domestic and global economic developments, supplier risks and also manages its raw materials and components, purchasing centrally to help control costs. The Group seeks to purchase raw materials and components from low cost countries. These factors have allowed the Group to support its margins even during periods of competitive price reduction.

Diversification across product range and geography

The Group has built a diversified presence across geographic end markets, products and customers with a presence in multiple retail distribution channels such as its exclusive dealer network in Turkey, large retail chains, buying groups, internet sales outlets and specialist retail outlets in international markets. It has 22 production facilities in eight countries, sales and marketing offices in 43 countries and offers its products and services in over 150 countries. The Group's brand portfolio targets a wide range of customers and the Group believes that its strong portfolio diversification provides a natural hedge against individual country or product risk.

The Group has been able to respond to the varied conditions and consumer demands and continue to grow its sales in its different geographies and its market share both with acquired global brands and local brands. The Group’s track record in research and development allied to the geographical manufacturing advantages and economies of scale means that it is well-placed to service both European and Asian markets. The Group’s recent investments in Thailand, Bangladesh, Pakistan and India are providing a strong platform for growth in South East Asia as European markets reach saturation point for White goods.

Leading R&D capabilities

The Group differentiates itself with its innovative, high-quality and state-of-the-art products. The technological capability of its research and development department is one of the key drivers of its success. The Group's principal focus in product and technology development in its White goods segment has been on technology promoting energy efficiency, diminishing water consumption, decreasing noise levels, increasing use of environmentally friendly materials and adding value to the daily lives of its consumers through the use of sensors and connectivity. In Turkey, the brand awareness of Arçelik is such that it has become strongly associated with high quality, energy efficient products which are supported by comprehensive after sale service. The Group has had several world-leading products recognised by independent organisations, such as Which?, Stiwa and the Energy Savings Trust, whose recognition has led to increases in product sales, particularly as such endorsements tend to increase the online presence of the relevant product and its brand. The Group currently has approximately 2,500 patents and 850 patent applications pending and accounts for approximately one third of all patent applications originating from Turkey.

Between 2005 and 2020, the Company was named on each edition of the "Top Patent Cooperation Treaty ("**PCT**") Applicants" list prepared by the World Intellectual Property Organization ("**WIPO**"). The Group has several ongoing cooperation projects with leading universities and has opened dedicated R&D centres in Cambridge, Taiwan and Wuxi. The Group plays an important role in the development of Turkey's R&D culture and R&D is expected to remain central to the Group's global agenda. The Group's dedication to R&D has been recognised by the EIB as one of the first operations in Turkey to support private sector R&D.

Proven management team and strong committed shareholder

The Group's management team has proven expertise in managing both sustainable organic and inorganic profitable growth. Additional focus has been, and will continue to be, on cost control, strong corporate governance and risk management. Majority owned and controlled by the Koç Group, the Group enjoys the support of one of Turkey's largest and most well-respected companies.

Strategy

The Group's overarching strategic goal is to continue to improve its leading positions domestically and internationally, thereby ensuring profitable and long-term sustainable and profitable growth. The Group also seeks to increase its market share based on a global target market approach and reaching more consumers with innovative products. The Group intends to achieve this goal by continuing to implement the following key strategies:

Sustain leading position in core markets

Turkey

The Group benefits from a unique infrastructure which includes its low-cost manufacturing operations located in Turkey, as well as its extensive, exclusive dealer network which supports its market leadership in spite of rising competition in the industry. The Group manages one of the largest networks of exclusive

White goods and consumer electronics dealers in Turkey with approximately 3,000 locations. Further strengthening its dealership network is a key priority for the Group and consequently, it has undertaken a modernisation programme to improve store presentation and marketing. While sustaining its market leadership in Turkey, the Group plans to focus on fast-growing product categories which currently have low market penetration, such as dryers and built-in appliances and expand its HVAC product range to capitalise on its success in the air-conditioner market. It plans to counter price pressure from competitors by customising its promotions for target customer groups and capitalising on its significant customer data resource, which is a product of its history of market leadership and well developed after sales service network.

Due to the COVID-19 pandemic, traditional channels saw considerable fluctuations, as more consumers have gone online. With the strong network of dealers and service points, the Group accelerated the restructuring of all its network processes as part of its “OmniChannel” vision. With online sales increasing ten-fold during the pandemic, the Company directed sales to nearby dealers with its unique infrastructure capabilities to ensure business continuity, which also resulted in shorter product delivery times and better customer satisfaction. Since this trend is expected to remain, the Group will continue to follow its “Omnichannel” strategy.

International

The Group is also committed to maintaining its leadership positions in its key international markets including South Africa with its Defy brand, Romania with its Arctic brand, Pakistan with its Dawlance brand and Eastern Europe, Poland and the UK with its Beko brands. It seeks to support its brand image by offering innovative, efficient and environmentally friendly products with a focus on higher end segments. This move to high end and high margin products is reflected in the Group's "good-better-best" scheme where promotions are targeted at those units which are categorised by the Group as in the "best" category. As a result of this focus, the Group's market share in target European markets has increased in higher end segments. The Group is also targeting increased penetration in key distribution channels.

Grow market share internationally

The Group aims to continue increasing its market share in Europe with its Beko and Grundig brands. In line with this strategy, offices in Switzerland and Portugal were opened in 2021. Going forward, the Group aims to improve retail channel penetration in international markets to reach more consumers with its diverse product range, including through increased focus on premium category products. The Group is targeting volume and production capacity increases to support this strategy. The Group also aims to become a leading player in the Middle East and Africa regions, and is focused on strengthening its presence in current markets and expanding in new markets in these regions. The Group has made a number of acquisitions as part of its strategic expansion, which the Group employs in addition to its focus on growth. For example, the South African Defy Brand, which was acquired in 2011, was a key part of the implementation of this strategy. The Group also recently established three subsidiaries in Israel, Morocco and the Gulf region to support organic growth by increasing proximity to the market and consumer.

The Group further aims to create a trade corridor between Turkey and Asia-Pacific, to build a stable and reliable foundation for its business by taking market leading positions in countries along this corridor. In 2014, the Group laid the foundations with its first manufacturing facility in Southeast Asia in Thailand. In the following years, the Group established sales offices in Vietnam, Malaysia, Indonesia and the Philippines to strengthen its presence in the region.

Since the Asia-Pacific region will be the driving force of growth in the industry, the Group made significant investments in recent years as part of its goal to take leading positions. The Group formed a joint venture with the Tata group company, Voltas, to tap into the Indian home appliance market in 2017 and acquired market leading companies such as Dawlance in Pakistan in 2016 and Singer in Bangladesh in 2019.

Organic and inorganic growth in key markets

The Group achieved major growth in 2020 as a result of its domestic sales, which was supported by food safety needs, hygiene concerns and a rise in house sales as compared to last year. During the COVID-19 pandemic, the increased time spent at home by consumers resulted in an inclination to improve the quality of indoor living, along with the Group's focus on consumer campaigns arranged in line with these factors, which each played a major role in growth realised in 2020.

Inorganic growth also remains a key part of the Group's strategy to increase market share and geographic coverage. The Group is continuously evaluating inorganic growth opportunities that are expected to emerge due to anticipated consolidation in the White goods sector and to complement its organic growth strategy by providing clear and achievable value creation. In evaluating any acquisition, the Group would seek to manage its leverage in line with past practice. The Group has completed greenfield investments in Thailand and also in India with a joint venture agreement with Voltas. As to its growth strategy in South and Southeast Asia, the Group has targeted the potential for volume and production capacity growth in emerging markets. The Group completed two important acquisitions in the region, Dawlance in Pakistan in 2016 and Singer in Bangladesh in 2019. In line with the Group's growth strategy in emerging markets, a Share Purchase Agreement has also been signed on 16 December 2020, between the Company and Hitachi GLS, in order to establish a partnership, in which the Company will control through a majority interest, to operate in the global home appliances market (outside of Japan). The transaction is expected to be completed by 1 July 2021. Should the opportunity present itself, the Group will continue to pursue the acquisition of global premium brands with a presence in developed markets to complement its existing brand portfolio and geographic coverage.

History and corporate structure

The Company was established in 1955 in the Sütlüce neighbourhood of Istanbul, Turkey. In 1959, it produced Turkey's first washing machine, followed by the production of the first refrigerator in Turkey in 1960. In 1975, the Eskisehir refrigerator plant began production, which expanded in 1977 with the addition of a compressor plant. The Group founded its Research and Development Centre in 1991, moving from an outsourcer to an original equipment manufacturer. It expanded its production capacity outside Turkey in 2006 with the construction of its Russian refrigerator and washing machine plant and its washing machine production facility in China. The Group has also expanded its business through acquisitions, beginning with Ardem Cooking & Heating Appliances in 1999.

Since 2002, the Group has acquired entities in Europe, including Arctic in Romania, Blomberg in Germany, Elektrabregenz in Austria and the Flavel and Leisure brands in the UK. Grundig Multimedia, located in Germany, which was initially a joint venture of the Group, was fully acquired in 2008 by Grundig Elektronik A.Ş. located in Turkey, then a subsidiary of Arçelik Group. Grundig Elektronik A.Ş., operating in the consumer electronics segment, merged with Arçelik in 2009.

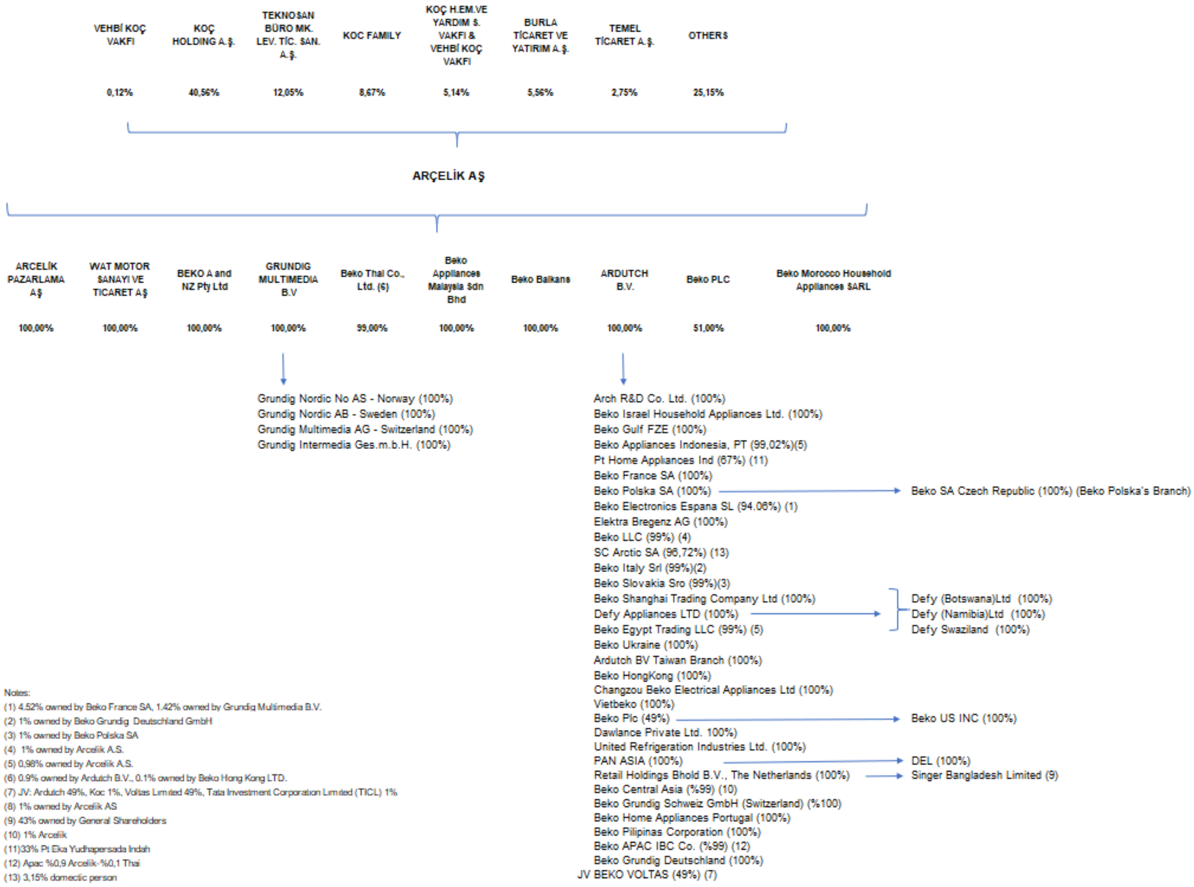
In 2011, the Group completed the acquisition of Defy, a leading White goods brand in South Africa. In 2012, new sales and marketing offices in Egypt, Ukraine, Australia and Taiwan were opened and the global operations network of the Group expanded significantly. In 2014, the Group signed a four-year partnership agreement with FC Barcelona. Another important milestone of 2014 was that Arçelik was listed among the top 15 companies in the BIST Sustainability Index. In 2015, the Group's refrigerator plant in Thailand started production.

In 2016, the Group acquired Pakistan’s leading White goods and home appliances producer Dawlance and its three production plants. A new joint venture agreement was also signed between the Company, Koç Holding A.Ş. and LG Electronics, Inc. regarding the management and operations of the joint venture, Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("**Arçelik-LG**"), where the Company has a shareholding of 45% and its parent company, Koç Holding A.Ş., has a 5% shareholding.

In 2017, the Group signed a partnership agreement with Voltas, whose main shareholder is India's largest corporate group, Tata.

In 2019, the Group completed the acquisition of Retail Holdings Bhold BV, the majority shareholder of Singer Bangladesh and one of the leading home appliances retailers and manufacturers in Bangladesh.

The following chart sets out the Group's corporate structure as at 31 March 2021.



Product Segments

White goods

The Group's key products in this sector are refrigerators, freezers, washing machines, washer dryers, dishwashers, ovens, hobs, hoods, and connected home appliances. It focuses on continuous innovation in its product lines and places a particular emphasis on environmentally friendly and energy-efficient technology in its White goods. Improvements to the Group's existing products, the extent to which it brings new products to market, consumer perception of quality and value and acceptance by consumers are all key factors in the success of the Group's business. In recent years, it has been working to popularise its energy-efficient and environmentally aware approach among its customers and to increase the use of energy-efficient products, both domestically and abroad, and use these aspects as a key feature of its marketing campaigns.

Turkey

The Group's revenue from White goods sales in Turkey increased by 89.3% to TRY2,873 million for the three months ended 31 March 2021 compared to TRY1,518 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY7.949 million from White goods sales in Turkey (26% of total White goods segment revenue in 2020) and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 30.6%. Its principal brands in this market are Arçelik and Beko and the Group believes that its principal competitors are BSH and Vestel. Arçelik has been consistently ranked as Turkey's most recognised brand. This level of awareness has allowed the Group to maintain significant market penetration.

The impact of the COVID-19 pandemic in 2020 was significant across the Group's industries and in particular on the White goods industry. However, the Turkish White goods industry maintained its position as Europe's largest manufacturing hub in 2020. Also, Turkey is a key market for the Group's business as it believes that the consumer durables sector, including White goods, remains generally underpenetrated in Turkey due to cohabitation of multigenerational families and the continuing demand for new residential housing. However, Turkey has recently been experiencing rapid new household formation and urbanisation and consequently, new real estate developments are contributing to demand for White goods. The kitchen's continuing dominant role in the household, combined with the fact that renovations in older households are now commonly done with built-in products, has contributed to industry growth supported by the transition from free-standing to built-in White goods products. In recent years, the built-in market benefited greatly from housing projects that offered kitchens already equipped with built-in products to home buyers. Energy efficiency is also particularly important in the Turkish market, where household electricity is expensive. The refrigerator, washing machine, tumble dryer and dishwasher categories of the White goods market have also experienced growth, while the full-size oven category shrank in light of the increasing trend towards built-in products.

