

CONSUMER DURABLES

A woman with long brown hair, wearing an orange long-sleeved shirt and white trousers, stands in a modern kitchen. She is holding a large beige shopping bag filled with green vegetables and a yellow bell pepper. She is looking at the refrigerator. The refrigerator is a large, grey, double-door model with a water dispenser on the left door. The kitchen has white cabinets, a wooden countertop, and a window with white curtains in the background.

WE MADE PIONEERING INVESTMENTS IN THE CONSUMER DURABLES SECTOR WITH THE FOUNDING OF ARÇELİK IN 1955. SINCE THEN, THE COMPANY HAS DEVELOPED THE DOMESTIC SECTOR'S LARGEST DISTRIBUTION NETWORK AND, WITH A MARKET SHARE OF OVER 50%, IT BECAME THE COUNTRY'S LEADING CONSUMER DURABLES COMPANY. OUR BEKO BRAND HAS BECOME THE GLOBAL FACE OF TURKISH CONSUMER DURABLES, ELEVATING TURKEY IN WORLD MARKETS. A RISING GLOBAL PLAYER WITH 14 FACTORIES IN FIVE COUNTRIES, BEKO OFFERS PRODUCTS AND SERVICES IN OVER 100 COUNTRIES.



IN LINE WITH OUR GOAL OF MAINTAINING SUSTAINABLE, PROFITABLE GROWTH AND THROUGH OUR BRAND AND CUSTOMER-FOCUSED STRATEGY, WE WILL INCREASE OUR SHARE IN MARKETS WHERE WE DO BUSINESS AND CONSOLIDATE OUR PRESENCE IN DEVELOPING MARKETS. OUR INVESTMENTS IN R&D AND INNOVATION WILL ENABLE US TO STAY IN TUNE WITH CUSTOMER PREFERENCES AND OFFER THEM PRODUCTS AND SERVICES WITH HIGH ADDED VALUE.

CONSUMER DURABLES

THIRD LARGEST WHITE GOODS MANUFACTURER IN EUROPE, ARÇELİK A.Ş. NOT ONLY LEADS IN TURKEY BUT ALSO IN ROMANIA WITH ITS ARCTIC BRAND AND SOUTH AFRICA WITH ITS DEFY BRAND.

Developments in the consumer durables sector in 2013

The global white goods market grew by 3% in 2013 with an easing of the economic crisis, which was centered in Europe and the United States and caused a global shift in investments to developing countries.

While the Western European white goods market, one of Arçelik's main markets, contracted by 1%, the Eastern European market grew by 3.9%. Whereas Western Europe's largest white goods markets -France, Spain and the UK - shrunk, the Italian market grew. Meanwhile, the largest white goods market in Eastern Europe, Russia, expanded though two other important markets there, Poland and Romania, contracted. Ukraine and Estonia became the region's fastest growing markets.

Ongoing political strife in the Middle East, one of Arçelik's target markets, caused demand there to fall.

The Kazakhstan market, one of Central Asia's largest and most important, contracted.

Political unrest and domestic conflicts in North Africa, especially in Egypt, had important ramifications.

The Turkish white goods market expanded by about 6%, reaching a total of 6.85 million units in 2013.



Koç Holding Consumer Durables Group

Arçelik, the 3rd ranking white goods company in Europe, maintained its strong leadership in Turkey, and continued to lead by a clear margin in Romania with its Arctic brand and in South Africa with its Defy brand.

Beko, the Group's global white goods brand, has had the fastest growing share in the European market for six years. Beko is Western Europe's bestselling refrigerator brand. With a favorable performance in its key markets, it rose to 2nd place in Western Europe's white goods market in 2013. While maintaining its leadership in the UK and Lithuanian markets, Beko became one of the top three brands in the French and Polish white goods markets. It took the largest share gain in the German, Belgium, Romanian and Ukrainian white goods markets and was in the top three for fastest growing market share in France, Italy, Austria and Poland.



Despite a shrinking market in the Middle East, the Beko brand retained its lead on a product group basis in Jordan, Israel and Iraq. Its sales, service and channel organization activities, has made Beko the most popular brand in the Gulf countries, particularly in Saudi Arabia and Yemen.

It retained its position in the Turkic Republics' white goods market and increased its market share in Kazakhstan.

Arçelik expanded its penetration and operations in Africa, including North Africa. It saw a sharp rise in revenues in Central Africa and Beko became one of the preferred brands in Angola, Gabon, Sudan and Ethiopia. Beko sales were initiated in West African countries, including Ghana, Senegal and Ivory Coast. In 2013, Beko brand was sold in 30 African countries.

