

Arcelik

2018 9-Month Financial Results

October 26, 2018

2018 Q3 Summary

- Despite the weak demand in Turkey, international sales and TRY depreciation led to all-time record quarterly revenue.
- Price increases in major markets helped to improve profitability.
- Depreciation of TRY also helped margins through sale of inventory with higher FX rates.
- Earlier share gains were protected in FS and BI segments in Europe.
- High-interest rate environment continued to pressure the bottomline.
- WC/Sales ratio increased mainly due to TRY depreciation.
- Leverage stayed flat thanks to strong EBITDA generation during the quarter.

Net Sales
TRY 7.7 bln.

**EBITDA
Margin**
10.2%

WC / Sales
35.1%

Leverage
3.2x

2018 Q3 Sales Performance

Key Factors Impacting Revenues



International Growth

Organic growth (~10%) continued in 3Q18 thanks to strong performance in Europe, ASEAN and MENA



Currency Impact

TRY's YoY depreciation against hard currencies (€, \$, £) and some emerging market currencies (PLN, ZAR, RUB)



Domestic Demand

Demand in domestic market was sluggish due to high base of 2017 and weakening consumer sentiment



EM Weakness

Mainly due to macro developments, markets were weaker in South Africa and Pakistan

2018 Q3 Margin Performance

Key Factors Impacting Margins



TRY Depreciation

TRY depreciation helped margins as pre-purchased inventory was sold at higher FX rates



Price Increases

Cost or currency-based price adjustments were done in Turkey, Pakistan and MENA region while promotional activity was reduced in some countries.



Raw Material

Both plastic and metal prices continued to stabilize during the quarter



Sales Mix

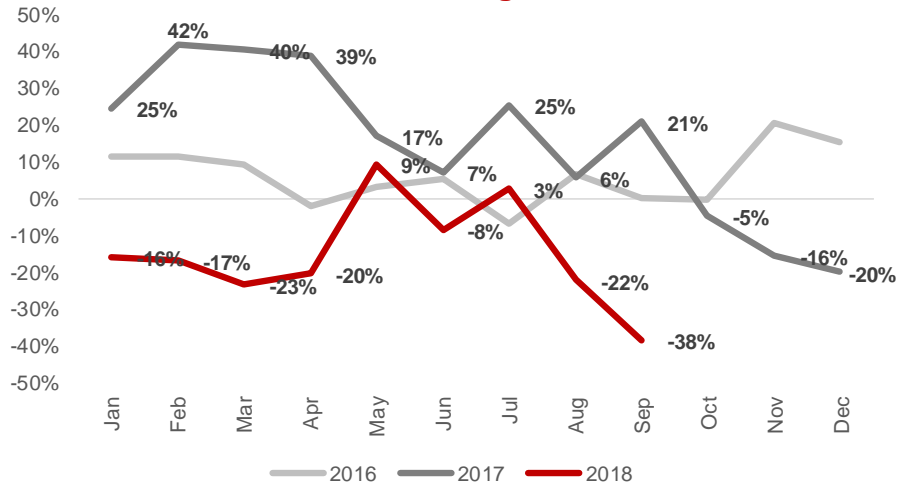
Despite the narrowing profitability gap between the domestic and international sales, lower share of Turkey had a slightly negative impact on margins

2018 Q3 Performance - Turkey

Market*

- Due to high base of 2017 and weakening consumer sentiment, MDA6 market was down by 20% in 3Q18 (1Q: -19% 2Q: -7%)
- A/C demand contracted sharply by 46% in 3Q18 (6M: +20%)
- Retail demand for TV decreased by 14% in the quarter (6M: +0,9%)

**Turkish MDA6 Total Market
YoY Change**



**Turkish Market by Product Type
(MDA 6)**

('000 Units)	3Q18	3Q17	YoY	3Q16	vs. 3Q16
Refrigerator	574	708	-19%	615	-7%
Freezer	224	306	-27%	303	-26%
Washing M.	535	640	-16%	557	-4%
Dryer	26	43	-38%	17	53%
Dishwasher	385	489	-21%	385	0%
Oven	261	323	-19%	278	-6%
Total	2,005	2,508	-20%	2,155	-7%

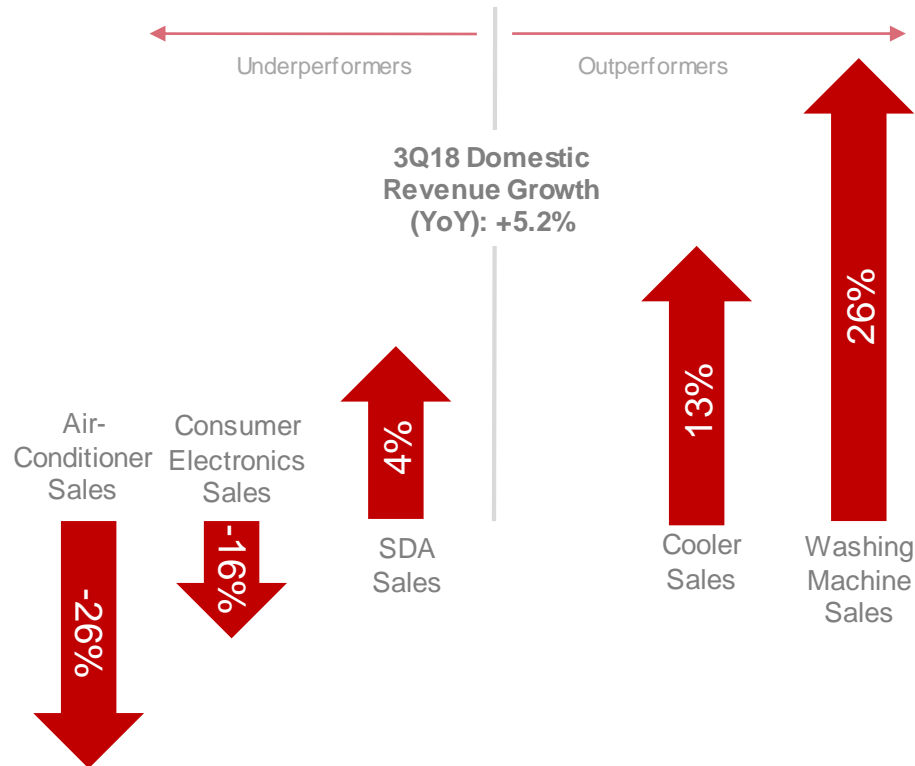
* MDA and A/C figures are based on BESD data.