Europe

The Group's revenue from White goods sales in Europe increased by 59.5% to TRY4,905 million for the three months ended 31 March 2021 compared to TRY3,074 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY16,845 million from White goods sales in Europe (54% of the total White goods segment revenue in 2020) and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 22.3%. Principal brands of the Group in this market are Beko and Grundig, and the Group believes that its principal competitors are BSH, Whirlpool and Electrolux. However, with Gorenje's acquisition by Hisense and Candy's acquisition by Haier in 2018 as well as the increasing presence of Samsung, international competition has recently increased in the European market. The Group also uses local brands it has acquired in the past, such as Leisure and Flavel in the UK, Elektrabregenz in Austria, Arctic in Romania and Blomberg in Germany, and in several other selected countries, to further market its products.

In Europe, the Group has been benefiting for years from the value it offers its customers through both moderately priced and premium products compared to its competitors and new technologies it introduced to the industry with renewed purpose led brand identity for both of its global brands, Beko and Grundig, incorporating the global sustainability vision it adopts. The Group managed to sustain its sales and total market share in Europe facing the unexpected global events that occurred due to the COVID-19 pandemic requiring hard measures to be taken and increased its profitability. The Group continues to invest in its brand perception and awareness across Europe, where it already has a significantly strong awareness and perception in the eastern half of the continent.

Since 2018, Arçelik is the second largest White goods company of Europe (including Turkey) according to market share ranking based on quantity. In 2020, the Beko brand was the leader in Europe's freestanding White goods market.

In 2020, Beko was the UK's overall leader in the major domestic appliance market, and also in the washing machine, dryer, freezer, refrigerator and cooking product categories.

In Poland, Beko was the market leader in the White goods market in 2020 with the leading position in cooling and second in refrigerator, freezer, washing machine, dishwasher and cooking product categories. In France, Beko was the market leader in the free-standing White goods market with second position in refrigerator, dryer and dishwasher product categories. In addition, Arctic is the overall leader in Romania, followed by Beko in the second place together accounting for more than one third of the White goods market. Thus, the Group's brands hold the number one spot for all product categories in that market.

The Group ranks also among the top 5 companies in Europe's other major markets such as Germany, Italy, Austria, Spain and Nordic countries.

Africa

The Group's revenue from White goods sales in Africa increased by 89.0% to TRY687 million for the three months ended 31 March 2021 compared to TRY363 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY2,137 million from White goods sales in Africa (7% of total White goods segment revenue in 2020) and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 8.2%. Its principal brand in this market is Defy, which the Group acquired in 2011, and which substantially increased the Group's market share in the African market. The market is more concentrated than many others with the top five brands accounting for slightly more than 80% (MDA6 units) of the market. The Group believes that its principal competitors are Hisense, Samsung and BSH.

Defy, as the market leader in South Africa, has a strong sales and distribution network. Defy operates at four plants located in Jacobs (where Defy runs two plants), Ezakheni (Ladysmith) and East London, manufacturing an extensive product range of cooking appliances, tumble dryers, top-loading washing machines, chest freezers and refrigerators. The acquisition of Defy enabled the Group to establish a platform for growth in the region and to achieve a significant position in Sub-Saharan African markets. Through providing valuable access to the South African market and a gateway to the rest of Africa, the brand's strong performance continued in 2020 with 1.9 million White goods sold in 34 African countries. As the largest Turkish investment in the territory operating extensively in the durable home appliances industry, the Group will look to maintain this position and continue to increase resources allocated to the region.

Other

Geographies in the Group's "Other" segment include the Middle East, Russia and the CIS, China and other Asian countries, Australia, New Zealand and the Americas.

The Group's revenue from the sale of White goods in other countries increased by 93.1% to TRY1,482 million for the three months ended 31 March 2021 compared to TRY768 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY4,096 million from White goods sales in other countries (13% of total White goods segment revenue in 2020) and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 18.7%.

In 2014, the Group made its first investment in Southeast Asia to manufacture refrigerators in Thailand to gain foothold and serve the region. The Group continued to lay the foundations for future organic growth in the region through establishing a regional headquarter in Thailand and sales offices in Vietnam, Malaysia, Indonesia and the Philippines. Since 2015, the Group is experiencing strong growth in the region, and in 2020, Beko branded products were sold in 15 countries in the region through subsidiaries and distributors.

In 2016, the Group acquired Dawlance, the leading brand in Pakistan by having the largest manufacturing setup of appliances, largest dealer & sales network, widest after sales customer service and being the biggest Pakistan export contributor. The company has provided the Group access to a new market which has the 6th largest population in the world. It has 3 manufacturing facilities and there are over 1,800 sales channels through which Dawlance is commercially present in the market. Majority of these channels belong to over 1,400 network of retail outlets all over Pakistan. In 2018, Dawlance was elected as the 9th most loved brand in Pakistan by IPSOS and Bullseye. In 2019, the company won an Effie Gold award for its Service Marketing Campaign and according to IPSOS Brand Health Study 2020, Dawlance has the highest category effective equity and showed the highest brand ownership among its competitors.

In 2019, the Group acquired a majority stake in Singer Bangladesh, which is ranked second in major segments of the White goods market in Bangladesh. The company has the country's largest retail network with 424 stores, more than 1,000 dealers and two factories. As Singer being the house brand, it includes third party brands such as HP, Samsung, Dell and Skyworth. Despite the two-month national lockdown due to the COVID-19 pandemic, the revenues approached USD 182 million, reaching almost the same level as in 2019. Singer is the leading refrigerator brand across Bangladesh and awarded by Superbrands as Bangladesh's Choice for AC category. In addition, after the rise of the COVID-19 pandemic, the company has been highly appreciated for its social responsibility actions such as donation of ventilators to hospitals.

Products

The following are some of the key White goods product highlights the Group has produced in recent years.

Dishwashers[1]

- The Group has dishwashers with a range of energy ratings between A and F which respond to the latest energy regulation, with A, B and C energy level products being newly launched.
- The Group has produced between 7L and 12.9L water consumption dishwashers in Fullsize and Talltub and 8.7 to 11.9 litre in Slimline dishwashers.
- The Group's products have a noise level ranging from 40 decibel ("**dB**") to 52dB for Fullsize dishwashers, from 39dB to 48dB for Talltub dishwashers and from 44dB to 51dB for Slimline dishwashers.
- The Group's Fullsize and Talltub dishwashers have between 13 place-setting ("**PS**") and 16PS capacities and its Slimline dishwashers have between 10PS and 11PS capacities.
- The Group produced Europe's first (household type only) AutoDose dishwasher for liquid and gel detergent usage which allows dosing of the right amount of detergent to avoid excessive usage.
- The Group developed the innovative spraying system CornerWash/CornerIntense, which allows its dishwashers to maximise coverage.
- The Group developed the DeepWash/DeepClean technology to clean tall items with small openings efficiently (such as bottles, jars, carafes, sport mugs and pitchers) as well as applying zone cleaning for pots and pans with five times better performance.
- The Group produced dishwashers with SuperDry/MaxiDry innovative heating technology, which enables drying performance even without rinse aid usage.
- The Group developed AquaIntense Technology to clean pots and pans more effectively, which is credited to an extra rotating spray arm.
- The Group produced the world's first (without utilising harmful gases or chemicals) odour removal dishwasher, with its IonFresh/IonGuard technology.
- The Group developed the automatic filter cleaning technology EverClean Filter to reduce filter cleaning needs by up to four times.
- The Group developed the auto-door opening technology for dishwashers, to increase energy and drying performance.
- The Group developed a connectivity feature which enables remote control through the HomeWhiz App. Auto-replenishment, programme downloads and easy programme selections are the main connectivity features.
- The Group produced built-in dishwashers with recycled fishing nets for their built-in dishwasher foot supports.

---

[1] All references in this section entitled "*-Products*" and in the section entitled "*-Production Facilities*" to "energy ratings" refer to the energy consumption labelling scheme classification as established by "Commission Regulation (EU) 2019/2022 of 1 October 2019 laying down eco-design requirements for household dishwashers pursuant to Directive 2009/125/EC of the European Parliament and of the Council amending Commission Regulation (EC) No 1275/2008 and repealing Commission Regulation (EU) No 1016/2010" and "Commission Delegated Regulation (EU) 2019/2017 of 11 March 2019 supplementing Regulation (EU) 2017/1369 of the European Parliament and of the Council with regard to energy labelling of household dishwashers and repealing Commission Delegated Regulation (EU) No 1059/2010".

Washing machines and washer dryers[2]

- The Group produces washing machines and washer dryers with recycled pet bottles in tubs. 28.2 million waste PET bottles have been recycled as at the end of 2020.

- The Group developed FiberCatcher technology, which is an integrated filtering system to block microfibres from being released during a washing cycle and which filters up to 90% of fibres before discharge.

- The Group has a broad range of washing machines which are of A energy class, which is the highest energy efficiency reached. Further efficiency gains are expected to be available in the Group's products in 2021.

- The Group produces a washing machine with a special water flow technology which, along with a special washing algorithm, allows cleaning to be completed in a quicker and gentler fashion (providing up to 50% gains in both categories).

- The Group produces a washer dryer which washes and dries 5 kg of laundry in less than three hours.

- The Group produces a hygiene shield range, including washing machines and washer dryers which effectively kill more than 99% of bacteria and viruses, including COVID-19 by using hot air circulation.

- The Group produces connected washing machines and washer dryers with Bluetooth Low Energy ("**BLE**") and WiFi, which allows machines to be controlled from mobile devices and for programme parameters and additional washing programmes to be downloaded in accordance with customers' changing needs.

- The Group produces slim washer dryers having a capacity of 7.0 kg for washing and 4.0 kg for drying within a narrow 45 cm depth. Slim products are important for the Eastern European market, which generally has older buildings and narrow spaces for appliances.

- The Group produces washing machine products with a steam function which assists with anti-creasing and hygiene.

Tumble dryers

- The Group has a wide range of models in terms of energy level and capacity.

- The Group produces heat pump type tumble dryers which are at A+, A++, and A+++ energy levels[3] with 7kg to 11kg capacity.

- The Group produces dryers which consume 10% less energy than A+++ energy class models.

- The Group produces condenser type tumble dryers which are B energy level and have 7kg to 10kg capacity options.

---

[2] All references in this section entitled "*-Products*" and in the section entitled "*-Production Facilities*" to "energy ratings" refer to the energy consumption labelling scheme classification as established by "Commission Regulation (EU) 2019/2023 of 1 October 2019 laying down ecodesign requirements for household washing machines and household washer-dryers pursuant to Directive 2009/125/EC of the European Parliament and of the Council, amending Commission Regulation (EC) No 1275/2008 and repealing Commission Regulation (EU) No 1015/2010" and "Commission Delegated Regulation (EU) 2019/2014 of 11 March 2019 supplementing Regulation (EU) 2017/1369 of the European Parliament and of the Council with regard to energy labelling of household washing machines and household washer-dryers and repealing Commission Delegated Regulation (EU) No 1061/2010 and Commission Directive 96/60/EC.

[3] Energy classes are compliant with EU 392/2012 (energy labelling) and EU 932/2012 (ecodesign) regulations.

- The Group produces air vented-type tumble dryers which are C energy level and have 7kg to 9kg capacity options.

- The Group produces tumble dryers with recycled plastics. 2,420 tonnes of recycled plastics were used in 2019 and 2020.

- The Group produces dryers with the innovative Iron Finish technology, which provides ready to wear garments at the end of the drying cycle without any subsequent ironing.

- The Group produces a hygiene shield range tumble dryer, which effectively kills more than 99% of bacteria and viruses by using ultra-violet C lamp technology and hot air circulation.

- The Group produces 7kg and 8kg capacity slim heat pump models which are beneficial for customers with limited space.

- The Group produces tumble dryers which can dry 5kg of laundry within an hour using Rapidry technology.

- The Group developed the innovative Air Touch technology, which allows customers to dry their delicate fabrics without textile damage.

- The Group produces heat pump type dryers with environmentally friendly R290 refrigerant with a global warming potential value of three.

Refrigerators

- The Group has a range of products with energy ratings ranging from C to F including table top, double door, combi, multidoor, side-by-side, built-in, fridge, larder, upright freezers and chest freezers.

- The Group's products have a noise level range of between 35dB (B class) and 42 dB (D class).

- The Group produces Bio-Fridges which are the first bio-polyurethane and bio-plastic refrigerator applications. The egg tray further contains 20% eggshell and 80% bioplastic, the fan cover is made of 100% bioplastic and gaskets are made of 25% bioplastic.

- The Group developed its HarvestFresh technology to keep vitamins A and C in its fruits and vegetables fresh.

- The Group developed its EverFresh technology, which allows temperature variations inside the crisper to be minimised and precise humidity adjustments to be made via air channels. This provides up to three times longer shelf life for fruits and vegetables (i.e. up to 30 days).

- The Group developed its VioLED technology, which reduces bad odours and purifies the air within the refrigerator by up to 90%.

- The Group developed its disinfection technology through its UV compartment refrigerator, which ensures the disinfection of packaged food surfaces using ultraviolet rays in the ultra-hygiene compartment.

- The Group developed its Aerocool technology, which enables even temperature distribution from top to bottom and minimum temperature fluctuation in a single shelf.

- The Group produces connected refrigerators with BLE and WiFi. Such refrigerators can be controlled from mobile devices and adapt to customers' changing needs.

Cooking

Hobs

- The Group developed a nine-level controlled gas hob, which enable consumers to have more precise control.

- The Group also developed easy-to-clean coating gas hobs for easier cleaning and less use of chemicals for cleaning.

- The Group also developed platform upgrades on side control metal burner plate gas hobs, which allow for efficiency increases.

Hoods

- A and A+ energy hoods are featuring more prominently in the portfolio. Around a quarter of sales were of A and A+ energy levels in 2020. Also, the Group has plans to introduce A++ energy efficiency hoods in 2021.

- The Group is adapting sensors to the inclined and T-shape hoods for automatic speed adjustments which are in line with energy efficiency.

- The Group adapted NTC sensors to its T-shape hoods for automatic speed adjustment in 2019.

Ovens:

- The Group produces built-in ovens and freestanding cookers with recycled fishnet and industrial thread waste. 71 tonnes of material have been recycled as at the end of 2020.

- The Group has oven products with different sub-categories, which include different dimensions of free-standing cookers, range cookers, built-in ovens, combi microwave ovens and mini-ovens.

- The Group's products enjoy energy ratings ranging from A to A++.

- The Group produces a HygieneShield range oven, which keeps food from meal delivery, ready-to-eat foods and bakery products safe to eat by effectively killing more than 99% of bacteria and viruses with the help of heat and saturated steam.

- The Group has built-in connectivity features which enables users to control their oven remotely over the HomeWhiz App. Selecting one of the automatic cooking programmes during cooking is one of the main connectivity features of HomeWhiz. It can also notify the user when the meal is ready.

- The Group develops and produces built-in ovens with its AeroPerfect and HotAeroPro platform, which provides precise hot air distribution, thereby minimising temperature fluctuations for homogenous cooking results.

- The Group develops and produces steam ovens with its SteamAid, Steam Assisted or Combi Steam technologies.