Commensurate with its goal of market diversification, Arçelik initiated business development in distant regions. Corresponding to its organic growth strategy, it increased exports to Southeast Asia, a region of significant potential, and it launched operations in Singapore.

Arçelik has decided to introduce its Grundig brand, historically noted for its quality and design in consumer electronics, to the white goods sector and it launched Grundig white goods products, with a simple, timeless design, at the LivingKitchen fair in Köln.

DESPITE CONTRACTING MARKETS
IN THE MIDDLE EAST, ARÇELİK A.Ş,
WITH ITS BEKO BRAND,
RETAINED LEADERSHIP ON A
PRODUCT GROUP BASIS IN
JORDAN, ISRAEL AND IRAQ.

THE ONLY TURKISH COMPANY ON THE WORLD
INTELLECTUAL PROPERTY ORGANIZATION (WIPO)'S
“LIST OF THE TOP 200 COMPANIES APPLYING FOR
PATENTS OVER THE PAST FIVE YEARS”.

ARÇELİK

Total Revenues

(TL million)

11,098

Domestic Market Position

Leads Turkey's white goods, built-in appliances, and air conditioner markets with a market share exceeding **50%** and the TV market with a share at **30%** level

International Position

3rd largest company in Europe in the sector

Clear market leader in Romania and South Africa with its Arctic and Defy brands, respectively

Arçelik's international white goods brand Beko was

- **3rd** largest in European white goods market and **2nd** in the freestanding white goods market
- **2nd** in Western Europe white goods market
- **Best-selling** refrigerator brand in Western Europe
- White goods market **leader** in the UK and Lithuania
- Among the **top three** white goods market brands in France and Poland

Share of International Revenues

58%

Profit Before Tax

TL **745** million

Net Income

TL **598** million

Shareholder Structure

Koç Holding	40.51%
Other Koç	16.69%
Burla Group	17.61%
Free Float	25.19%

www.arcelikas.com.tr

Green products through the vision “Respects the Globe, Respected Globally”

Conducting its business with the vision “Respects the Globe, Respected Globally”, Arçelik develops products designed to protect nature and the ecosystem and to contribute to the creation of a sustainable future. Among the most energy efficient and quietest products in their class marketed are:

- A -45% energy class built-in oven
- A+++ -10% energy class drier
- A+++ -50% energy class washing machine
- A+++ -10% energy class dishwasher
- A+++ energy class upright deep freezer
- 41dBa - quiet built-in oven

Arçelik innovates in food storage, cooking, hygiene, and washing and drying technologies. It creates products that are energy efficient and rank high on water conservation, have distinctive designs and emphasize functionality:

- 84 cm no-frost refrigerator with ice cream maker
- Arçelik 8860 SBS NY refrigerator with an Internet-connectable multimedia tablet screen
- 74 cm no-frost combi refrigerator with new vegetable storage design that extends vegetable storage up to 30 days
- Washer-drier with air compression technology that doesn't use water for drying
- A-class mixed program dishwashers that can clean without damaging delicate glass and plastics in the top rack while washing heavily soiled pans on the bottom rack
- Induction hotplates with eight cooking sections
- No-frame TV models
- BabyWatch TV application - a global first
- Easy Remote device that enables voice-command of TV and use of Air Mouse for screen
- Turkey's first and only automatic tea maker, Gourmet Tea Maker, which can keep tea fresh up to twice as long by using Filter Sense technology



Investments

In 2013, Arçelik opened a new refrigerator production line at the Arctic Refrigerator Plant in Romania, bringing its annual production capacity to 2.5 million units. The plant is now the second largest refrigerator production facility in Europe after the Arçelik Eskişehir Refrigerator Plant.

Investments were made to improve the products and production systems at Defy, South Africa's leading white goods manufacturer. These investments made it possible to manufacture a new model combi refrigerator and chest deep freezer at the Ezakheni plant.

A new Cash Register POS device was developed at the Arçelik Beylikdüzü Electronics Plant. The new device, the first of its kind manufactured in Turkey, was designed according to the specifications of the New Generation Cash Register Regulations, tested by TÜBİTAK (The Scientific and Technological Research Council of Turkey) and approved by the Finance Administration, and then launched on the market.

Continuing growth in 2013

Arçelik, whose revenues grew by over 20% for the previous two years, achieved a growth rate of 5% in 2013, exceeding consolidated revenues of TL 11 billion.

Decline in the European TV market dampened Arçelik's overall growth. Nevertheless, the Company continued to grow strongly in the white goods category where, after having grown by 27% for two successive years, it grew by 11% in 2013.