TV figures are based on retail panel of a market research company for Jan-Sep '18 period

2018 Q3 Performance - Turkey

Arçelik A.Ş.

- Topline growth remained limited at 5% mainly due to fragile demand environment
 - In MDA, unit sales was in line with the market in 3Q18 (Market: -20%, Arcelik -19%)
 - Despite a stronger performance than the market, A/C unit sales declined considerably (3Q: -33%)
 - In TV segment, the company continued to enjoy second position with almost 25% share.

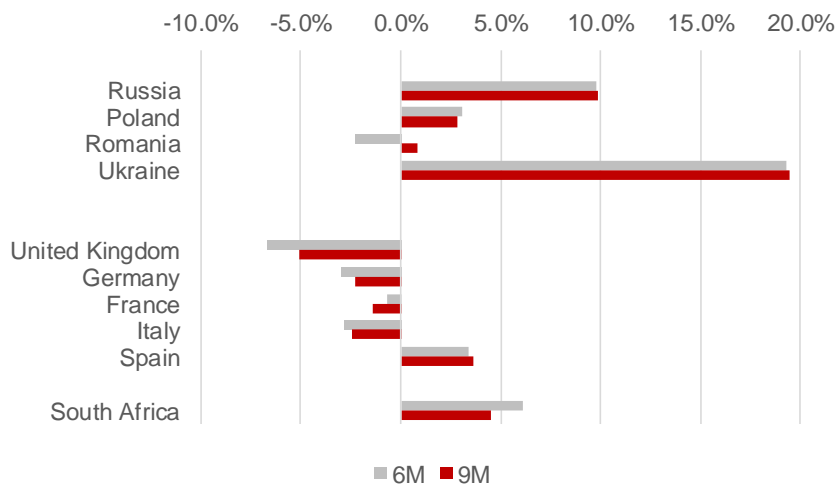


2018 Q3 Performance - International

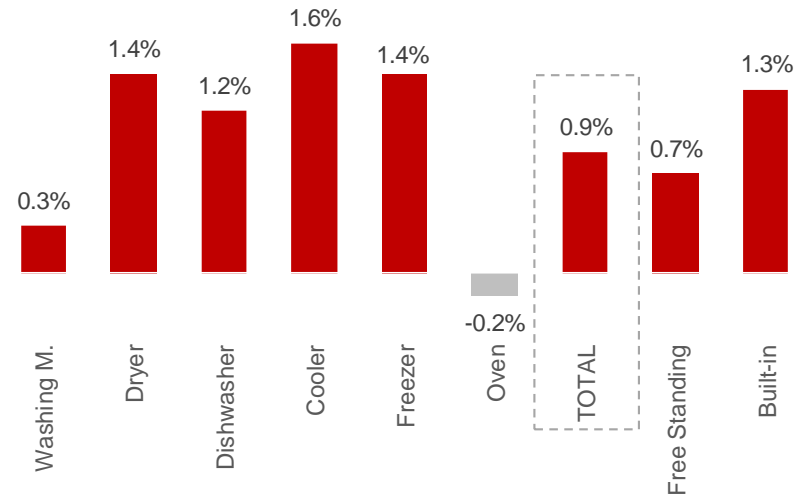
Market*

- West Europe did not improve while East remained robust.
 - UK remains weak, Germany stays negative, France is still in red, Spain is the only growing one
 - Poland grows slower, Romania improved significantly while Russia enjoys another strong quarter
 - Built-in continued to outperform free-standing sales
- S. Africa cooled off in 3Q18 on the back of macro deterioration.
- Market slowed down in Q3 in Pakistan due to religious & national holidays, monsoon season and economic conditions.

Market Unit Growth in Major Markets (%) (MDA 6)



European Market Unit Growth by Product Type (8M18) (%)

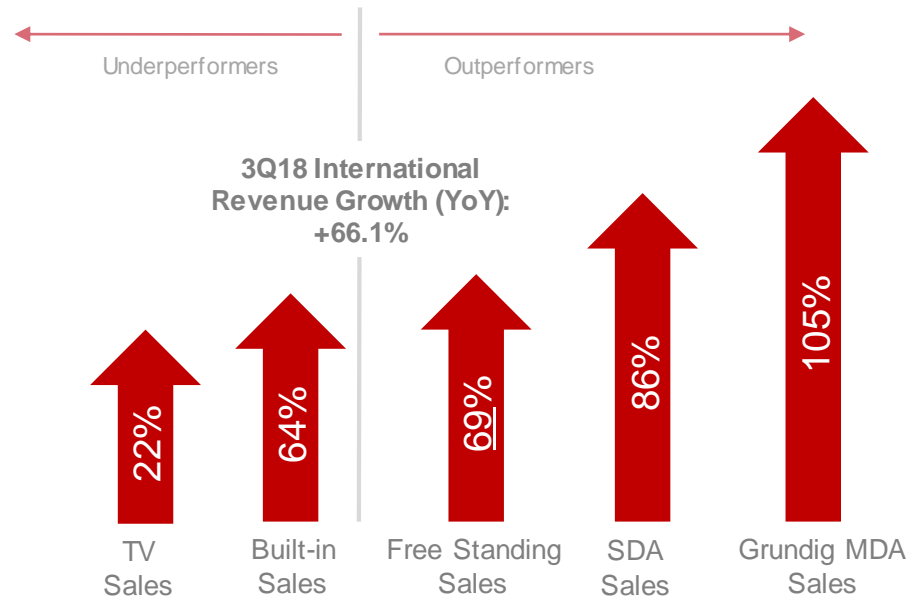


• Figures are based on retail panel of a market research company.

2018 Q3 Performance - International

Arçelik A.Ş.

- TRY depreciation and organic growth led to ~65% increase in international sales.
 - Share of built-in hovers around 20% of international MDA sales in 3Q18.
 - Grundig sales more than doubled in TRY terms.
 - SDA segment stood out with 86% revenue growth.