Internet of Things

As the concept of the Internet of Things and its related business have been growing globally, the Group's connected appliances business has been growing significantly in recent years. The Group's connected appliances are sold and being used in over 60 countries, with over 1 million units sold in the market. With new technological products and solutions, the Group aims to make users' lives easier in the areas of Assistive Kitchen, Smart Laundry Care and Home Wellness.

Products

- The Group's connected appliance portfolio consists of thousands of models in cooling, cleaning, kitchen appliances, SDA, heating, ventilation and air-conditioning and air quality sensors.

- Connected autodosing dishwasher with automatic detergent ordered through Amazon assists users with detergent supply at home.

- HomeWhiz connected appliances can be controlled via a user's voice commands through smart speakers or mobile phones by integration with Google Assistant and Amazon Alexa.

- The Group's new series of connected major domestic appliances with service buttons provides a unique solution for its users, which provides call-backs to the user from authorised call centres.
- Connected air quality sensors measure the air inside and inform users about CO_2 levels, temperature and humidity. If a user has other connected HVAC products, they can operate automatically according to the air quality data obtained.

Consumer electronics

Consumer electronics drive value in expanding the Group's product lines to increase brand awareness in the broader technological landscape. For example, Grundig is a prominent brand of consumer electronics in the Group’s brand portfolio. The Group's key products in this sector include TVs, digital signage systems and audio equipment.

Slimmer models with more focus on design, that are also energy efficient, have become more popular and, as a result, have become a focus of the Group. In recent years, the consumer electronics industry has witnessed the transition to large screen TVs, LED/OLED technologies, higher resolution and advanced Smart TV capabilities.

OLED technology is currently used in high-end TVs. Unlike LCD panels, OLED screens are viewable from extreme angles, and offer a very wide colour spectrum with very deep blacks and high contrast ratios as compared to LCD panels.

The resolution of TV screens has risen drastically in the last decade as well. As the quality of the content rises in both traditional TV broadcasts and over-the-top ("**OTT**") content, the TV market has shifted from SD to HD, FHD and lately to UHD resolution solutions, where UHD TVs have become the mainstream standard.

The spread of broadband infrastructure and changing consumer habits have also resulted in an increase in Smart TVs. Smart TVs provide customers with applications and services that give added value and enhanced ability to control the device. Interconnectivity between devices, such as between TVs and computers and smartphones, also plays an important role in the development of these products. The rise in the Smart TV market is expected to continue in the coming years with increasing OTT content.

Turkey

The Group's revenue from consumer electronics sales in Turkey increased by 9.5% to TRY749 million for the three months ended 31 March 2021 compared to TRY685 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY3,104 million from consumer electronics sales in Turkey and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 38.5%. Its principal brands in this market are Arçelik, Beko and Grundig, and the Group believes its principal competitors are Vestel, LG and Samsung.

Europe

The Group's revenue from consumer electronics sales in Europe increased by 38.2% to TRY314 million for the three months ended 31 March 2021 compared to TRY227 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY1,055 million from consumer electronics sales in Europe and, from 2018 to 2020, its revenues in this sector grew at a CAGR of -3.4%. The Group believes its principal competitors are Philips, LG and Samsung.

Africa

The Group's revenue from consumer electronics sales in Africa increased to TRY0.59 million for the three months ended 31 March 2021 compared to TRY0.02 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY1.3 million from consumer electronics sales in Africa and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 57.1%.

Other

Geographies in the Group's "Other" segment include the Middle East, Russia and the CIS, China and other Asian countries, Australia, New Zealand and the Americas.

The Group's revenue from consumer electronics sales in other countries increased by 38.0% to TRY95 million for the three months ended 31 March 2021 compared to TRY69 million for the three months ended 31 March 2020. For the year ended 31 December 2020, the Group generated revenue of TRY356 million from consumer electronics sales in other countries and, from 2018 to 2020, its revenues in this sector grew at a CAGR of 162.1%.

Products

The following are some of the key consumer electronics products and recent development highlights.

TV

- The Group has a TV product line-up ranging from 24 to 75 inches in screen size and in each of the HD, FHD and UHD product categories.
- The Group produces all TVs with 100% recycled and recyclable packaging cardboards and all TV user guides with 100% recycled and recyclable paper.
- The Group produces TVs in A and A+ (F and G in new energy regulation) energy classes. Products with A+ energy class (which is 33% more energy efficient than A energy class) are available in HD, FHD and UHD in 32, 40, 43, 49, 50, 55, 58 and 65 inch screen sizes.
- The Group produces OLED TVs the in 55 and 65 inch categories, which also offer premium TV viewing experiences with Dolby Atmos and Dolby Vision.
- At the end of 2019, the Group produced the first Fire TV Edition in Europe with advanced Smart TV features and the first Fire TV Edition OLED TV with Hands-Free Voice Control.
- In 2021, the Group has launched UHD Android TVs for a competitive TV line-up in terms of advanced Smart TV capabilities with access to the Google Play Store, Chromecast and Google Assistant.
- The Group produces digital signage displays and digital signage software for the B2B market. The group has videowall displays and standalone public information displays ranging from 22 to 98 inch sizes in its professional display line-up. The Group also offers a complete digital signage solution with integrated hardware and software capabilities.
- The Group produces 65, 75 and 86 inch interactive touch displays for educational purposes. Besides supplying products to private schools, the Group also won public school tenders in Turkey in 2020 and 2021.

Audio

- The Group has continued to transition its consumer electronics offering and is launching new products rapidly across Europe, in particular in the audio space.
- In 2021, the Group launched a brand new wireless speaker range in Germany, France and Spain, with a focus on consumer-centric features such as longer playback times with unique power-bank functions.
- As part of the 75th year anniversary of Grundig, the Group revised the iconic Heinzelmann product by releasing a limited edition with only 5,000 units. The Group's design focuses on reflecting the iconic design signature of the original Heinzelmann with up to date technological features such as Spotify Connect, Internet Radio, Digital Audio Broadcasting, Bluetooth and Podcasts.
- The Group also invests in the soundbar category. In partnership with Dolby, two new soundbars were released by the Group into the market. The Group's DSB2000 and DSB1000 models utilise unique technology to provide a 360-degree acoustics environment.

Grundig’s recent developments in product development have also being appreciated by test magazines, such as the reputable test institute StiWa, which has rated Grundig’s CMS5000 as "Test Winner" in its

January 2021 edition of HiFi products. In the very same test, the entire Grundig HiFi range was rated as "Good" and "Very Good" by the magazine.

In response to the COVID-19 pandemic, the Group has also produced mechanical ventilators of lifesaving importance. The Group has collectively developed the products with other companies in a project led by the Turkish Ministry of Industry and Technology and the Turkish Ministry of Health. These ventilators have been sent to various countries including some of those hardest hit by the COVID-19 pandemic.

Other appliances

The Group is also a leading provider of air-conditioners and SDA, such as coffee makers, irons and vacuum cleaners as well as personal care products in Turkey. To highlight the Group's environment-friendliness in these categories, it produces vacuum cleaners, toasters and grills with high recycled plastics content. Some of the Group's SDA are also fully produced using recycled cardboards. The Group has also produced hoods with environmentally friendly packaging materials which do not include polystyrene.

The following are some of the key products in these categories.

Vacuum Cleaners

- ActiFlex technology which ensures that the vacuum cleaner tube is bent using a single button with multiple angles for easy access to hard-to-reach areas like places under couches and other furniture.

- SelfStand technology for a vertical stand-alone vacuum cleaner with the locking mechanism on the brush.

- Beko Power Clean vacuum cleaner suitable for 45 minutes of cordless operation and fast and efficient cleaning with 165W suction power.

Garment Care

- The Group has significant market share in Turkey within the iron category as of the beginning of 2021, achieving an increase in its market share between 2019 and 2020.

- The Group introduced SPA9130B iron which it believes has the highest steam power and the best ironing performance in Europe.

- The Garment Care category has active sales in more than 20 sales organisations within the Group, facilitating annual sales of over 400,000 units globally.

Personal Care

- The Group has a strong position in Turkey within the hair dryer category, and increased its market share in 2020.

- The Personal Care and Wellness product category has active sales in more than 20 sales organisations within the Group, achieving annual sales of over 1.5 million units globally.

- New investment projects are ongoing or planned in both mature and emerging markets with quality, recyclability and local needs in focus.

Kitchen

- Multicookers, oil-light cookers and kitchen machines are rising trends, and the Group is looking to invest primarily in these areas.

- Using 3D induction technology to reach a precise temperature, the Group's Turkish coffee machine ensures a consistent and effective brewing process.

- The Group also introduced a new automatic tea machine which allows automatic brewing and timer functions to provide the customer with a consistency of taste.

Air-conditioners

- The Group has a wide range of models in terms of capacity, including 7,000 Btu/h, 9,000 Btu/h, 12,000 Btu/h, 15,000 Btu/h to 18,000 Btu/h and 24,000 Btu/h for its domestic market.

- The Group produces inverter products with an A+++ rating for cooling and A+++ rating for heating in the respective seasonal energy classes.

- The Group produces split air-conditioners with environmentally friendly R32 refrigerants and portable air-conditioners with environmentally friendly R290 refrigerants.

- The Group produces connected air-conditioners which adopt Wi-Fi technology. Air-conditioners are available with connectivity to control using a mobile application when away from home. Connectivity also allows for extra features such as following cumulative energy consumption and voice control.

- The Group produces a low-noise level air-conditioner at 15 dBa, and has developed the hygiene function which effectively eliminates more than 99% of bacteria and viruses which are resting in the inner surface of the air-conditioner.

Key Brands

The Group believes that the quality of its product portfolio is one of the key aspects of its business that differentiates it from its competitors. According to TURKBESD, Arçelik, with its brands Arçelik, Beko and Altus, is the leading White goods company in Turkey. According to GfK, Beko is the second largest brand in terms of unit sales among 24 European countries. Arctic, Defy, Dawlance and Singer are local leading White goods brands in Romania, South Africa, Pakistan and Bangladesh. Elektrabregenz and Blomberg are local White goods brands in Austria and Germany, respectively. Leisure and Flavel are strong brands of cooking appliances in the UK and Ireland. Grundig is a well-known brand both in Turkey and internationally. Altus is a White goods and consumer electronics brand focused on low price points. The Group's air-conditioners, SDA and personal care products are sold primarily under the Arçelik brand in Turkey, as well as under the Grundig and Beko brands in Europe and around the world.

The Group's brand portfolio is strategically deployed across its markets to ensure coverage at different price points while avoiding cannibalising market share. The Group combines the use of its global brands, such as Beko and Grundig, with local brands such as Arctic, in key markets in order to grow its market share across consumer groups.

Arçelik

Arçelik is Turkey's leading brand of White goods and one of the country's most recognisable brands. Arçelik's extensive dealer network has helped support this level of brand recognition. In addition to its extensive product range composed of White goods, built in appliances, consumer electronics, air-conditioners, kitchen furniture and small home appliances, it also has the strongest after sales service network in Turkey. Being the premier brand in Turkey, Arçelik continues to promote its energy efficient products and uphold its leading position in energy efficiency with its green products. Arçelik is a premium segment brand and focuses on families and professionals as its target demographic.

Beko

The Group's main international brand, Beko, is the largest appliance brand in the UK and Poland. Beko is the second largest in terms of unit sales among 26 European countries, including Turkey, and has continued to grow globally in recent years, with a particular increase in online sales and marketing. Beko products are consistently recognised for their quality, ease of use and environmentally friendly characteristics. In recent years, brand communication has shifted to target family values and a focus on empowering new generations to live healthier lives. Beko has been positioned as a mid-tier brand in Europe. However, it has more recently targeted higher-end consumers with the help of increased brand awareness and an emphasis on product quality. Beko's principal sales channels are large retailers, technology superstores and, increasingly, the internet.

Arctic

Arctic is a leading White goods brand in Romania. It provides its consumers with affordable, creative solutions and focuses on cheerful, family-centred marketing. The brand distinguishes itself by not only possessing the most widespread distribution network in Romania, but also its most dominant after sales service network. Arctic's strategy to strengthen its brand position is to successfully address the modern lifestyles of consumers, by using elegant and modern designs alongside state-of-the-art technology to continually re-invent the brand. Arctic's target demographic is middle income families and its principal sales channels are buying groups and chains.

Elektrabregenz

The close-to 120-year-old brand Elektrabregenz became part of the Group in 2002 and has an extensive sales network. Elektrabregenz was twice awarded the international environmental certification of GREEN BRANDS in five product groups including ovens, dishwashers, refrigerators, freezers and washing machines due to its environmentally-efficient technologies

High-end consumer products have become an area of increased focus for the brand and are developed and distributed through special business partnerships.

Blomberg

Blomberg's brand history spans more than 130 years. The brand brings together technological, practical and environmental features with aesthetic design. The brand is available in approximately 45 markets around the world, but is most well known in Northern Europe. Its principal sales channels are chains and buying groups, and online sales are also available.

Defy

Defy is the leading brand in the South African White goods market, which the Group acquired in 2011. Defy is a premium brand in the South African market and its target demographic is mid-tier income consumers. Defy's products are sold mostly through independent retailers and national chains.

Dawlance

Dawlance is the leading brand in the Pakistan White goods market, which the Group acquired in 2016. Dawlance is a mid-tier segment brand and focuses on families and professionals as its target demographic. Dawlance products are sold through independent retailers and national chains. Online sales through the Group's own channel started last year.

Singer

With the help of an extensive dealer network, Singer is one of Bangladesh's most well-known brands of White goods. In 2019, Arçelik acquired Singer Bangladesh Limited, which has the right to use the Singer brand in Bangladesh.

Grundig

Grundig was established in 1945 in Germany. The company is recognised for its product quality and consumer-oriented approach and has over 90% brand awareness in Germany. Grundig is a global brand and is particularly well recognised in Austria, Switzerland, the Balkans and in the Scandinavian and Baltic countries. Grundig has six main product ranges that include TV, radio, audio, hi-fi, personal care, home care and small kitchen appliances.

Sales, Marketing and Distribution

The effectiveness of the Group's sales, marketing and distribution capabilities is crucial to the success of its business. The following table sets out its production, sales and marketing coverage as of 31 December 2020.