Arçelik sells and provides service to various regions around the world and foreign markets accounted for 58% of its sales.

Commensurate with its branded growth strategy, the Company increased its sales figures in its markets while selling higher capacity and higher segment products.

Arçelik raised its profit margin in 2013 as a result of its operational activities and its successful income-expenditure management.

Its market value increased by 8% over the previous year. At the end of 2013, the Company's market value reached TL 8.2 billion. International investors showed great interest in the Company's first Euro-bond issue, made in 2013.



THE LARGEST CAPACITY WHITE GOODS FACTORIES IN EUROPE AND THE WORLD MANUFACTURING UNDER A SINGLE ROOF.

Major awards

- Most Innovative Company award, from the Turkish Exporters Assembly
- Carbon Transparency Performance Leadership award, from the Carbon Disclosure Project
- Named the Most Reputable Company by the RepMan Reputation Research Center and GfK
- Platinum Certificate, the highest rank in Energy Efficient Green Plants, to Arçelik's Ankara Washing Machine, Çerkezköy Tumble Drier and Electronic Engines, and the Arctic Refrigerator plants
- 2nd prize in home appliances for the ElektraBregenz brand at the Golden Plug Awards
- For its Arçelik, Beko and Grundig-brand products, the Plus X award in 7 categories, the Red Dot award in 11 categories, and the IF Design award for 2 products.

Arçelik in the future

Arçelik's innovative technologies, smart products and added value-generating solutions make it a leading company in its sector globally. The key contributing factors to this success are its R&D, innovation, quality and design. Through its continual investment in these areas and brand, market and customer-oriented strategy, the Company will continue to design geographically specific products and services that make a difference while meeting consumer's needs and expectations.



In line with its long-term strategic goals, patterned after its vision "Respects the Globe, Respected Globally," Arçelik will continue to expand its global organization. The Company's aim is to maintain leadership in the Turkish market, increase its share of the European market, and reinforce its position in the Middle East, Africa and the Asian Pacific. Utilizing its strong and stable financial structure which promotes sustainable development, Arçelik will continue to pursue organic and inorganic opportunities in developing markets by acquiring companies or entering markets.

While focusing on sustainable development, Arçelik is mindful of its social and environmental responsibilities in its all operations and processes. In terms of sustainability, it will continue to be the leader in Turkey and to have a global voice.

Priorities in risk management

At Arçelik, risk management is addressed holistically. Strategic, operational, financial and other threats to achieving the Company's short- and long-term goals are assessed at every level of the organization, from the Board of Directors down.

ARÇELİK - LG

Total Revenues (TL million)

708

Domestic Market Position

Leader in air-conditioning with more than **50%** market share

International Market Position

Largest air-conditioner manufacturer in the Middle East and Europe

Share of International Revenues 33%

Arçelik-LG is a partnership between LG Electronics (Korea) (50%), Arçelik A.Ş. (45%) and Koç Holding (5%). The Company started production in 2000 with an annual capacity of 300,000 units. In 2013, Company revenues totaled TL 708 million, production capacity reached 1.5 million units, and personnel numbers stood at 1,050.

Arçelik-LG is the largest air-conditioner manufacturer in Europe and the Middle East. Its innovative approach, strong technological infrastructure and extensive distribution and service network has made Arçelik-LG the market leader, with a share of over 50%. The Company currently exports nearly half of its production to over 50 countries, mainly in Europe, the Middle East, Africa and the CIS.

Arçelik-LG was placed in the top ten in the Hay Group's 2013 ranking of "The Best Companies for Leadership" in Turkey.

As of 1 January 2014 and in line with EU regulations, the "Energy Label" practice on home-type air-conditioners was initiated in Turkey. New generation inverter models were launched on 1 January 2014.

Moreover, Arçelik-LG localized the production of the interior units of free-standing air-conditioners, following its production of the external units in this category.

To enhance its competitiveness in export markets, the Company has developed and now markets mosquito repellent air-conditioners for the North African market and ionizing air-conditioners for the Russian market.

Arçelik-LG provides Turkish consumers with high-quality energy-efficient products while maintaining its domestic market leadership. Outside Turkey, the Company's strategic aim is to grow profitably in Europe, the Middle East, North Africa, Russia and the Turkic Republics. In addition, it continues its efforts to maintain its existing market share and leadership in the newly developing commercial air-conditioner segment.

ARÇELİK-LG IS THE LARGEST AIR-
CONDITIONER MANUFACTURER IN
THE MIDDLE EAST AND EUROPE.