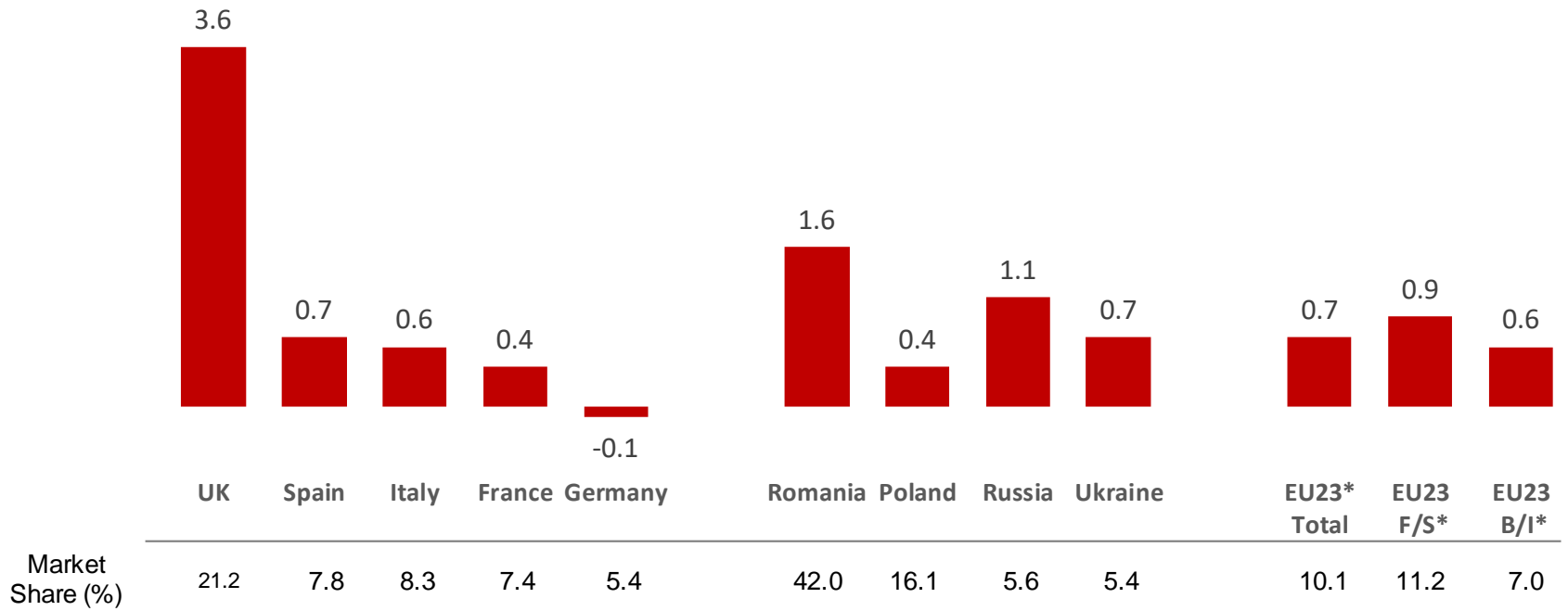


2018 Q3 Performance - International : Europe

Arçelik A.Ş.

- Arçelik Group maintained its market share in 9M18 compared to 6M18.
- TRY depreciation continues to support competitiveness and margins.
- Promotional activity was reduced in some markets to focus on profitability.

Arçelik Group
Unit Market Share Gains (YoY) (points) - MDA 6*



* Figures are based on retail panel of a market research company for Jan-Sep 18 except EU23 region, which is based on Jan-Aug

S. Africa & Sub-Sahara

- In line with slowing market, Defy had a mid-single digit increase in topline in Q3.
- Expansion into Sub-Sahara continued amid challenging environment and forex shortages.

ASEAN

- Sales in ASEAN region reached ~USD40mn in 3Q18. (USD118mn YTD)
- Refrigerator production in Thailand was ~275 K units, up by 30%.
- Market share in cooling and washing machine segment in Thailand reached 2% by Sept. 2018. (1,2% in Sept.'17)

Pakistan

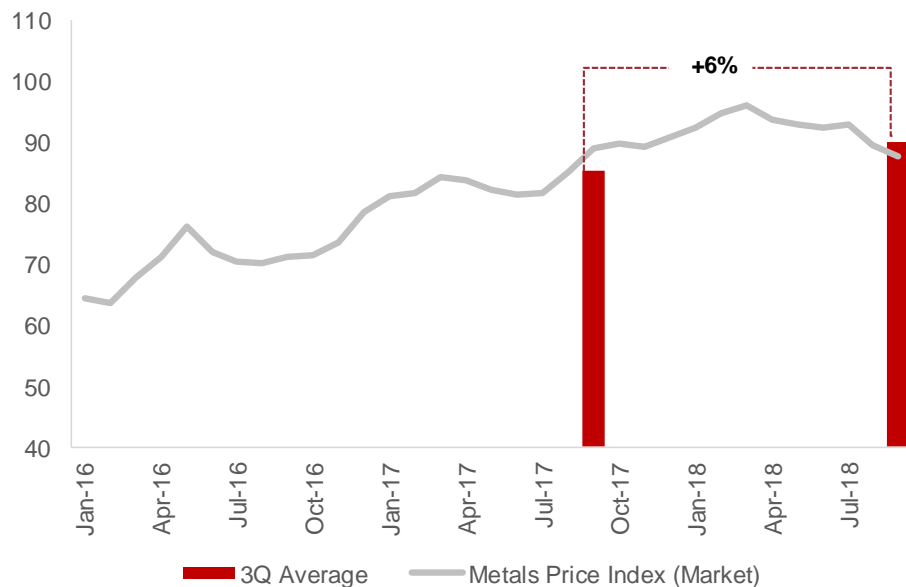
- In line with sluggish market conditions, Dawlance recorded low single digit revenue growth in local currency
- Price adjustments were done in some categories such as laundry, A/C and MWO.

India

- The groundbreaking ceremony for the refrigerator plant was held in September.
- With the initial product launch, sales to the JV reached more than TRY 97 million YTD.