Location	Brands	Product Segment	Facilities	Employees	Channel
Australia & New Zealand	Beko / Original Equipment Manufacturer / Altus / Grundig	White Goods	Sales & Marketing	47	Superstores, Generalists Buying Groups, E-stores
Austria	Elektrabregenz / Beko	White Goods/ Other Appliances	Sales & Marketing	36	Independents, Chains, Buying Groups, Kitchen & Furniture, Hypers, Cash & Carry. DIY, E-stores
Bangladesh	Singer	White Goods/ Other Appliances	Sales & Marketing	1.751	Exclusive Dealers, stores, Chains, online
China	BEKO / OEM / Blomberg / Altus	White Goods	Purchasing /Sales & Marketing/R&D	220(*)	National & Regional chains Distributors, buying groups, e-stores
Czech Republic (inc. Slovakia market management)	Grundig / Blomberg / Beko	White Goods / Other Appliances / Consumer Electronics	Sales & Marketing	49	Buying Groups, Chains, Independents, Kitchen & Furniture, E-stores
Egypt	Beko	White Goods / Other Appliances	Sales & Marketing	74	Key accounts, traditional dealers, end customer for after sales services, online (through distributors)
France	Beko / Leisure / Private Label / Grundig / Altus	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	102	Dept. Stores, Mail Order Chains, Kitchen & Furniture, Independents, Buying Groups, E-stores
Germany (Croatia office inc.)	Beko / Grundig / Blomberg / Altus	White Goods / Small Domestic Appliances / Consumer Electronics	Sales & Marketing	180	Chains, Mass Merchandisers, Kitchen & Furniture, Independents, Buying Groups, E-stores
Holland	Beko / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Finance, Sales & Marketing	5	Chains, Online (through distributors)
India	Voltbek JV	White Goods (Refrigerator)	Production	8	Chains, E-stores
Indonesia	Beko	White Goods / Other Appliances/ Consumer Electronics	Sales & Marketing	20	National & Regional chains Mass Merchandisers, Technical Superstores and chains, Independents, E-stores
Ireland	Beko / Leisure / Blomberg / Flavel / OEM / Private Label	White Goods	Sales & Marketing	17	Chains, Hypers, Cash & Carry., DIY, Independents, Buying Groups, E-stores
Israel	Beko / Blomberg		Sales & Marketing	4	Chains, Traditional, Online (through distributors)

Location	Brands	Product Segment	Facilities	Employees	Channel
Italy	Beko / Grundig	White Goods / HVAC/ SDA / Other	Sales & Marketing	58	Chains, Distributors, Cooperatives, Buying Groups, Mass Merchandisers, Electrical Retailers, E-stores
Kazakhstan	Beko	White Goods / HVAC	Sales & Marketing	5	Chains, E-stores
Malaysia	Beko	White Goods / Other Appliances/ Consumer Electronics	Sales & Marketing	37	National & Regional Chains, Mass Merchandisers, Technical Superstores and El. Chains, Independents, E-stores
Morocco	Beko / Grundig	White Goods / Other Appliances/ Consumer Electronics	Sales & Marketing	4	Chains, Online (through distributors)
North America	Beko / Blomberg	White Goods / Small Home Appliances	Sales & Marketing	56	Independents, Distributors, TKM (the sole online sale) through Amazon
Norway	Beko / Blomberg / Grundig / Private Label	White Goods / Consumer Electronics	Sales & Marketing	51	Buying Groups, Chains, Hyper, E-stores
Pakistan	Dawlance	White Goods / Other Appliances/ Consumer Electronics	Production / Sales & Marketing	3263	National Dealers, Exclusive Dealers, Modern Trade, E-stores, Export
Philippines	Beko	White Goods	Sales & Marketing	20	National & Regional Chains, Mass Merchandisers, Technical Superstores and Chains, Independents, E-stores
Poland	Beko / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	87	Hypers Cash & Carry DIY Dept Stores, Mail Order, Kitchen & Furniture, E-stores
Romania	Arctic/Beko/Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Production/Production / Sales & Marketing	5.205	Chains Hypers Cash & Carry, DIY stores Independents Buying Groups, Online
Russia	Beko / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Production / Sales & Marketing	1.605	National Chains, Regional Chains, Online Channels Independents, Kitchen & Furniture, E-stores
Serbia	Beko / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	68	Retailers & Whole Salers, E-stores
South Africa	Defy / Grundig	White Goods	Production / Sales & Marketing	2.396	National Chains, Independents, Buying Groups, E-stores

Location	Brands	Product Segment	Facilities	Employees	Channel
Spain	Beko / Private Label / Grundig / OEM	White Goods / Other Appliances / Consumer Electronics / Component	Sales& Marketing	50	Independents Buying Groups, Chains, E-stores
Sweden	Grundig / Beko / Private Label	White Goods / Consumer Electronics / Component	Sales & Marketing	9	Buying Groups Chains Hyper, E-stores
Thailand	Beko/Voltas Beko/OEM	White Goods	Production/Sales & Marketing	819	International Business Centre, National & Regional Chains Mass Merchandisers, Technical Superstores and Chains, Independents, E-stores
Turkey	Arçelik / Beko /Altus / Blomberg /Grundig /Elektrabregenz / Arctic / Flavel / Defy / Voltas Beko / Dawlance / Wat /Cylinda	White Goods / Other Appliances / Consumer Electronics / Component /	Central Management/ Production / Sales & Marketing / **Others**	20714	Exclusive Dealers, Chains, Online, Call Centre, E-stores
UK	Beko / Flavel / Leisure / Blomberg / Grundig / OEM / Private Label	White Goods / Other Appliances/ Consumer Electronics	Sales & Marketing	305	Chains, Independents Buying Groups, Online, Kitchen & Furniture, E-stores
Ukraine	Beko / Altus	White Goods / Other Appliances	Sales & Marketing	34	Chains Independents, Kitchen & Furniture, E-stores
United Arab Emirates	Beko / Arcelik	White Goods / Other Appliances	Sales & Marketing	15	Distributors & Traders
Vietnam	Beko	White Goods /	Sales & Marketing	34	National & Regional Chains, Mass Merchandisers, Technical Superstores and El. Chains, Independents, E-stores

(*) 65 of the Group's employees which were previously employed in the Group's factory in China will be transferred to the Group's Ardutch Taiwan Branch, Wuxi, Arch R&D and Beko Trading facilities. As a result, the sum of employees in this table is 65 less than the total number for 2020 (37,413).

The Group's sales and distribution strategy differs significantly between the Turkish and international markets. In the Turkish market, the Group sells the vast majority of its products through its exclusive dealer network which brings customer loyalty, proximity and brand awareness. Correspondingly, Arçelik also manages marketing, store formats and dealer training. In international markets, sales are made either via direct sales from the Group to a distributor or via its subsidiaries. Through marketing & sales offices in approximately 45 countries, Arçelik provides goods and services in nearly 150 countries. With direct sales, distributors keep the Group's inventory and on-sell the stock to the relevant sales channel, taking responsibility for all import and customs issues and charges. In markets where the Group has committed to developing its own infrastructure, sales are handled through subsidiaries which have their own logistics, marketing, channel development, finance and service functions.

The Group also aims to leverage its internet presence in distribution, training, and interactive communication in suitable markets. The aim is to have integrated and consistent communication, which increases the global effectiveness of its brands through various new and traditional media channels. In connection with this initiative, Beko is the main partner of FC Barcelona, naming partner of Fenerbahçe Men's Basketball Team and official supplier of the European League of Legends Championship. Also, Beko's first online store abroad recently launched in Russia.

Turkey

Arçelik and Beko products are sold through approximately 2,650 exclusive dealers in Turkey. This exclusive dealer network accounts for the substantial majority of the Group's White goods sales in Turkey. Exclusive dealers in Turkey operate on standard Group-wide sales contracts (with a range of potential deviations to allow for promotional activities, etc.) including recommended retail pricing that is followed closely by the dealers. The Group also manages key aspects of the dealers' operations, including marketing, store presentation, promotions and after sale care, which the Group believes makes its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms. In recent years, Arçelik Turkey has shifted towards digitalisation to stay competitive in the market. Omnichannel transformation is the biggest milestone in adapting the Group to change. Arçelik has also strengthened its online presence through the Online Order Assignment System and marketplace partnerships. Arçelik engages in significant social media and traditional communication channels to strengthen its customer relations. The Group also sells some of its products through large retailers in Turkey; however, to manage its brand profile, only Altus Grundig, Key Smart and Flavel branded products are sold outside the exclusive dealer network.

Europe, MENA & North America

In Europe, the Group's key sales channels can be categorised as technology superstores and large chains, hypermarkets, independents and buying groups, department stores, mail order and internet outlets. It has made a concerted effort in recent years to increase its penetration in each of these channels. In countries where the Group has significant market share, such as the UK, Germany, France, Romania and Poland, its sales are spread relatively uniformly in a proportional manner across these channels.

In addition, Beko has increased its online presence by starting to sell products on its re-designed website and strengthening its customer relations through the use of social media. Strong brand communication, especially with younger customers, is made possible through its social media accounts. E-commerce and the emphasis on small appliance series with characteristic designs, colours and healthy cooking benefits have helped to increase targeted brand awareness. These efforts have been successful in recent years and the strength of Beko's online sales in certain markets is over-indexed compared to the market average. Beko's principal sales channels are large White goods and electronics retailers, both online and in physical stores and DIY superstores.

In Middle East, sales are mostly distributor based. However, after several investments in the region, the Group also has new local sales offices in this region. In Israel and in the Gulf region, the Group already has offices and new offices are in progress. Furthermore, on a small scale, online sales continue.

Beko US, Inc., a subsidiary of the Group is committed to developing technologically advanced, energy efficient home appliances under its brands. Beko US mainly serves residential projects with higher-end products under the Blomberg brand, and continues to build its retail distribution. From 2017 to 2020, Beko US, Inc. received the Environmental Protection Agency’s ENERGY STAR ® Partner of the Year Award for its outstanding contribution to protecting the environment through energy efficiency solutions. In 2019 and 2020, Beko US, Inc. also was recognised with an ENERGY STAR Partner of the Year Sustained Excellence Award, which is the programme’s highest honour.

Asia & Pacific

The Group's presence in Asia-Pacific started with its washing machine factory investment in 2007. In 2011, the Group moved its Beko brand into Australia and New Zealand through a partnership with Australia's largest supply chain. Since then, the Arçelik footprint has increased in accordance with the ‘Silk Road Beko Road’ vision, which looks to develop a trade corridor between Turkey and Asia-Pacific. The Group has since been growing rapidly in Asia-Pacific, establishing sales subsidiaries in Thailand in 2014, Vietnam in 2015, Malaysia in 2015, Indonesia in 2016 and the Philippines in 2020. From its regional headquarters in Thailand, the Group conducts direct sales operations from South Korea, Cambodia, Myanmar, Singapore, Laos and Japan. In addition to its sales subsidiaries, the Group has also established a refrigerator production facility in Thailand with serial production beginning in 2016.

The Group’s key sales channels are modern channels such as technical superstores, national and regional chains, DIY chains and traditional channels, wholesalers, and other active B2B business channels. Beko has made a big effort in recent years to increase penetration in each country, achieve product line expansion and channel expansion. In addition, Beko has increased its online presence in terms of sales and marketing. Beko also sells its products through e-commerce channels and invests in social media and other online channels. The Beko brand has also recently opened a sales office in the Republic of Kazakhstan and has looked to develop sales through various supply chains and e-commerce stores.

In Pakistan, there are over 1,800 sales channels through which Dawlance is commercially present. A majority of these channels belong to the over 1,400 network of retail outlets situated all over Pakistan. Lately, Dawlance also increased its online presence by launching its own e-commerce website and marketplace.

Singer has over 400 retail shops and over 800 dealer shops in Bangladesh. Singer, as the house brand also incorporates products from third party brands such as HP, Samsung, Dell and Skyworth. Singer is both present in various marketplaces and also has its own e-commerce website.

The Group's joint venture with Tata Group in India, Indian Voltas Beko, is a partnership that brings Voltas' strength in sales and service in the Indian market and Beko's R&D, best-in-class technology and patents together. The joint venture's sales come predominantly from its distributors, and it has been increasing its presence in various online sales channels and increasing its engagement in social media by utilising Beko's sponsorship with FC Barcelona.

Beko will continue to increase its presence and continue its expansion in Asia-Pacific as growth in the consumer durables market is expected from Asia-Pacific with its increasing population and potential production capacity in Vietnam, Indonesia and Thailand.

Africa

Defy, the Group's principal brand in South Africa, sells its products through independent retailers and buying groups. The company supports its brand position further through its own sales, warehousing and distribution and after sales service functions.

After sales service

The Group has a comprehensive after sales service network for its products in Turkey, and is actively expanding its capabilities abroad. In Turkey, the Group has 12 regional after sales service centres, more than 600 authorised after sales service points and more than 5,000 service vehicles. Approximately 12,000 of the Group's employees are involved in the provision of after sales service, with roughly half of them in a technical capacity.

After sales service encompasses delivery, assembly and installation, repair and general customer support activities. These services are delivered at the point of sale, in person through home visits and via the Group's call centre. In order to maximise the efficiency of its after sales service, the Group has made significant investments in technology and training. For example, in Turkey, service technicians use new technological infrastructure mobile app "Artemis" which allows them access to technical databases, ensuring that the vast majority of assembly, installation and repair issues can be resolved with one appointment. The mobile devices also assist in the collection of data which is, in turn, used to optimise appointment scheduling, scope and duration. After sales service has appointment, routing and workforce management system designed with the Company's needs in mind at 4 different countries. Performance evaluation and quality control are also key aspects of the development of the Group's after sales service offering.

Managing the manufacture and distribution of spare parts is also a key part of the Group's after sales service. It currently manages the supply of approximately 350,000 different spare parts across its product ranges. It works with 180 suppliers for these parts, 50 of which are located in Turkey, and distributes these parts through over 1,000 outlets.

In particular, the Group considers training to be an essential part of its service. The Group's Service Academy is responsible for the development of the competencies of all authorised employees in Turkey who perform after sales services for the Group. For this reason, the Service Academy determines the training needs of the organisation and conducts technical, new product and development training in order to increase the quality of its employees and maintain their continuous development. Furthermore, the Service Academy provides behavioural training for authorised service employees so that they are able to communicate properly with customers. The Service Academy offers 350,000-hours of training annually through 400 different face-to-face and online training modules. On the other hand, the Global Customer

Care Academy also offers service training in more than 35 countries and a 24/7 web-based academy portal to its partners around the world. The Global Customer Care Academy also offers in-house training sessions to colleagues working in customer care departments in order to improve their product knowledge.

Call centres

Arçelik's call centre offers quality services to its customers with a team of approximately 1000 employees. The principal aim of the call centre is to resolve customer issues quickly and efficiently, while maintaining a positive dialogue with the customer in order to reinforce the Group's brand message and enhance customer satisfaction.

A Customer Relationship Management Program was launched in order to shorten both customer representative training times and to direct incoming calls to the right contact points. In this context, excellence in call centre operations is ensured by automating the relevant processes and displaying the necessary information on the screens of customer representatives so that they are able to take proper steps in responding to customers' demands. A significant portion of incoming requests is resolved by call centre staff, without having to visit the customer's premises.

Within the scope of Omnichannel, all the calls of authorised services are handled by the centralised call centre in order to provide a standard service across all channels and to adopt a single interface for customers. Live chat, social media and other alternative channel management is also carried out by the call centre. Marketing campaigns and other applications are also carried out from the call centre with a focus on personalised sales activities.

The Group has continued to expand its overseas call centre services network. From its facilities in Turkey, the Group also provides customer support to its Elektrabregenz, Beko, Altus and Grundig brands in the German and Austrian markets. It aims to continue to increase its overseas customer support coverage from dedicated call centres located in key markets.

The Group currently offers after sales services with its own in-house customer service organisation in 29 countries and through its distributors and authorised technical service providers in other countries, in order to ensure a high level of service, respond to customer requests promptly and maximise customer satisfaction.

Production Facilities and Manufacturing

The Group has 22 production facilities located in Turkey, Romania, Russia, South Africa, Bangladesh, Thailand, India and Pakistan. Two production facilities are expected to be added to those of the Hitachi company. The total annual production capacity of Hitachi's Thai and Chinese manufacturing plants is three million units (consisting of refrigerators and washing machines). The following table sets out the brands, capacity and production of those production facilities by product manufactured as of 31 December 2020.