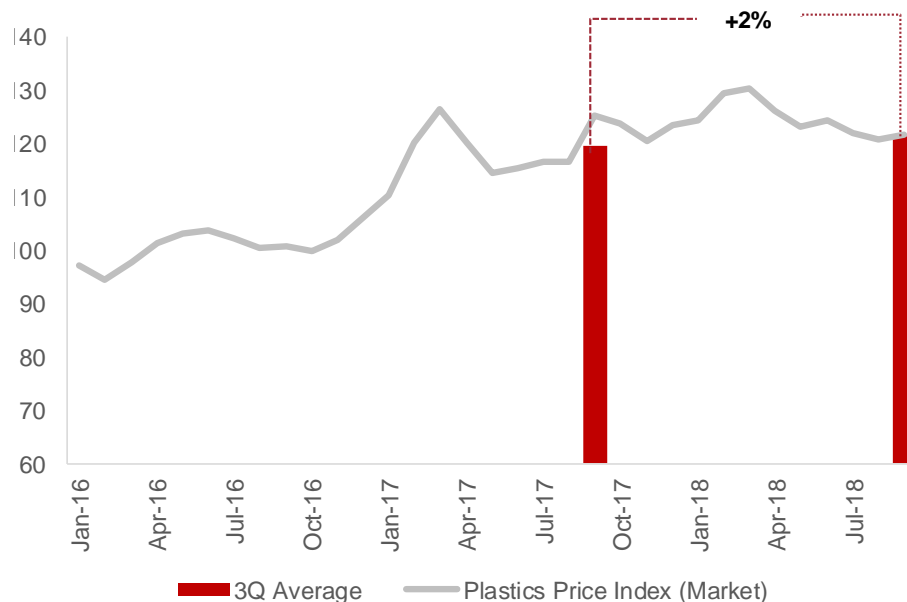
Trends in Raw Material Prices

Metal Prices Index - Market



Source: Steel BB, Steel Orbis
Index includes: CRC, HRC, Galvanized Steel, Stainless Steel, Copper, Aluminium

Plastic Prices Index - Market



Source: ICIS - Chemical Industry News & Chemical Market Intelligence
Index includes: ABS, Polystyrene, Polyurethane, Polypropylene

Metal Prices Index Quarterly Average - Market

2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
83	85	90	94	93	90

Plastic Prices Index Quarterly Average - Market

2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
117	119	123	128	125	121

2018 Q3 Other Developments



- Arçelik signed an agreement with the European Investment Bank (EIB) for a loan of EUR 68 million to Arctic, the Romanian subsidiary, to finance the investment for the new washing machine plant featuring advanced manufacturing technologies and automation efficiency.



- Arçelik was once again listed as the only Turkish industrial company in the Dow Jones Sustainability Index (DJSI) in the Emerging Markets Category.

- Arçelik became the second most-reputable brand in Turkey (following Koc Holding) in 2017 according to the results of Turkey Reputation Index Survey, which has been conducted since 2011.



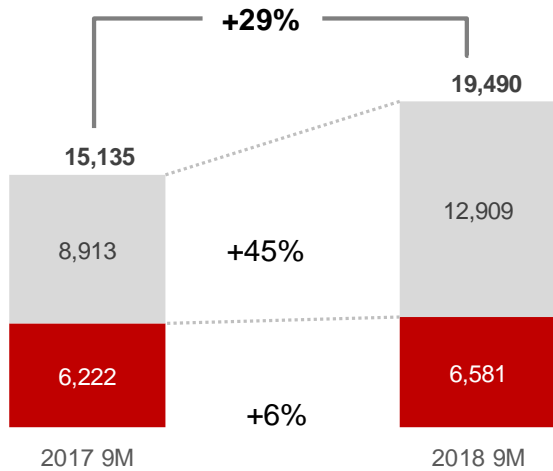
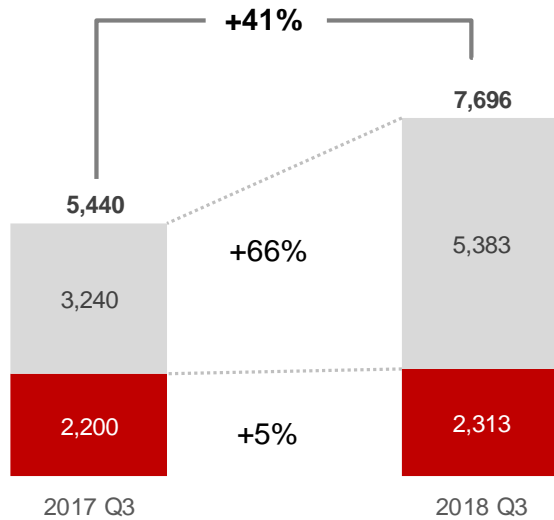
- Arçelik participated in Europe's largest appliance expo IFA with its Beko and Grundig brands.

- Arçelik A.S. applied to the Capital Market Board to issue bonds or bills up to TRY1 billion.

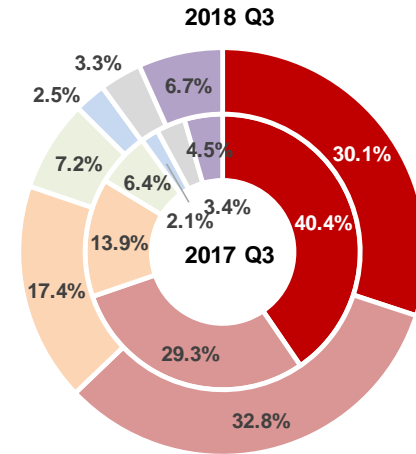
- Existing TV factory in Istanbul has been moved to its new location in Cerkezkoy.

Sales Performance

Sales by Region

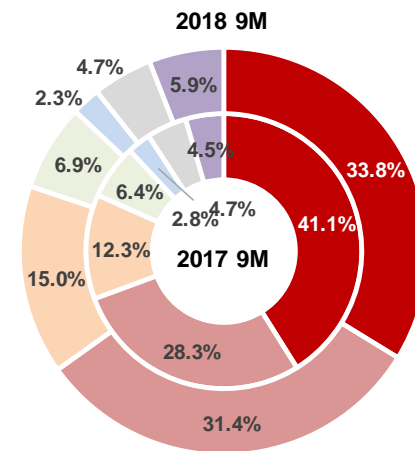


■ Turkey ■ International



■ Turkey
■ Africa
■ Other

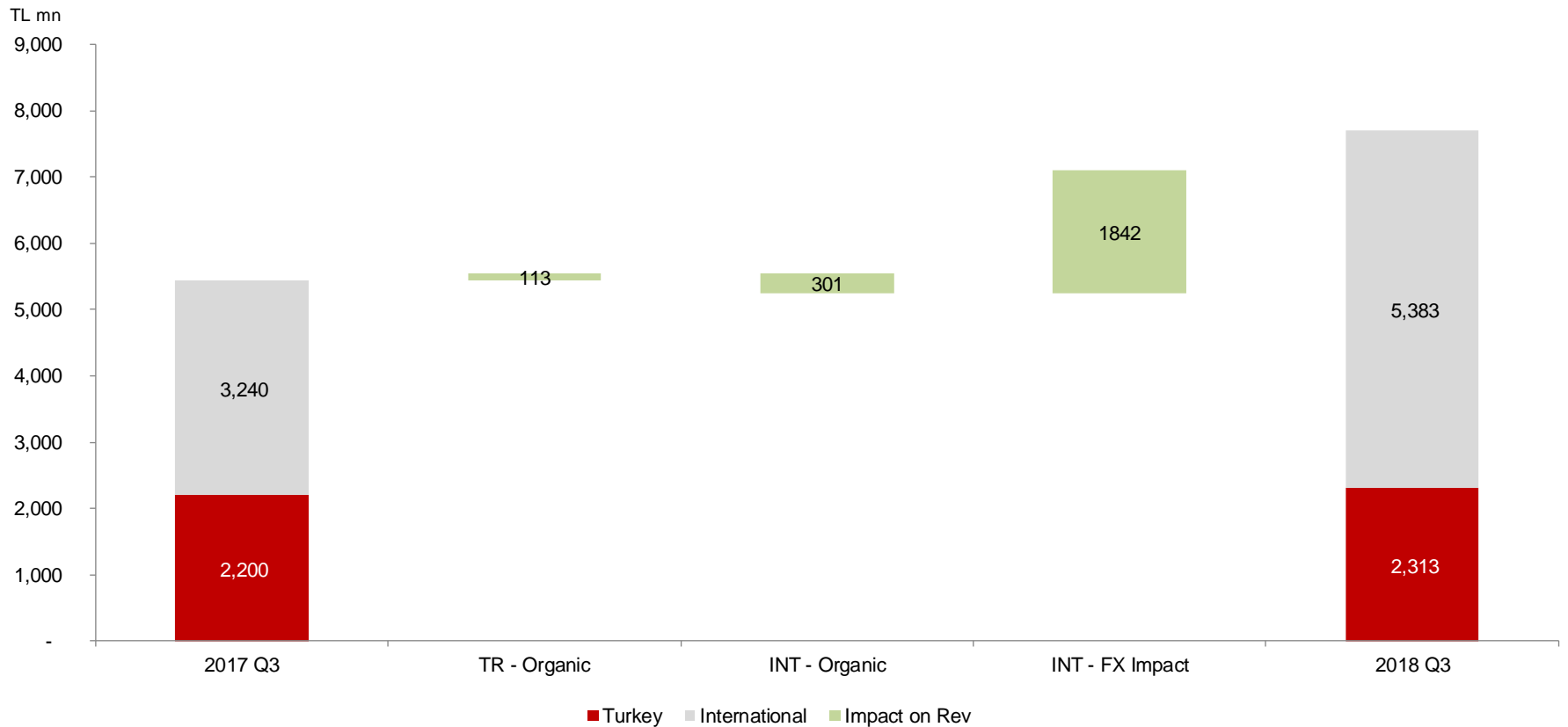
■ Western Europe
■ Middle East
■ Pakistan



■ Turkey
■ Africa
■ Other

■ Western Europe
■ Middle East
■ Pakistan

Sales Bridge



2018 3Q	Organic	Currency Effect	TOTAL
Domestic Growth	5.2%	0.0%	5.2%
International Growth	9.3%	56.8%	66.1%
Total Growth	7.6%	33.9%	41.5%

Financial Performance

Income Statement

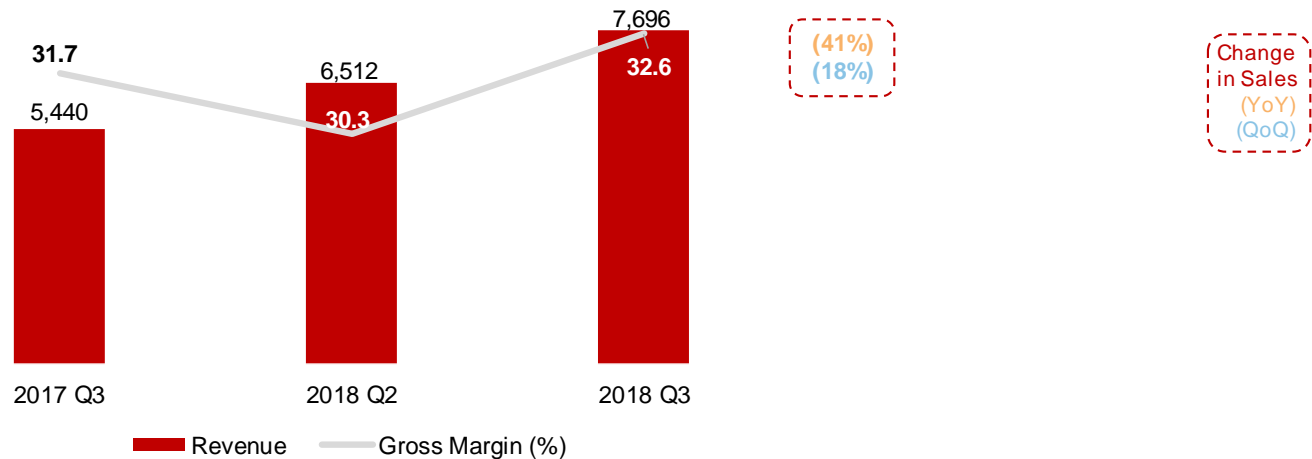
TL mn	2018 Q3	2017 Q3	2018 Q2	Δ% YoY	Δ% QoQ	2018 9M	2017 9M	Δ% YoY
Revenue	7,696	5,440	6,512	41	18	19,490	15,135	29
Gross Profit	2,511	1,725	1,974	46	27	6,135	4,757	29
<i>margin</i>	32.6	31.7	30.3			31.5	31.4	
EBIT *	603	409	418	47	44	1,394	1,123	24
<i>margin</i>	7.8	7.5	6.4			7.2	7.4	
Profit Before Tax	332	258	189	28	75	679	709	-4
<i>margin</i>	4.3	4.8	2.9			3.5	4.7	
Net Income**	253	258	145	-2	75	575	755	-24
<i>margin</i>	3.3	4.7	2.2			2.9	5.0	
EBITDA*	787	546	579	44	36	1,890	1,527	24
<i>margin</i>	10.2	10.0	8.9			9.7	10.1	

* EBIT was calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment.