Products	Brands	Capacity	Capacity utilisation	Units produced
		(Millions of units)		*(Millions of units)*
Cooking Appliances	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic, Flavel, Leisure, Defy,	6.52	69%	4.49
Cooling Appliances	Arctic, Arçelik, Beko, Blomberg, Altus, Flavel, Elektrabregenz, Defy, Dawlance, Voltbek, Singer	10.84	88%	9.53
Dishwashers	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Flavel, Defy	3.82	84%	3.22
Electric Motors (EMİ)	Arçelik (All Group Home Appliances)	12.4	88%	11.0
Television	Arçelik, Beko, Grundig	2.21	64%	1.42
Refrigerators	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic, Flavel, Leisure, Defy, Dawlance, Voltbek, Singer	9.38	88%	8.35
Tumble Dryers	Arçelik, Beko, Altus, Blomberg, Grundig, Cylinda Elektrabregenz, Defy	1.75	88%	1.53
Washing Machines	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic, Flavel, Defy, Voltas Beko, Dawlance	5.4	77%	4.2
Compressor	Arçelik	3.24	53%	1.70

Products	Brands	Capacity	Capacity utilisation	Units produced
		(Millions of units)		*(Millions of units)*
Electric Motors (WAT)................................	WAT	0.73	84%	0.61
Air-conditioners (included Pakistan & Dakka)	Dawlance, Singer	0.56	19%	0.11
TKM & TeaMatic..	Arçelik, Beko, Grundig, Altus, Flavel	0.92	35%	0.32

Since 2010, production has expanded into new regions with acquisitions and green field investments, enabling the Company to have a more diversified facility portfolio. The following table sets out the geographical breakdown of the production of MDA6 units in 2020 and 2010.

Country	Percentage of units produced	
	2010	**2020**
Turkey....................................	82	67
Romania	12	13
Russia.....................................	4	5
China......................................	2	2
South Africa	-	6
Pakistan..................................	-	4
Thailand	-	2
Bangladesh.............................	-	1

In order to optimise capacity distribution, the Group decided to divest of its washing machine production factory established in Changzhou, China having considered that sufficient product supply has been provided for the region. On 2 October 2020, the transfer of the production facility, the rights to the use of the land where the facility is located and the fixed assets within, to Jiangsu Konka Smart Home Appliances Co. Ltd was concluded.

Manufacturing

The Company has 22 production facilities in eight countries (Turkey, Romania, Russia, South Africa, Thailand, Pakistan, India and Bangladesh). The Company is committed to the principles of sustainable development and environmental protection as part of its "Total Quality" principle, which focuses on producing goods with designs that are globally recognised and respect both human life and the environment.

Arctic Ulmi, the Company's greenfield factory in Romania, is a product of the Company's use-case laboratory, which was designed twice as quickly as previous generation factories. The World Economic Forum recognised Arctic Ulmi as a 'lighthouse' for leadership in applying fourth industrial revolution technologies to drive financial and operational impact. Since the factory was set up, the automation of low-value tasks has enabled a reduction in operational costs by 11%. Being a part of the World Economic Forum's Global Lighthouse Network offers an unrivalled opportunity not only to highlight the transformational efforts of the world’s most advanced manufacturers, but also, more importantly, to create a shared learning journey across value chains to access the positive potential of the digital transformation and the fourth industrial revolution.

The VoltBek White goods plant commenced its operations in Gujarat. The factory was established in partnership with the Company and Voltas, India’s largest holding company and the principal shareholder of Tata. The factory will manufacture refrigerators in its first phase. This achievement represents a milestone towards the Company's goal of creating a "Beko Road" between Turkey and Asia-Pacific.

The Company has manufactured 100 million refrigerators in the Eskişehir facility since offering the first domestically produced refrigerator to Turkish consumers. Beko has also launched freezers with many smart functions, including freezers which can be used as either a cooler or a freezer to meet consumer needs.

A ceremony was held with the Arçelik team at the end of April 2020 in Istanbul to mark the production of the 5,000th domestic and national mechanical ventilator. These ventilators were developed with third parties and mass produced by the Company under the leadership of the Turkish Ministry of Industry and Technology and the Ministry of Health.

The ventilator produced by the Company's South African subsidiary Defy was awarded the "Special Award for Pandemic Service" by the Royal Academy of Engineering. The award-winning ventilator was developed by the "Open Ventilator System Initiative", an incubation centre established in England by Cambridge University and supported by the Company through Defy and Beko UK. The project’s aim was to equip low-income countries with necessary resources to produce these ventilators.

The Group develops and market products that are resource and energy efficient, technologically innovative in design and easy to use, while also fulfilling its commitment to work on solutions to combat future threats such as drought, global warming and diminishing natural resources. Consequently, one of the Group's goals during product development is to prevent the waste of resources. The Group attempts to limit the environmental impact a product has during its life cycle by assessing every factor at the beginning of the design stage; and departments responsible for R&D and industrial design also conduct technological, product development and improvement studies.

Being a leading Turkish company with patents listed in WIPO's "Top PCT Applicants" list since 2005 and listed in the top 150 with a ranking of 67 in 2018, the Company not only has more than 1,700 research and development staff, employed in Turkey, UK, China, Romania, Thailand and Taiwan, but it also has continuous cooperation with national and international universities and institutes.

The Group concentrates its most labour-intensive functions in low labour cost jurisdictions, where in addition to benefiting from lower hourly wages, hours worked tend to be significantly higher, resulting in higher capacity utilisation for its plants. It also benefits from economies of scale with significant manufacturing capability in concentrated locations. The Group believes that its logistics costs are significantly lower than those of many of its competitors as it manufactures significant portions of its products in locations such as Turkey and Romania, which are closer to the end-consumer than many Asian jurisdictions utilised by competitors.

The Group has implemented Total Productive Management and Six Sigma methodologies in its manufacturing operations for cost reduction and quality and process improvement, while also maintaining a flexible production structure. Its plants adhere to international production and quality standards. Arçelik, Arçelik Pazarlama, WAT, Motor, Token, Arctic, Beko LLC, Defy, Beko Thai, Dawlance, Voltbek (headquarters and production facilities) have ISO 9001 certificates. Arçelik, WAT Motor, Arctic, Beko LLC, Defy, Beko Thai and Dawlance (headquarters and production facilities) have ISO 14001 certificates. The Group conducts its operations in line with its "Total Quality" principle, simultaneously integrating all of its quality management, environmental management and occupational health and safety management systems. The Ulmi Arctic factory is the only factory in Romania certified LEED Platinum, a recognition of its merits in the field of sustainable production. The Group's compressor production line also implements the ISO 9001 Quality Assurance System and ISO 14001 Environmental Management System.

Lastly, the Company has taken another important step towards combating climate change. It has succeeded in becoming carbon neutral in respect of its global production with the carbon credit it has obtained from its own projects.

Supply Chain Management

The Group's total purchasing cost management system oversees all aspects of purchasing, including raw materials, components, labour and logistics. It implements design change, alternative material and supply source development and cost improvement projects by engaging with the individual purchasing and manufacturing departments. It has implemented dynamic inventory management policies and consignment purchases to avoid holding inventory for excessive lengths of time. The Group believes that this centralised approach to supply chain management provides it with enhanced visibility over all pre-manufacturing aspects of its business, allowing the Group to anticipate and respond to potential issues and opportunities more effectively.

Direct materials procurement, trade goods and logistics comprise approximately 92% of the Group's costs. Effective management of these areas of the Group's business is crucial to its ability to remain competitive in its key markets. The Group has invested significant resources in optimising its supply chain management infrastructure in order to maximise its efficiency and its margins. It manages its purchasing of raw materials and components centrally to enhance cost control oversight.

The Group's central purchasing organisation manages a purchasing volume of approximately 3 billion euros on an annual basis. The Group believes that the volumes it requires give it a competitive advantage when negotiating with counterparties, and it devotes significant resources to its raw material sourcing activities. The Group's purchases of raw materials and components typically originate from low-cost countries, such as China, Malaysia, Vietnam, Russia, Romania, India, Poland and Hungary. The Group invests considerable time and resource in continuing to investigate alternative routes of supply in low-cost countries.

The Group is guided by the principle of sustainability in its purchasing operations. Consequently, all of its purchasing and supply chain strategies focus on people, the environment, costs, quality and innovation. The Group believes that one of the key factors in achieving sustainability in its operations is the maintenance of profitability by designing innovative and eco-friendly products without losing sight of its competitive advantage.

The Group's continuously expanding global purchasing activities are managed centrally from Turkey by an expert team, who also dedicate significant time to visiting the Group's operations and suppliers around the world, including its procurement centres in Shanghai and Shenzhen. The Group has made important gains in the management of costs and risks and the maintenance of profitability through economies of scale achieved via centralised and high-volume purchasing strategies.

Raw materials

Raw material purchases account for the largest part of the Group's total purchasing volume. When metal and plastic materials, which are the principal inputs in the manufacturing of White goods, are taken along with raw material purchases made by the Group and its suppliers, the cost of purchased material accounts for nearly 40% of the final cost of the product. In addition to their direct impact, raw materials are also critical in determining the price of some component groups that require the intensive use of raw materials. The proportion of raw materials supplied in 2020 was 42% sheet metal, 50% plastic, 5% copper and 3% aluminium.

Commodities are affected by price fluctuations across global markets, and the Group's operations are thus subject to variability in the cost of raw materials. The Group's central purchasing team monitors changes in the Group's key raw material prices through a market raw material index, developed by the Group's procurement team, to measure the impact of raw materials used in manufacturing on total manufacturing cost. The Group has achieved flexibility in its cost and inventory management by monitoring the commodities markets closely. Furthermore, it minimises the effects of seasonal price fluctuations on its costs by establishing medium and long-term relationships with its suppliers. In addition, raw material stocks are kept at a low level by increasing consignment agreements.

Raw material prices rose in late 2019 and fluctuated throughout 2020. The Company is managing raw material procurements via long and short agreements with a dynamic strategy and seeking for hedging options with reference to market conditions. To guarantee raw material supply, the Company also has annual agreements for critical categories. The Company sought alternative suppliers and quotes to create advantageous deals. Raw material stocks were kept low through consignment deals. Raw material prices started to increase due to the swift rebound in demand in the last four months of 2020 after a sharp decline because of the COVID-19 pandemic. Problems with raw material procurement also contributed to these price increases. With the connections backdated, the Company managed to resist the negative impacts of price increases in 2020. Material supplies were secured with new connections in the second half of 2020.

Process management

The total purchasing cost management of the Group encompasses all the region and category-based areas discussed above. Through its purchasing and manufacturing departments, the Group implements design change, alternative material and supply source development and cost-improvement projects within the framework of its annual activity plan in line with market dynamics. Other practices that help the Group maintain its profitability by reducing costs are its dynamic inventory management policies, consignment purchases to avoid holding inventories for excessive lengths of time, activities aimed at developing auxiliary industries and electronic tender management applications. For certain critical materials, consignment agreements are entered into with suppliers in order to manage flexibility in demand management.

The launch of its purchasing office in Shenzhen, China in 2010 has given the Group presence in an important country for the consumer electronics industry. Through this office, the Group aims to increase the effectiveness of its efforts to engage suppliers in China and other countries in the region. The Group has also begun to collaborate with local suppliers in order to reach potential suppliers elsewhere in the region. With this strategy, the Group aims to create a strong global supplier pool and thus maintain the sustainability of sourcing from low-cost countries and ensure the integrity of its supply chain.

Supplier management

The Group considers supplier selection and evaluation to be strategic priorities. Suppliers are expected to meet the Group's requirements for quality, environment and business ethics. If required, the Group undertakes company visits and carries out comprehensive field inspections using its pool of senior inspectors in order to establish whether suppliers are complying with the Group's policies. The Group monitors the operational performance of its suppliers on a regular basis and provides feedback. Its long-term goals for its supplier pool include supplier capacity analyses, creation of a large supplier pool with the required qualities, inventory/order management applications that would improve the Group's ability to respond to short-term order fluctuations and support flexible manufacturing strategy, as well as other applications that reduce supply risks.

The Group has established a Supplier Development Department in order to enhance the capabilities of suppliers who are considered to be crucial stakeholders in its supply chain process, and to improve the effectiveness of efforts aimed at joint development projects relating to process efficiency and mutually developed business plans.

The Supplier Development Department promotes high quality and efficient supplier operations, and helps suppliers maintain a competitive edge and implement sustainable manufacturing practices. In this sense, the Group analysed supplier needs and made available various resources for their development.

In 2020, the Group strove to improve supplier infrastructures and technical capabilities, and help suppliers adopt emerging manufacturing technologies. As part of these efforts, the Group organised two "Technology Days" which involved the discussion of topics relating to digital technologies & process technologies and which were attended by 230 individuals.

In 2020, the Company implemented 108 projects with 59 suppliers to support them with quality improvement, efficiency increase and digital transformation. The suppliers have been included in the end-to-end digital transformation programme.

The Company regards its suppliers as significant stakeholders and business partners. Accordingly, it organises workshops to improve the competitive edge of its suppliers. In 2020, the Company held 20 workshops on process improvements and alternative process applications. The Company also started working on 55 selected projects.

The Company supports domestic manufacturing to decrease dependency on imported goods, reduce supply risks and enhance technical know-how on manufacturing technologies in Turkey. In this regard, the Company is working on a number of projects in collaboration with its suppliers to manufacture 29 imported materials domestically.

Research and Development

The Group maintains a strong focus on research and development and believes its ability to deliver innovative products is key to its success. The Company is the leader in patent applications in Turkey and is among the top 150 in the list of international patent applications issued by the WIPO. The Group accounts for over one-third of all international patent applications filed from Turkey. The Company's "Invention Day" has been held for the last 22 years to highlight R&D activities undertaken by the Company and other parties and the Company awards engineers who have contributed to the Group's product development with their research. The Company is also among the six Turkish companies in "The 2020 EU Industrial R&D Investment Scoreboard" compiled by the European Commission analysing the top 2,500 companies with the largest R&D expenditure in the world. The Company won first prize in the "Innovation Strategy" category at the InovaLIG Innovation Leaders competition which is carried out by Turkish Exporters Assembly. The Group's particular focus on R&D has been to develop energy and water efficient products at an affordable price point without compromising on quality or design. The Group employs over 1,700 personnel in 20 R&D units located in six countries, although most of its R&D capability is concentrated in Turkey. The Group's state-of-the-art facilities include engineering analysis capability, laser doppler, particle image velocimetry, Rayleigh Thermometry electron microscope and material characterisation, surface coating, climate chambers, vibration and acoustic testing, electro-magnetic compatibility and power electronics laboratories, electrical motor drive laboratories, sensor and mechatronics labs rapid prototyping capacity, and a Class II microbiology laboratory (as defined by the biosafety levels prescribed in the "EU Council Directive 90/679/EEC of 26 November 1990 on the protection of workers from risks related to exposure to biological agents at work").

In response to the COVID-19 pandemic, the Group has actively supported the efforts of the healthcare industry. In Turkey, the Company contributed to the development and mass production of the intensive care ventilator developed by a start-up under the leadership and coordination of the Ministry of Health and the Ministry of Industry and Technology in Turkey. Ventilators produced by the Group have been sent to numerous countries, including some of those hardest hit by the COVID-19 pandemic. The first running prototype was built at Arçelik Garage. A special mass production line was built at the Arçelik Electronics Plant in Çerkezköy to manufacture the ventilators and offer them for the use of health professionals by May 2020.

Arçelik Garage was established in 2016 as a maker lab and rapid prototyping centre and covers 1800 m^2 of space. Arçelik Garage not only enables the Company's researchers to develop new concepts in a systematic manner and at a fast pace, it also hosts workshops for stakeholders in the Company's R&D and innovation ecosystem and provides mentoring and acceleration activities for start-ups. In addition to its expertise in its principal product areas, the Group has also consciously developed its capability in the engineering disciplines that underpin the Group's products and their functions, including basic sciences thermodynamics, fluid mechanics, vibration and acoustics, cleaning and hygiene, food and cooking, material technologies, electronics, electrical motors and motor drive, Internet of Things, sensors and computer assisted design and engineering.

The Group attributes its success to its significant investments in R&D and technology. Providing customers with technologically innovative products is a key aspect of the Group's strategy to strengthen its brands and its global presence. In particular, the Group has leveraged product-specific R&D across its segments in order to further drive innovation.

As part of its 2030 Sustainability Targets, the Company aims to use 40% recycled plastics. In this regard, a major transformation project was launched to recycle the plastics used in the products. At the Sustainable Business Awards organised by the Sustainability Academy in 2020, the project titled "High-Performance Innovative Engineering Plastics from Waste Fish Nets for White Goods" received an award in the Sustainable Innovation category.

The Group ensures that its intellectual property is protected with patent applications, but also on occasion makes some items public through publication in scientific journals or by presenting them at conferences. The Group continues to strengthen its R&D capability on a global scale through various projects, platforms and funds. Besides its strong collaborations with prestigious universities in Turkey and elsewhere in the world, the Group has participated in international collaborative activities and has actively been a part of the EU's innovative project platform since 1993. The Design Office in Taiwan is seen as a significant international step that will improve the Group's access to a new scientific community and knowledge base outside Europe and Turkey. The Company has achieved significant success at the Horizon 2020 Programme of the European Commission, which is one of the biggest civil research and innovation funding programmes in the world. The Company carries out collaboration projects with many European industrial and academic partners on different topics such as energy efficiency, circular economy, digital production technologies, food safety and advanced material technologies as part of the Horizon 2020 programme. The Company is the performance leader of Turkish private sector in terms of the quantity of granted projects and ranked third in terms of funding received from the Horizon 2020 programme with its 22 granted projects. Twenty projects have been completed and four more are ongoing as part of Eureka and Eurostars, the international support platform for the development of products and processes that are market oriented and can be rapidly commercialised. The Group is a member of The European Factories of the Future Research Association, Sustainable Process Industry through Resource and Energy Efficiency, European Industrial Research Management Association and Digital Europe partnerships. These memberships allow the Group to actively participate in the specification of international demands and strategic research areas.

The Group's dedication to R&D has been recognised by the EIB as one of the first operations in Turkey to support private sector R&D.

Intellectual property

Intellectual property is among the Group's most important assets. As at 31 December 2020, the Group had 2,500 granted patents and 850 patent applications pending. Intellectual property also includes copyrights, trade secrets and know-how and other proprietary information. It is the Group's policy, and procedures are in place, to identify, protect (by patent and trademark registration, and maintenance of proprietary information), defend and manage its intellectual property. It is the Group's policy that new and re-designed products, processes and software are thoroughly reviewed at regular points throughout development to safeguard against the potential infringement of the intellectual property rights of third parties.

Environmental

The Company designs all business processes within the framework of international management standards including ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 14064 GHG Management System, which are integrated with the ISO 9001 Quality Management System. 90% of the Company's production plants have ISO 14001, 50% of them have ISO 50001 and 60% of them have ISO 14064 certifications.

The Company implements energy efficiency projects in a variety of areas such as compressed air, energy efficiency in HVAC systems and lighting systems, insulation, heat recovery, energy efficient motor transformation and process optimisation in its production plants. As a result of these projects and improvements, the Company has saved approximately 90,000 GJ of energy, 64,000 GJ of which was in Turkey alone in 2019, while reducing greenhouse gas emissions by 7,156 tonnes. Additionally, 100% of electricity consumed in Turkey and the operations in Romania were supplied from renewable sources in 2019. Scope 1 and Scope 2 emissions of the operations in Turkey decreased by 73% in 2020 compared to those of 2010.

In addition to these, in the last 11 years, 1.98 million m^3 of water have been saved in the Company's production plants through water usage efficiency projects. Additionally, in 2020, the waste recycling rate was increased to 96% in operations in Turkey, Romania, Russia, South Africa and Thailand.

The Company has set its 2030 targets in line with the UN 2030 Sustainable Development Goals and its vision "Respecting the World, Respected Worldwide" to provide solutions for global environmental problems such as the climate crisis, water scarcity and plastic pollution.

The Company was named as an Industry Leader in the Dow Jones Sustainability Index in the Household Durables category twice in a row, and listed in the Dow Jones Sustainability Index in the Emerging Markets Category for four consecutive years. The Company is ranked 13th on The Real Leaders® Top 150 Impact Companies of 2021, which recognises organisations that are making a positive social or environmental impact. The Company also ranked 34th on Corporate Knights' 2021 Global 100 Index. The ranking makes the Company the most sustainable home appliances and houseware company in the world, and is the first and only Turkish company to make it on the list. Since 2012, the Company has been regularly reporting to the CDP. In 2019, the Company became one of the only companies to receive the highest degree in the Climate Program in Turkey by getting an A-degree. In 2020, the Company was recognised for its sustainability efforts with an "A-" score in both the Climate Change and Water Security Programs awarded by the CDP.

Litigation and other disputes

The Group is subject to litigation in the ordinary course of its business. It does not believe that it is subject to any current, pending or threatened litigation that is material to its business.

The Group has undertaken a recall in 2017 related to electric ranges. Since 2018, there has been no major recall for the Group's products. For recall activities, the Group has mobilised significant resources to rectify and raise awareness of the product issues. Activities undertaken include customer letters, customer calls, national, regional and specialist media safety notice advertising, the 'Be a Hero' public information campaign, leafleting and door-knocking campaigns as well as posting extensive safety information on its website. There can be no assurance that the Group will not suffer reputational damage as a result of future recalls and/or the adverse publicity associated with them.

Insurance

In respect of the Group's global insurance and risk management strategy, the Group designs its insurance programme determining the scope of the coverage and considering the implementation of various scenarios under different models. Risk impact analyses are executed with various types of risk engineering and underwriting efforts covering a number of production, storage, property damage and business interruption-related risks including, but not limited to, earthquake, arson, natural gas and various climate-related events such as windstorm, hurricane, flood, tsunami, etc. under different models.

The Group maintains global umbrella frameworks which are consistent with industry practice in terms of indemnity limits and scope, providing coverage against a number of risks arising in connection with its operations. The comprehensive insurance covers a variety of exposures and risks such as an all-risk policy for property damage and business interruption (including coverage for interdependency), third-party and product liability risks, political violence, cyber risk, directors and officers, general pollution and hazardous material and transferrable risks. All of the Group's manufacturing facilities including all of the Group's subsidiaries are insured. The Group's management considers its insurance coverage to be in line with industry standards and sufficient in amount and scope for its operations. The Group's insurance policies are typically valid for a period of one year and are renewed upon their expiry. The Group is regularly trying to optimise its insurance portfolio by benchmarking risks, coverage and costs using various counterparty insurance actors.

Employees

As at 31 December 2020, the Group had 37,413 employees worldwide. Approximately 55.4% of the employees were located in Turkey, with the remainder based internationally. Approximately 79.7% of the Group's employees in Turkey and 29.5% of its employees outside Turkey are members of trade unions. The Group believes that it has good relations with its employees and has not experienced any material work stoppages, strikes or labour unrest.

Alternative Performance Measures

The key performance indicators used by the Company in this Prospectus constitute Alternative Performance Measures ("**APMs**") as defined in the ESMA Guidelines. The Company considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the underlying business, the financial position and the results of operations of the Group. Such APMs are not audited and are not measures required by, or presented in accordance with, the International Financial Reporting Standards as adopted by the European Union ("**IFRS-EU**") or TFRS. Accordingly, they should not be considered substitutes to the information contained in the Consolidated Financial Statements nor to any performance measures prepared in accordance with IFRS-EU or TFRS. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Company, may not be comparable to other similar titled measures used by other companies. Investors should not consider such APMs in isolation, as alternative to the information calculated in accordance with IFRS-EU or TFRS, as indications of operating performance or as measures of the Company's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, or superior to, financial information prepared in accordance with IFRS-EU or TFRS and investors are advised to review these APMs in conjunction with the Consolidated Financial Statements. The Company considers that the APMs contained in this Prospectus comply with the ESMA Guidelines.

The definitions and reconciliations of the APMs used as at 31 December 2018, 2019 and 2020 and for years then ended, as well as at 31 March 2021 and 2021 and for the three-month period then ended are as follows:

Adjusted EBITDA

The Group defines Adjusted EBITDA as profit for the relevant period before tax income/(expense) continuing operations income tax expenses, financial income, financial expense, including cash discount expenses, share of profit/loss of investments accounted for using the equity method, profit from sales of subsidiary, loss from financial assets, credit finance income and credit finance changes arising from trading activities, FX gains and losses arising from trading activities and depreciation and amortisation. A reconciliation of Adjusted EBITDA to profit for the period is set out below.

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
	(reviewed)				
			(TRY '000)		
Profit for the period	1,100,192	259,445	2,878,987	953,027	855,841
Add back:					
Income tax expenses	(194,064)	(48,959)	(618,916)	(161,154)	(93,565)
Finance income[(1)]	2,644,751	1.037.633	5,207,384	3,893,198	4,101,530
Finance expense[(1)]	(2,899,835)	(1.326.318)	(6,112,553)	(5,091,622)	(5,271,210)
Dividend income	117	93	93	--	94
Profit from sales of subsidiary			226,498		
Loss from financial assets	--	--	--	(4,320)	--
Income from associates (net)	4,543	7,535	41,226	21,041	12,320
Depreciation and amortization	(344,989)	(281,360)	(1,221,994)	(1,054,934)	(690,414)
ADJUSTED EBITDA	**1,889,669**	**870,821**	**5,357,249**	**3,350,818**	**2,797,086**

(1) These line items differ from the Group's reported financial statements for the three months period ended 31 March 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018. The effects of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expenses are presented under "Other income and expenses from operating activities" at the Consolidated Financial Statements but shown in the financial income and expenses lines due at the above table.

The Group considers Adjusted EBITDA as an operational indicator that measures the cash generation capacity of its assets, while it is an indicator widely used by analysts, investors, credit rating agencies and other stakeholders.

Gross Profit

Gross profit is derived through net sales minus the cost of goods sold.

The Group considers gross profit as an indicator widely used by analysts, investors, credit rating agencies and other stakeholders.

Net Debt

Net Debt consists of short-term borrowings, short-term portion of long-term borrowings, short-term lease liabilities, long-term borrowings, long-term lease liabilities and derivative instruments (net) minus cash and cash equivalents.

A reconciliation of Net Debt as of the periods is set out below:

	Three months ended 31 March		Year ended 31 December		
	2021	2020	2020	2019	2018
Short-term borrowings	5,230,269	4,392,510	4,639,579	3,855,251	4,022,086
Short-term portion of long-term borrowings	5,467,681	1,625,122	5,390,255	2,119,221	1,494,640
Short-term lease liabilities	223,311	192,207	201,043	177,283	--
Long-term borrowings	7,534,053	9,167,837	6,128,457	8,245,244	6,431,552
Long-term lease liabilities	832,138	717,409	715,891	558,137	--
Derivative instruments (net)	40,677	149,430	(19,088)	80,598	55,877
minus					
Cash and cash equivalents	10,213,040	7,826,632	12,002,246	6,937,060	5,341,524
Net debt	**(9,115,089)**	**(8,417,883)**	**(5,053,891)**	**(8,098,674)**	**(6,662,631)**

MANAGEMENT

The Board of Directors

Pursuant to the provisions of the Articles of Association and the Turkish Commercial Code ("**TCC**"), all Company affairs are conducted by the Company's board of directors (the "**Board of Directors**" or the "**Board**") elected by a resolution passed at the General Assembly.

In accordance with the Articles of Association and CMB regulations, the Board of Directors consists of at least five members elected by the General Assembly of the Company. The Board of Directors, which was elected at the last ordinary General Assembly on 23 March 2021, consists of 12 members, of which four are independent members. The members, including the independent members, are elected by ordinary majority vote in the General Assembly of the Company. The number of independent board members and necessary qualifications are determined in accordance with the Corporate Governance Regulations of the CMB. Pursuant to the Corporate Governance Regulations of the CMB, at least one-third, and no less than two, of the members of the Board of Directors are required to be independent members. The Company is required to submit a list of independent board member nominees to the CMB prior to the General Assembly. The CMB makes an evaluation within the framework of the independency qualifications specified in the CMB Corporate Governance Regulations. In case the CMB gives a negative opinion regarding an independent board nominee, such nominee shall not be submitted to the General Assembly as a nominee.

In case a vacancy occurs in the Board of Directors or an independent board member should lose their independent status, the vacancy must be filled by the Board of Directors through an election conducted pursuant to Article 363 of the TCC. If and when a vacancy occurs in the board members, the Board of Directors must fill the vacancy through an election from among the nominees nominated by the shareholders in the Board of Directors. If a seat on the Board of Directors occupied by an independent director becomes vacant, the vacancy must be filled by the Board of Directors through an election from among the nominees who are deemed independent under the CMB regulations.

The Board of Directors may delegate the management and representation duties among its members or transfer them fully or partially to the executive members or managers that are not required to be shareholders. The Board of Directors is authorised to distribute the management and representative functions. The authority and responsibility of the Executive Members and Managers is determined by the Board of Directors, and, all responsibility and authority of the Board of Directors can, subject to its own conditions, provisions, and restrictions, be transferred to related persons, and these authorities can be changed and amended or removed as and when it is required. There are certain duties of the Board of Directors which cannot be assigned to any other body of the Company. Such non- assignable duties of the Board of Directors are explicitly listed under the TCC.

The following table provides certain information about the Board as at the date of this Prospectus:

Name	Age	Position	Year first elected to the Board
Rahmi M. Koç	91	Chairman	1967
Ömer M. Koç	59	Vice Chairman	2005
Semahat S. Arsel	93	Member	2006
Ali Y. Koç	54	Member	2009
Levent Çakıroğlu	54	Member	2009
Robert Sonman	75	Member	1994
Dr. Fatih Kemal Ebiçlioğlu	54	Member	2015
Hakan Hamdi Bulgurlu	49	Member	2016
Kamil Ömer Bozer	63	Member	2018
M. M. Gülay Barbarosoğlu	66	Member	2018
Ahmet Turul	62	Member	2019
Tuğrul Fadıllıoğlu	61	Member	2020

The business address of each of the members of the Board is Arçelik A.Ş.¸ Karaağac¸ caddesi No.2-6 34445 Sütlüce Beyoğlu-İstanbul Turkey.

Rahmi M. Koç, 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 organisations 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 and Former Member of the International Advisory Board of the US Council on Foreign Relations. Rahmi M. Koç has been awarded the following merits and degrees: “Honorary Doctorate” degrees by Johns Hopkins University (Baltimore-Maryland), Eskişehir Anadolu University, Izmir Ege University, Ankara Bilkent University, Ovidius University of Constanza and Aydın Adnan Menderes University, “Outstanding Service Award” by the President of the Turkish Republic, the German Government’s “Grosses Verdienst Kreutz”, “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 organisation, The Medal of Foreign Policy Association (FPA), a globally recognised think-tank with a 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 the “Iris Foundation Award” from the BARD Graduate Centre to the Koç Family (April 2012). Under the CMB’s Corporate Governance Principles, Rahmi M. Koç, who is not assigned to any executive function, is not vested with the independent member attribution.