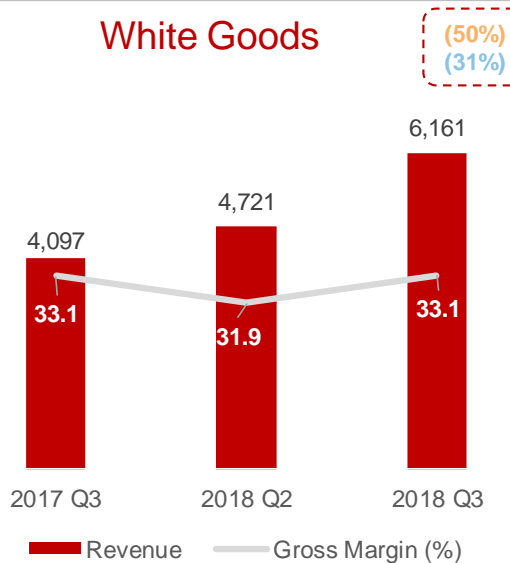
** Net income before minority

Revenue and Gross Profit by Segment

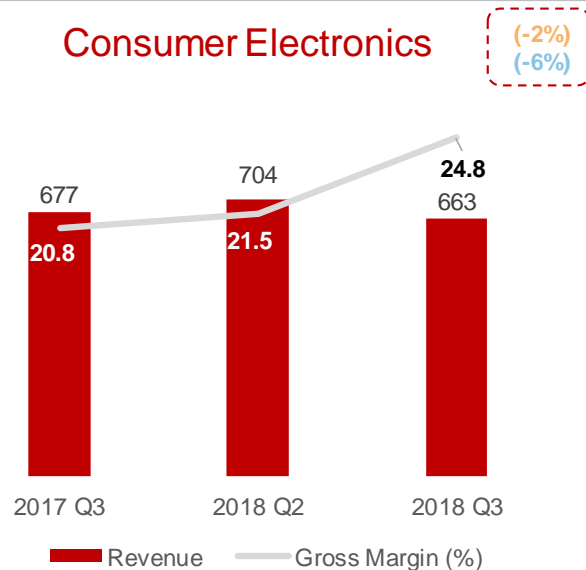
Consolidated



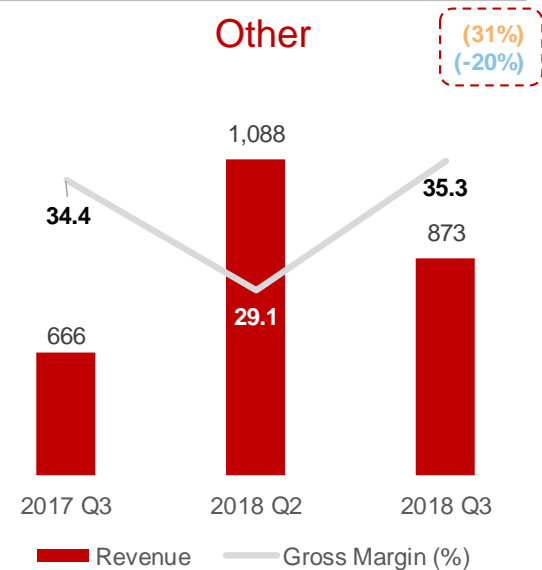
White Goods



Consumer Electronics



Other

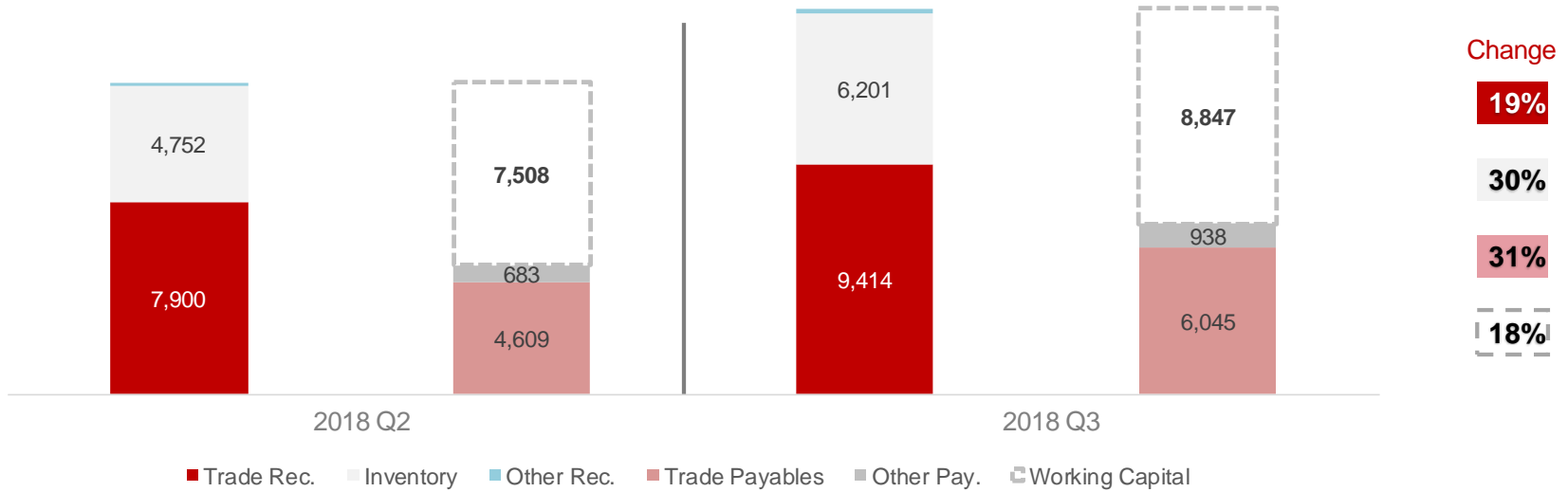


Balance Sheet

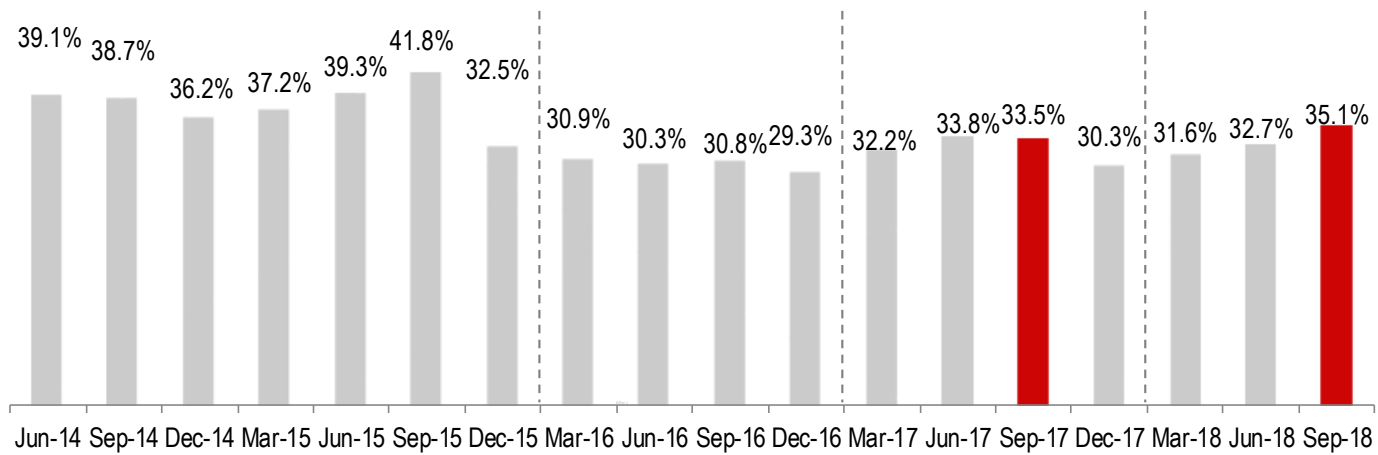
TL mn	30.09.2018	31.12.2017		30.09.2018	31.12.2017
Current Assets	20,877	13,610	Current Liabilities	13,195	8,403
Cash and Cash Equivalents	4,225	2,582	ST Bank Borrowings	4,687	3,262
Trade Receivables	9,414	6,518	Trade Payables	6,045	3,576
Inventories	6,201	3,780	Provisions	655	431
Other	1,037	730	Other	1,808	1,135
Non-current Assets	9,611	6,827	Non-current Liabilities	8,293	5,118
Property, Plant and Equipment	4,468	3,265	LT Bank Borrowings	6,836	4,114
Intangible Assets	3,527	2,578	Other	1,457	1,004
Financial Investments	381	285	Equity	9,001	6,915
Other	1,235	699	Total Liabilities	30,489	20,436
Total Assets	30,489	20,436			

	30.09.2018	31.12.2017	31.12.2016	31.12.2015
Net Financial Debt/Equity	0.81	0.69	0.69	0.70