Ömer M. Koç, Vice Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year and completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined the Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of the Energy Group. He became Member of the Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of the TÜSİAD High Advisory Council, Chairman of Tofaş, Tüpraş and on the Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and as a 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 Centre 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, Member

He received his Bachelor’s degree from the Management Faculty of Rice University and MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010, including positions concerning new business development and information technologies as well as President of Corporate Communications and the IT

Group. After serving as Member of the Board of Directors at Koç Holding for over eight years, he was elected as Vice Chairman in February 2016. Since April 2016, Ali Y. Koç has also served 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 of the Board of Directors of the National Competition Research Association (URAK) and Endeavor Turkey. He is also a Member of the Global Advisory Council of Harvard University, Bank of America and Council on Foreign Relations and a Member of the Panel of Senior Advisers at Chatham House. He represents Turkey at the CBI (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 the 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. He 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. Levent Çakıroğlu was 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, the Vice Chairman of Yapı Kredi Bank and 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 Bachelor's 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 the 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.

Dr. 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 Finance and Accounting in Arçelik (2005-2015), and managed the cyber security and other company strategies within the scope of Information Technologies. Mr. Ebiçlioğlu has been the President of the Consumer Durables Group at Koç Holding since February 2015. His duties undertaken in the last decade are mainly listed above, and he is on the board of some companies in the Koç Group. Fatih Ebiçoğlu is also a Member of the Board of Directors of TÜSİAD and the Turkish Exporters Assembly (TİM). 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 programme of Northwestern University and the Hong Kong University of Science and Technology. Mr. 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. He 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 the 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. Mr. Bulgurlu is a Board Member at The Foreign Trade Association of Turkey (TURKTRADE), Vice Chairman of the 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 Bachelor's degree in Business Administration from the Middle East Technical University, Kamil Ömer Bozer completed a Master's degree at Georgia State University in the 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 as the President of the Food, Retailing and Tourism Group in 2005. He served as the President of the Food and Retailing Group between 2006 and 2008, and once again as the President of the Food and Retailing and Tourism Group from 2009 to April 2011. Kamil Ömer Bozer is a Consultant to the Board of Coca-Cola İçecek A.Ş., Adel Kalemcilik Ticaret ve Sanayi A.Ş., Anadolu Etap A.Ş. and a Board Member of Kamil Yazıcı Yönetim A.Ş., and an Independent Member of the Board of Söktaş Tekstil A.Ş. and TÜPRAŞ A.Ş. Since 19 March 2018, Kamil Ömer Bozer has served as an Independent Member on the Board of Directors of Arçelik A.Ş. Kamil Ömer Bozer has the criteria of being independent as defined in the CMB's Corporate Governance Principles.

M.M. Gülay Barbarosoğlu, Member

Professor M. M. Gülay Barbarosoğlu graduated from Robert College in 1974 and got her Bachelor's degree from the Department of Industrial Engineering at Boğaziçi University in 1978, and Doctorate in 1985 from the same department and university before she became a Professor of Industrial Engineering in 2000. She designed and gave courses in different fields including mathematical programming, optimisation, logistics, operation and manufacturing planning and decision-making theory. 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 the Earthquake Research Institute (KRDAE) from 2002 to 2006, she also served as the Manager of the Centre of Disaster Management, and chair of the Department of Industrial Engineering and Financial Engineering Programmes. 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 the 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. Barbarosoğlu is a founding member of the EURO Organisational Planning European Work Group and is a Member of the Management Sciences Institute (INFORMS), American Production and Inventory Control Society (APICS) and the International Industrial Engineering and Production Management (IEPM). Placing emphasis on civil society activities, Prof. Barbarosoğlu has an active role for the establishment of Neighborhood Disaster Volunteers (MAG) Foundation and has served as a Member and Chairman. Prof. Gülay Barbarosoğlu retired from Boğaziçi University in December 2016. Since 19 March 2018, Müzeyyen Münire Gülay Barbarosoğlu has served as an Independent Member of the Board of Directors of Arçelik A.Ş. Müzeyyen Münire Gülay Barbarosoğlu has the criteria of being independent as defined in the CMB's Corporate Governance Principles.

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 A.Ş., 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. Ahmet Turul served as an Independent Member on the Board of Directors at Tüpraş-Türkiye Petrol Rafinerileri A.Ş. between 2014 and 2019. Ahmet Turul has served as an Independent Member of the Board of Directors at Arçelik A.Ş. since 19 March 2019. Ahmet Turul has the criteria of being independent as defined in the CMB's Corporate Governance Principles.

Tuğrul Fadıllıoğlu, Member

Tuğrul Fadıllıoğlu got his bachelor's degree in Mechanical Engineering Department of Boğaziçi University in 1982. Between 1982 and 2002, he worked as Product Development Engineer, Manufacturing Engineer, Mold Workshop Supervisor, Technical Manager of Washing Machine Plant, Quality Assurance Manager of Washing Machine Plant, Operation Manager of Vacuum Cleaner in Izmir, Deputy General Manager Responsible for Small Home Appliances, Founding Director of Vacuum Cleaner and Motor Plant of Arçelik A.Ş., then he served as Deputy General Manager Responsible for Operation and Technology in Tanı Pazarlama Hizmetleri A.Ş. between 2002 and 2004, and as General Manager Responsible for Operations and Technology in the same organisation between 2004 and 2009. Mr. Fadıllıoğlu was assigned as the General Manager of Zer A.Ş. in 2009 and served until his retirement in 2014, and was a Member of the Board of Directors of Tanı Pazarlama Hizmetleri A.Ş. during that time. While he was in İzmir, Tuğrul Fadıllıoğlu worked as the Founding President of Turkish Quality Association (Kalder) for İzmir Branch between 1995 and 2000, and in the last year, 2000, worked as Council Member of Agean Chamber of Commerce. After his retirement, Fadıllıoğlu held different positions including senior manager in various organisations, member of the board of directors, and General Coordinator of Turkish Quality Association (KalDer), and currently has been the Deputy Chairman of the Board of Directors of CCA Kurumsal Değişim Akademisi Danışmanlık ve Eğitim Hizmetleri A.Ş that he was the founding partner. Tuğrul Fadıllıoğlu hasn't served in the last five years in Arçelik A.Ş. or affiliated companies. He has no relationship with senior management of Arçelik A.Ş. He has no direct or indirect share of more than 5% in the capital of Arçelik A.Ş., he has no employee representative, and has no commercial relationship with Arçelik A.Ş. Tuğrul Fadıllıoğlu serves as an independent member of the Board of Directors of Arçelik A.Ş. since 25 March 2020. Tuğrul Fadıllıoğlu has the criteria of being independent as defined in the CMB's Corporate Governance Principles.

Executive Management

The following table provides certain information about the executive management as at the date of this Prospectus:

Name	Age	Position	Years with the Company
Hakan Hamdi Bulgurlu	49	Chief Executive Officer	11
C. Can Dinçer	55	Chief Commercial Officer -Turkey, Pakistan, Bangladesh, India	28
Nihat Bayız	50	Chief Production and Technology Officer	27
M. Ragıp Balcıoğlu	54	Chief Commercial Officer - Europe, Middle East and North Africa	29
Polat Şen	44	Chief Financial Officer	16
Zeynep Yalım Uzun	52	Chief Marketing Officer	4
Utku Barış Pazar	43	Chief Strategy and Digital Officer	4

The business address of each of the members of the executive management is Arçelik A.Ş., Karaağaç caddesi No.2-6 34445 Sütlüce Beyoğlu-İstanbul Turkey.

Board Committees

Corporate Governance Committee

The Corporate Governance Committee was established in 2010 in accordance with the Corporate Governance Principles issued by the CMB to observe the Company's compliance with corporate governance policies, carry out improvement efforts and suggest policy positions to the Board of Directors. The Committee also fulfils the functions relating to remuneration of the Board of Directors and key executives and Board of Directors nominations. Ahmet Turul, Levent Çakıroğlu and Polat Şen are members of the committee.

Committee of Early Detection of Risk

The Committee of Early Detection of Risk was established in 2010 to provide recommendations and make proposals to the Board of Directors concerning subjects such as the identification of strategic, financial and operational risks, the estimation of their impact and the probability of their occurrence, the management and reporting of these risks in accordance with the Company's corporate risk-taking profile, their consideration in decision-making mechanisms and the establishment and integration of effective internal control systems. M. M. Gülay Barbarosoğlu and Dr. Fatih Kemal Ebiçlioğlu are members of the committee.

Audit Committee

The Audit Committee was established to monitor the processes and effectiveness of the system on a continual basis and reports issues and suggests solutions for independent audit and internal control mechanisms to the Board of Directors. The Audit Committee is in charge of ensuring reliable fulfilment of the duties and responsibilities of the Board of Directors and performs its activities in compliance with the CML and the CMB's Corporate Governance Principles. The Audit Committee meets on a quarterly basis and a minimum of four times per year and receives information from the Company's external auditor, currently PwC. Kâmil Ömer Bozer and Ahmet Turul are members of the committee.

Executive Committee

The Executive Committee was established in 2010 to generate ideas and strategies, coordinate the activities of concerned departments, and make proposals and recommendations to the Board of Directors. The Executive Committee works to ensure coordination between relevant departments and accordingly, to determine the areas of specialisation in sectors in which the Company operates, to convey recommendations and suggestions to the Board of Directors in designing new projects and investments, and to monitor the management of accepted strategies and projects. Rahmi M. Koç, Ömer M. Koç, Semahat S. Arsel, Ali Y. Koç, Caroline Nicole Koç and Aykut Ümit Taftalı are members of the committee.

Sustainability Council

Arçelik Sustainability Council was established to determine the Group's corporate sustainability and climate change policies and strategies and to ensure the integration of such policies and strategies with the Company’s internal business processes and to monitor performance. The Council convenes every six months and is responsible for reporting critical issues to the Board of Directors. According to decision number 992 taken by the Board of Directors on 28 March 2019, Koç Holding Consumer Durables President, one of the members of the Board of Directors, and the Director of Quality, Sustainability and Corporate Affairs, will report quarterly to the Board of Directors on the activities implemented within the Company in line with the ultimate sustainability strategy and the targets set.

Remuneration of the Board and Executive Management

The aggregate remuneration paid by the Group to its Board of Directors, executive management and Directors directly reporting to Chief Executive Officer was TRY111.2 million for the year ended 31 December 2020.

Conflict of Interests

There is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors or the executive management and their respective private interests or other duties.

OWNERSHIP

Set forth in the table below is the Group's shareholding structure as at the date of this Prospectus:

	Share%	*TRY'000*
Shareholders		
Koç Holding A.Ş.	40.56	274,070
Koç Holding Emekli ve Yardım Sandığı Vakfı.	5.14	34,722
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577
Vehbi Koç Vakfı.	0.12	809
Rahmi M. Koç	2.44	16,474
Semahat S. Arsel	2.72	18,397
Suna Kırac¸	2.60	17,542
Esra Çiğdem Koç	0.34	2,316
Aylin Elif Koç	0.34	2,316
Caroline Nicole Koç	0.23	1,544
Total Koç family members and companies of the Koç Group	**57.24**	**386,768**
Teknosan Büro Makina ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572
Burla Group	**17.61**	**119,00**
Other	25.15	169,96
Paid-in-capital	**100.00**	**675,728**

A controlling stake in the Group is held by Koç Holding A.Ş. and other Koç Group companies, which are themselves owned by members of the Koç family and companies and trusts under control of the Koç family. The TCC includes provisions with respect to the unlawful use of control by a controlling company, and provides measures for the prevention of abuse of control. In addition, the TCC regulates minority rights to protect minority shareholders against majority shareholders. Furthermore, the rights of shareholders are regulated under the Corporate Governance Principles issued by the CMB with a view to enable all shareholders of the Group to use their rights equally. The Company believes it and its shareholders are in compliance with the regulations stated above.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The EUR350,000,000 3.000 per cent. Notes due 2026 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Arçelik A.Ş. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated 27 May 2021 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Citigroup Global Markets Europe AG as registrar (the "**Registrar**"), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**") and any other paying agents as may be appointed under the Agency Agreement (together with the Fiscal Agent, the "**Paying Agents**" and together with the Fiscal Agent and the Registrar the "**Agents**"). The holders of the Notes (the "**Noteholders**") are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 27 May 2021 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant appertaining to the Notes are available for inspection during normal business hours by the holders of the Notes (the "**Noteholders**") at the specified office of each of the Paying Agents provided that if a Paying Agent is not able to make such documents available for inspection, copies may be provided electronically to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of EUR100,000 and integral multiples of EUR1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) and the Communiqué VII-128.8 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasasi Kurulu*) (the "**CMB**").

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the register of Noteholders.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to Condition 2.4, be transferred in whole or in part by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents.

2.2 **Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Notes pursuant to Condition 2.1 will, within five business days of receipt by the Registrar or the other relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such other longer period as may be required to comply with any other applicable fiscal or other regulation), be (i) available at the offices of the Registrar or the other relevant Agent as set out in the Agency Agreement or (ii) mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificate – Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 **Formalities free of charge**

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment by the Noteholder of (or the giving of such indemnity as the Issuer or any Agent may reasonably require in respect of) any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

2.4 **Closed Periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest on that Note or (ii) after any Note has been called for redemption.

2.5 **Regulations**

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. **STATUS**

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but only to the extent permitted by applicable laws relating to creditors' rights.

4. **COVENANTS**

So long as any of the Notes remains outstanding (as defined in the Agency Agreement):

4.1 **Negative pledge**

The Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries (as defined in Condition 10.2 below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Principal Subsidiaries, to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

4.2 **Financial statements**

The Issuer shall send to the Fiscal Agent as soon they become available but in any event (i) within six months after the end of each of its financial years, a copy of the Issuer's audited annual consolidated financial statements for such financial year, together with the audit report thereon by the Issuer's independent auditors, and (ii) within 90 days after the end of each first half year of each of its financial years, a copy of the Issuer's consolidated financial statements for such six-month period, together with the review report thereon by the Issuer's independent auditors, each prepared and presented in accordance with the relevant laws of the Republic of Turkey. The Issuer shall procure that the Fiscal Agent delivers a copy of such financial statements, together with the relevant auditors' report thereon, to any Noteholder promptly upon written request by such Noteholder.

4.3 **Maintenance of Authorisations**

The Issuer shall (i) take all action considered necessary, in the opinion of the Issuer, to ensure the continuance of its corporate existence, its business and/or operations; and (ii) (a) take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations in the Republic of Turkey, and (b) make or cause to be made all registrations, recordings and filings, which may be required in the Republic of Turkey, for, in the case of both (a) and (b), the execution, delivery or performance of the Notes and the Fiscal Agency Agreement or for the validity, enforceability or admissibility in evidence thereof.

4.4 **Transactions with Affiliates**

The Issuer shall not directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) in any twelve month period which has or in aggregate have a value in excess of US$25,000,000 with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless the terms of such Affiliate Transaction are no less favourable to the Issuer than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer.

In these Conditions:

"**Affiliates**" of any specified person means any other persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Permitted Security Interest**" means:

(i) any Security Interest securing Relevant Indebtedness of a Person existing at the time that such Person is merged into, or consolidated with, the Issuer or any Subsidiary of the Issuer, provided that such Security Interest was not created in contemplation of such merger or consolidation, the principal amount secured was not increased in contemplation of or since such merger or consolidation and such Security Interest does not extend to any other assets or property of the Issuer or any Subsidiary of the Issuer; or

(ii) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or any Subsidiary of the Issuer, provided that such Security Interest was not created in contemplation of such acquisition and the principal amount secured was not increased in contemplation of or since such acquisition.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

"**Relevant Indebtedness**" means: (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market (which shall not, for the avoidance of doubt, include private sales or transfers of bank loans); and (ii) any guarantee or indemnity in respect of any such indebtedness.