Total Liabilities/Total Assets	0.70	0.66	0.66	0.66

Working Capital

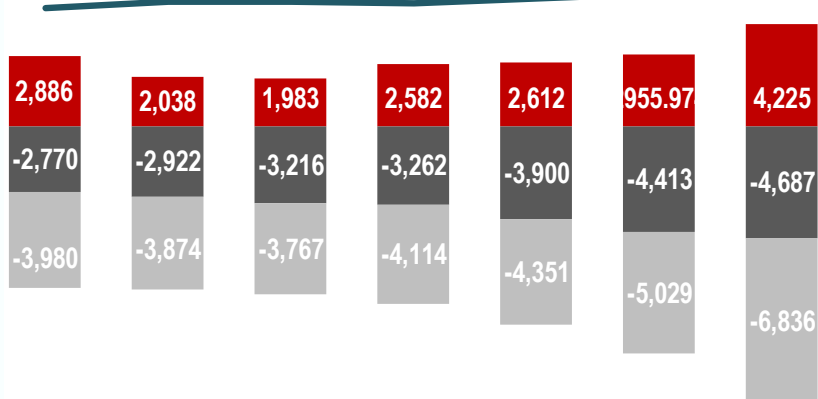


Working Capital / Sales



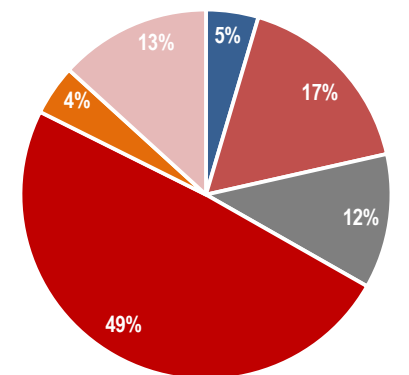
Cash&Debt Profile

TL mn
2.11 2.52 2.56 2.45 2.83 3.13 3.15



17 Q1 17 Q2 17 Q3 17 Q4 18 Q1 18 Q2 18 Q3
■ Cash and cash equivalent ■ Short term debt ■ Long term debt — Net Debt/EBITDA

Cash breakdown by currency

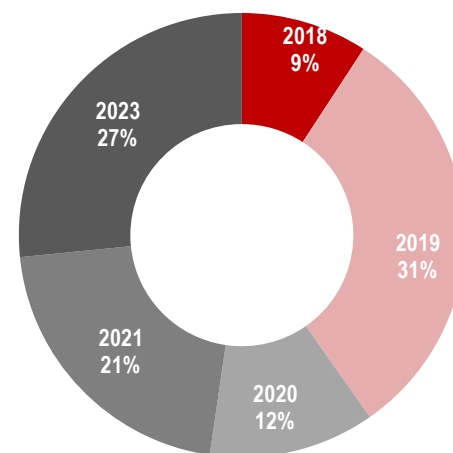


■ TRY ■ USD ■ GBP ■ EUR ■ RUB ■ Other

Debt profile (as of Sep 30 2018)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	19.9%	4,251	4,251
EUR	1.2%	112	780
ZAR	9.3%	750	316
CNY	4.4%	7	6
GBP	1.4%	7	53
RON	5.0%	14	21
PKR	7.0%	12,403	600
Total			6,027
USD	5.1%	511	3,063
EUR	4.0%	350	2,433
Total Eurobond			5,495
			0
Total			11,523

Debt maturity profile



FX Hedging Policy

FX POSITION - CONSOLIDATED

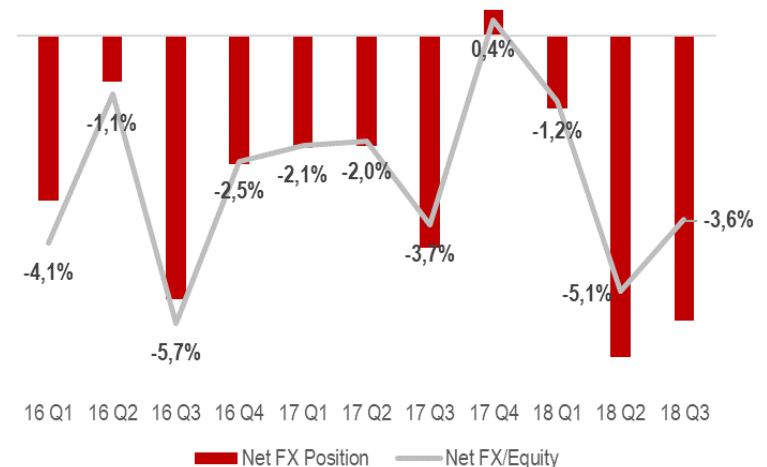
(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	-225	247	22
USD*	-2,728	2,458	-270
GBP	814	-833	-19
Other	1,019	-1,077	-59
TOTAL	-1,120	794	-326

Net FX Position/Equity **-3.6%**

* Mainly stemming from Pakistan and Vietnam where hedging is limited

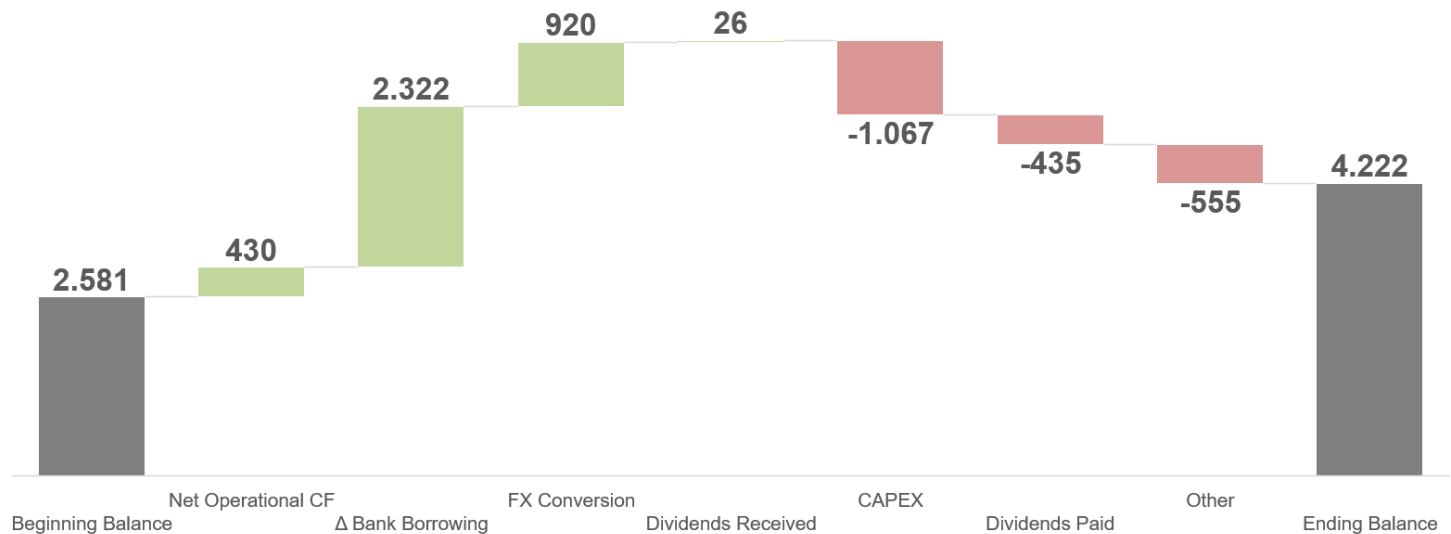
- The primary strategy is on balance sheet hedging mainly through receivables, payables and financial liabilities, and the remaining part is hedged through financial derivatives.

- FX hedging is a strictly pursued policy in Arçelik since around 30 currencies are actively managed in global operations.
- It is a KPI for the company management not to have an FX exposure exceeding low single-digit % of equity.

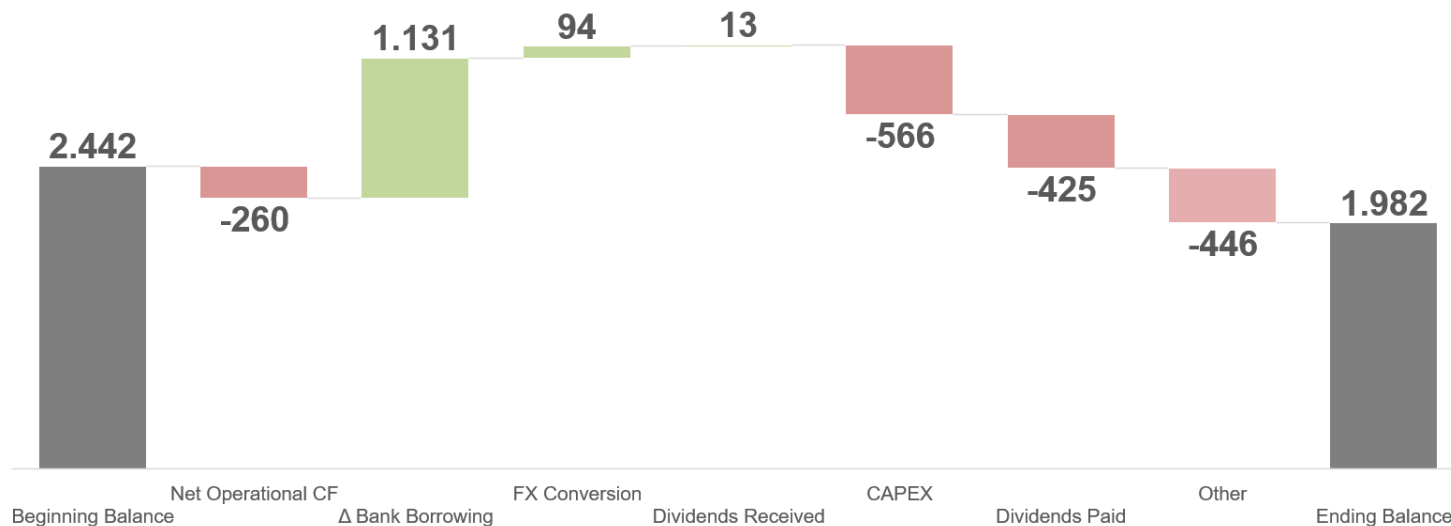


Cash Flow

TLmn



TLmn



2018 Expectations

2018 Expectations

MARKET

White goods
market volume
growth

Turkey* : ~ **-15% sales volume**
[previous -5% - flat]
International: ~%2

ARÇELİK A.Ş.

PREVIOUS

NEW

Revenue Growth

Around 25% in TRY

Around 30% in TRY

EBITDA Margin
(2018)**

Around 9,5%

Around 9,5%

EBITDA (2018)**

TRY 2,35-2,60 bln.

TRY 2,40-2,70 bln.

Long-Term
EBITDA margin**

Around 11%

* 6 main products, in compliance with WGMA data.

**EBITDA margin calculations are inline with the methodology used in calculation of historical values

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