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"): (i) in which such first Person owns more than 50 per cent. of share capital; or (ii) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 27 May 2021 at the rate of 3.000 per cent. per annum, payable annually in arrear on 27 May in each year (each, an "**Interest Payment Date**"). The first payment (representing a full year's interest) shall be made on 27 May 2022.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at such rate until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days from and including an Interest Payment Date to but excluding the next successive Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder. Payments of principal and interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's registered account means the Euro account maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second Business Day (as defined in Condition 6.4 below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

6.2 **Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment and the Issuer will not be liable to any Noteholder for any amounts required to be deducted from any such payment in respect of taxes or duties of whatever nature imposed or levied by such laws or regulations, but without prejudice to the provisions of Condition 8.

6.3 **No commissions**

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

6.4 **Payment on Business Days**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so).

In these Conditions, "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and a day on which the TARGET2 System is open and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 **Partial Payments**

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

6.6 **Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a European city;

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated; and

(d) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 27 May 2026 (the "**Maturity Date**").

7.2 Optional Redemption

The Issuer may, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 12, the Noteholders (which notices shall be irrevocable and shall specify the date fixed for redemption and the applicable record date), redeem all (but not some only) of the Notes at any time during the period commencing on (and including) the date that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date at their principal amount, together with interest accrued to the date fixed for redemption.

The Issuer may, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 12, the Noteholders (which notices shall be irrevocable and shall specify the date fixed for redemption and the applicable record date), redeem all (but not some only) of the Notes at any time prior to the date that is 90 days prior to the Maturity Date on a date specified by the Issuer (the "**Optional Redemption Date**") at a Make Whole Redemption Price.

The "**Make Whole Redemption Price**" shall be the higher of (i) (A) 100 per cent. of the principal amount outstanding of the Notes, and (ii) the present value (as determined by the Calculation Agent) of the remaining scheduled payments of principal and interest on the Notes to be redeemed (but not including any portion of such payments of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis at the Reference Rate plus 0.50 per cent. together (in either case) with interest accrued to (but excluding) the Optional Redemption Date.

For the purposes of this Condition:

"**Business Day**" means a day on which commercial banks are open for business in the city in which the Calculation Agent has its specified office;

"**Calculation Agent**" means a leading investment, merchant or commercial bank appointed by the Issuer for the purposes of calculating the Make Whole Redemption Price;

"**Reference Bond**" means the German *Bundesobligationen* selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

"**Reference Bond Price**" means (i) the average of five Reference Market Maker Quotations for the relevant Optional Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, or (ii) if the Calculation Agent obtains fewer than five such Reference Market Maker Quotations, the average of all such quotations;

"**Reference Market Maker Quotations**" means, with respect to each Reference Market Maker and any Optional Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at 5.00 p.m., CET, on the third Business Day preceding such Optional Redemption Date;

"**Reference Market Makers**" means five brokers or market makers of bunds selected by the Calculation Agent or such other five persons operating in the bunds market as are selected by the Calculation Agent in consultation with the Issuer; and

"**Reference Rate**" means, with respect to any Optional Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Optional Redemption Date. The Reference Rate will be calculated on the third Business Day preceding the Optional Redemption Date.

7.3 **Redemption for Taxation Reasons**

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 25 May 2021, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

7.4 **Purchases**

The Issuer or any of its Subsidiaries (as defined in Condition 4 above) may at any time purchase Notes in any manner and at any price. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

7.5 **Notices Final**

Upon the expiry of any notice as is referred to in Condition 7.2 or 7.3 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. **TAXATION**

8.1 **Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day.

8.2 Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of any FATCA Withholding.

8.3 **Interpretation**

In these Conditions:

(a) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

(b) "**Relevant Jurisdiction**" means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

8.4 **Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. **PRESCRIPTION**

Claims in respect of principal and interest will become prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date, as defined in Condition 8.

10. **EVENTS OF DEFAULT**

10.1 **Events of Default**

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events ("**Events of Default**") shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest when due in respect of the Notes and, in the case of principal, the default continues for a period of 5 days and in the case of interest, the default continues for a period of 10 days; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of

45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) (i) any Indebtedness for Borrowed Money of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or (as the case may be) by any originally applicable grace period for the payment thereof; (iii) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that in the case of (i), (ii) and (iii) the aggregate principal amount of such Indebtedness for Borrowed Money exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, provided that the value of the claim of any such enforcement action exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or one or more judgments or orders or arbitration awards is rendered against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries, that is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, provided that the value of such claim exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, provided that such event is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or substantially all of its business or operations, save in each case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation or solvent voluntary winding-up on terms approved by an Extraordinary Resolution of the Noteholders; or

(f) (i) the Issuer or any of its Principal Subsidiaries becomes (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, or (ii) an administrator or liquidator is appointed in respect of the Issuer or any of its Principal Subsidiaries or the whole or a material part of the business or operations of the Issuer or any of its Principal Subsidiaries (or application for any such appointment is made and such application is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days), or (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations, or makes a general assignment or an arrangement or composition with or for the benefit of its creditors, or declares a moratorium, in each case in respect of all of, or a material part of, its debts; or

(g) if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) of this Condition 10.1.

10.2 **Interpretation**

For the purposes of this Condition 10:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit, excluding in each case trade supply arrangements entered into in the ordinary course of business;

a "**Principal Subsidiary**" means at any time a Subsidiary (as defined in Condition 4 above) of the Issuer:

(i) whose net sales (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated net sales, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of a transfer after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate net sales equal to) not less than 10 per cent. of the consolidated net sales, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net sales equal to) not less than 10 per cent. of the consolidated net sales, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets, of the

Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

13. MEETINGS OF NOTEHOLDERS AND MODIFICATION

13.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

13.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

15.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are governed by, and will be construed in accordance with, English law.

15.2 Jurisdiction of English courts

The Issuer has irrevocably agreed for the benefit of the Noteholders that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) has exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, and any non-contractual obligations arising out of or in connection with the Notes, and accordingly has submitted to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales). The Issuer has waived, to the extent permitted by law, any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum.

To the extent permitted by law, the Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (including any proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

15.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in the Republic of Turkey in connection with the Notes (or any non-contractual obligations arising out of or in connection with the Notes), in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No.6100), any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

15.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Beko plc at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

15.5 **Other Documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent in England for service of process, in terms substantially similar to those set out above.

16. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes in respect of which it is issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions of the Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs in this "The Global Certificate" section.

Accountholders

For so long as any of the Notes are evidenced by the Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

For the purposes of Condition 6.1, so long as the Notes are evidenced by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, the record date in respect of the Notes shall be the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

Distributions of amounts held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

Notices

So long as the Notes are evidenced by a Global Certificate held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes held by a Noteholder are evidenced by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate and a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions of the Notes, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for the period of 15 calendar days ending on (and including) the due date for any payment of principal or interest in respect of the Notes.

Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants.

TAXATION

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Prospectus, all of which are subject to change, possibly with retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein). References to "resident" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or for the income sourced in Turkey otherwise.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of the stay. A resident individual is liable for Turkish taxes on his/her worldwide income, whereas a non-resident individual is liable for Turkish tax for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey, which means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is needed. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration unless subject to an exemption.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7 per cent. withholding tax for notes with an initial maturity of less than one year;
- 3 per cent. withholding tax for notes with an initial maturity of at least one year and less than three years; and
- 0 per cent. withholding tax for notes with an initial maturity of three years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article

67 of the Turkish Income Tax Law, as amended by Law No. 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident persons on capital gains from such Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes by an issuer to a non-resident holder will be subject to a withholding tax at a rate between 7 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double taxation treaty concluded between Turkey and the nation where the investor is a resident, an original copy of the certificate of residence signed by the competent authority is required. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

FTT disclosure

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the proposed FTT remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, Merrill Lynch International and MUFG Securities EMEA plc (the "**Joint Lead Managers**") have, in a subscription agreement dated 25 May 2021 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount less a combined management, underwriting and selling commission. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

In connection with the Offering, one or more Joint Lead Manager(s) may purchase and sell Notes (or beneficial interests therein) in the open market. These transactions may include overallotment, syndicate covering transactions and stabilising transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Joint Lead Managers in this Offering, which creates a short position for the Joint Lead Managers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the Offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Company and the Company's affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Company and the Company's affiliates in the ordinary course of their business. Certain of the Joint Lead Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Company and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Company or the Company's affiliates. In addition, certain of the Joint Lead Managers and/or their respective affiliates hedge their credit exposure to the Company pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

General

No action has been taken by the Company or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each Joint Lead Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Turkey

The Notes have not been and will not be offered or sold within Turkey under the provisions of the Capital Markets Law No. 6362. Each Joint Lead Manager has represented, warranted and agreed that neither they, nor any of their respective affiliates, nor any person acting on their behalf or any of their respective affiliates, have engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. Each Joint Lead Manager has further represented, warranted and agreed that neither they nor any of their respective affiliates, nor any person acting on their behalf or any of their respective affiliates (i) have engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey, or (ii) will make any disclosure in Turkey in relation to the Issuer, the Notes or this Prospectus without the prior consent of the Issuer, save as may be required by applicable law, court order or regulation. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the offshore purchase or sale of Notes by residents of Turkey on an unsolicited (reverse enquiry) basis, provided any such purchase or sale is undertaken in financial markets outside of Turkey and such purchase or sale is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations.

European Economic Area

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or both) of the following (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or both) of the following (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Switzerland

Each Joint Lead Manager has acknowledged that this Prospectus is not intended to constitute an offer or a solicitation to purchase or invest in the Notes. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not publicly offered, directly or indirectly, any Notes in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and each Joint Lead Manager has acknowledged that no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) ("**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Canada

Each Joint Lead Manager has represented and agreed that it has offered or sold and will offer or sell the Notes only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Company is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Company named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Company are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and the UK providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the UK; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the UK by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon non-Turkish laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;

(d) the judgment is not of a civil nature;

(e) the judgment is clearly against public policy rules of Turkey;

(f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

Furthermore, any claim against the Company which is denominated in a foreign currency would, upon pronouncement of bankruptcy of the Company, only be payable in Turkish Lira, thereby shifting the currency exchange risk from the Company to the holders of the Notes. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the exchange rate of the Central Bank of the Republic of Turkey for the purchase of the relevant currency which is effective on the date when the relevant court's decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favourable to a holder of the Notes than the rate of exchange prevailing at the relevant time.

In any suit or action against the Company in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1

March 1954 (ratified by Turkey by Law No. 1574) save for the legal entities incorporated under the laws of such contracting states or (ii) a national of a state that has signed a bilateral treaty with Turkey which is duly ratified and contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

In connection with the issuance of the Notes, service of process may be made upon the Company at Beko plc, Beko House, 1 Greenhill Crescent, Watford, Hertfordshire, WD18 8QU, United Kingdom with respect to any proceedings in England.

OTHER GENERAL INFORMATION

Authorisation

The issuance and sale of the Notes by the Company and the execution and delivery by the Company of the Agency Agreement and the Deed of Covenant have been authorised pursuant to the authority of the officers of the Company under a resolution of its Board of Directors dated 24 February 2021.

Listing

Application has been made to the Euronext Dublin for the Notes to be admitted to the Official List and to trading on its regulated market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List of Euronext Dublin and to trading on the Euronext Dublin Regulated Market will be granted on or about 27 May 2021, subject only to the issue of the Notes. The Company has also applied for the Notes to be admitted on the Euronext Dublin ESG Bonds Segment.

The estimated total expenses related to the admission of the Notes to trading on the Euronext Dublin Regulated Market are €5,000.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Company in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Regulation.

Clearing Systems

The Global Certificate has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS2346972263 and Common Code 234697226). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A. A., 42 Avenue JF Kennedy, L 1855 Luxembourg.

No Significant or Material Adverse Change

There has been no significant change in the financial performance or financial position of either the Group or the Company since 31 March 2021, being the end of the last financial period for which the Group's financial statements have been published, and no material adverse change in the financial position or prospects of either the Group or the Company since 31 December 2020.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Company is aware, no person involved in the offer of the Notes has an interest material to the offer.

Independent Auditors

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2020 and 31 December 2019 (including comparative financial information as at and for the year ended 31 December 2018) have been audited, without qualification, and the unaudited, reviewed consolidated financial statements of the Group as at and for the three month period ended 31 March 2021 and 31 March 2020, have been reviewed, without qualification, by PwC, independent certified public accountants in Turkey, located at BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Akaretler Beşiktaş İstanbul 34357 Turkey, as stated in the convenience translations into English of the reports incorporated by reference herein. PwC is authorised by the CMB, BRSA, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standards Authority Board to conduct independent audits in Turkey.

Certain Information about the Company

Arçelik A.Ş. is a holding and operating company that was incorporated in Turkey on 21 January 1955, under registration number 54957. The Company operates under the TCC. The Company's principal office is at Karaağac¸ Cad. No: 2/6, 34445 Sütlüce, Beyoğlu, Istanbul, Turkey and its telephone number is +90 212 314 3434.

Documents

The Company produces audited consolidated annual and unaudited consolidated quarterly and semi-annual interim financial statements. Copies (with English translations where the documents at issue are not in English) of the Company's articles of association, its audited financial statements as at and for the years ended 31 December 2020 and 31 December 2021 and its reviewed interim financial statements as at and for the three months ended 31 March 2020 and 31 March 2021 will be available for inspection at https://www.arcelikglobal.com/en/company/investor-relations/debt-securities/greenbond-2021/ for the life of this Prospectus. In addition, this Prospectus will be available, in electronic format, on the website of Euronext Dublin (https://www.euronext.com/en/markets/dublin).

Litigation

Neither the Company nor any other member of the Group is or, during the previous 12 months, has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which have had in the recent past, or may have, a significant effect on the financial position and profitability of the Company or the Group.

Material Contracts

The Company has not entered into any material contract outside the ordinary course of its business that could result in the Company being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Ratings

The ratings of the Notes are set out on page 4 of this Prospectus. The applicable ratings of each of the relevant credit rating agencies have the following meanings:

(i) S&P

BB+

An obligation rated BB by S&P is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. The addition of a plus (+) sign is to show relative standing within this rating category.

(ii) Fitch

BB

An obligation rated BB by Fitch indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

The information in paragraphs (i) and (ii) above has been extracted from the websites of S&P (in the case of paragraph (i)) and Fitch (in the case of paragraph (ii)). The Issuer confirms that such information has been accurately reproduced and that, so far as the Company is aware and able to ascertain from information published by S&P and Fitch, respectively, no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

General

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Legal Entity Identifier code of the Issuer is 789000748KTQCUMJ0R25.

PRINCIPAL OFFICE OF THE ISSUER

Arçelik A.Ş
Karaağaç Cad. No: 2/6
34445 Sütlüce
Beyoğlu, İstanbul
Turkey

JOINT LEAD MANAGERS

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
6th Floor, Citigroup Centre
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

LEGAL ADVISERS

To the Joint Lead Managers as to English law
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Joint Lead Managers as to Turkish law and Turkish tax counsel
Gedik Eraksoy Avukatlık Ortaklığı
River Plaza Kat 17
Büyükdere Caddesi Bahar Sokak No.13
TR 34394 Levent Istanbul
Turkey

To the Issuer as to English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer as to Turkish law
Çiftçi Avukatlık Ortaklığı
Kanyon Ofis Binası Kat 10
Büyükdere Cad. No. 185
34394 Istanbul
Turkey

INDEPENDENT AUDITORS OF THE ISSUER

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok
Akaretler Beşiktaş
İstanbul 34357
Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland