

Arcelik

2018 6-Month Financial Results

July 27, 2018

2018 Q2 Summary

- Strong international sales, TRY depreciation, and robust domestic A/C sales lead to all-time high quarterly turnover.
- Depreciation of major currencies (TRY, PKR) and an unfavorable domestic mix pressured profitability
- Market share gains all across Europe continued in both FS and BI segments
- Price adjustments both in domestic and some international markets
- Higher interest rate environment elevated financing cost
- TRY depreciation and stronger domestic market (QoQ) raised working capital and consequently the leverage

Net Sales
TRY 6.5 bln.

**EBITDA
Margin**
8.9%

WC / Sales
32.7%

Leverage
3.1X

2018 Q2 Sales Performance

Key Factors Impacting Revenues



International Growth

Organic growth continued in 2Q18 thanks to strong performance in Europe and emerging markets



Currency Impact

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



High Base of 2017

Sell-in demand in Turkish MDA market was sluggish as expected due to high base of last year



A/C Sales in Domestic Market

Above the market increase was recorded in sell-in sales

2018 Q2 Margin Performance

Key Factors Impacting Margins



Currency Movements

TRY and PKR further depreciated during the quarter and EUR/USD parity declined slightly compared to Q1 levels



Domestic Product Mix

Higher share of A/C sales, which have a lower margin, had a negative impact on domestic profitability



Raw Material

Both plastic and metal prices stabilized during the quarter



Price Increases

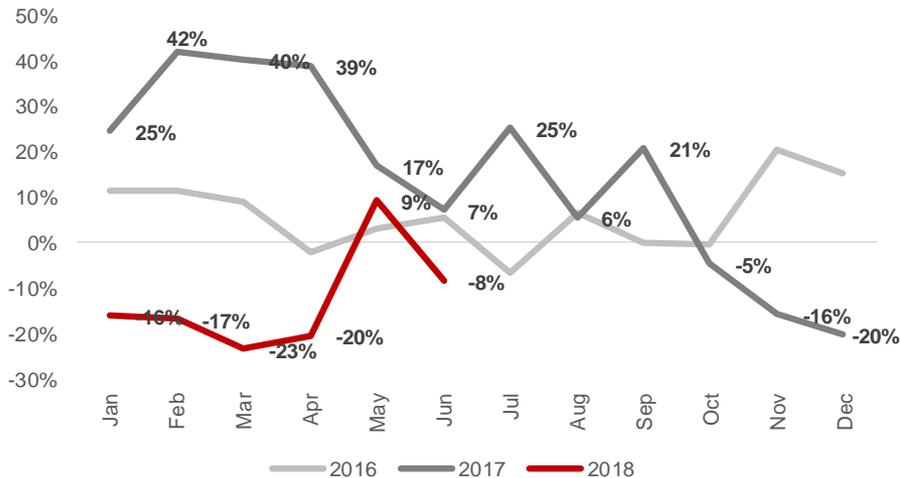
In addition to adjustments made in domestic market, prices have been increased in Romania, Poland, S. Africa and Pakistan

2018 Q2 Performance - Turkey

Market*

- Thanks to a more favorable base and some pull-forward demand in May, contraction was milder compared to 1Q (1Q: -19% 2Q: -7%)
- Despite losing some momentum, A/C demand remained solid (1Q: +42% - 2Q: +13%)
- World Soccer Cup had no impact on the retail demand for TV, which was flat YoY.

Turkish MDA6 Total Market YoY Change



Turkish Market by Product Type (MDA 6)

('000 Units)	2Q18	2Q17	YoY	2Q16	vs. 2Q16
Refrigerator	527	607	-13%	527	0%
Freezer	393	337	17%	205	91%
Washing M.	538	589	-9%	538	0%
Dryer	18	21	-14%	10	70%
Dishwasher	408	472	-14%	394	4%
Oven	285	306	-7%	263	8%
Total	2,169	2,332	-7%	1,939	12%

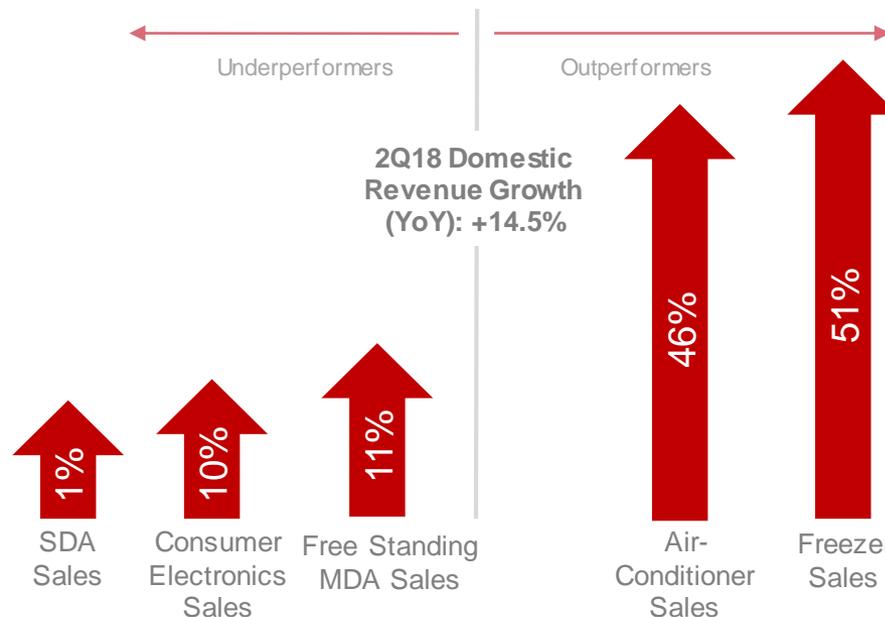
* MDA and A/C figures are based on BESD data.

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

2018 Q2 Performance - Turkey

Arçelik A.Ş.

- Topline growth of 14% was achieved in the domestic market thanks to price adjustments and high performance in A/C segment.
 - In MDA, unit sales was in line with the market in 2Q18 (Market: -7%, Arcelik -9%)
Sell-out sales were once again better as indicated by flat (YoY) installments
 - A/C segment stood as a significant source of revenue growth (2Q: +46%)
 - Improving mix and higher market share in larger screen and UHD TVs.
(share of UHD TV is now 25% vs 12% in 2017)

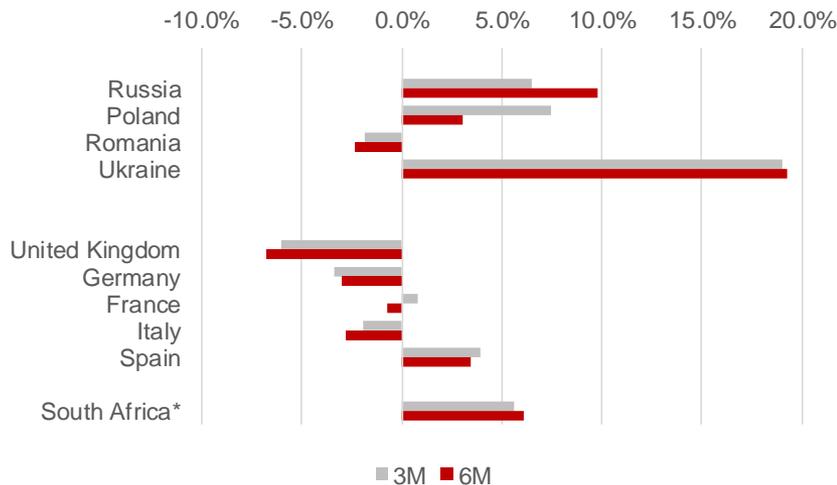


2018 Q2 Performance - International

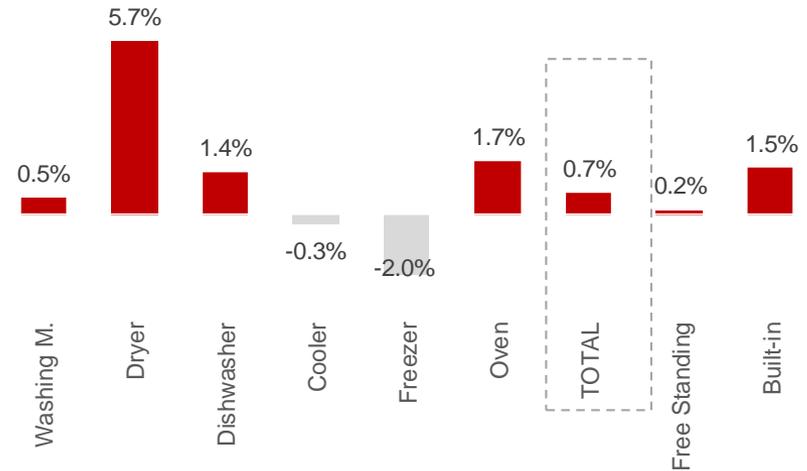
Market*

- West Europe remains sluggish, East Europe is robust but cooled down in 2Q18
 - UK did not improve, Germany is still negative, France turned red, Spain lost some momentum
 - Poland was flat in 2Q, Romania declined further while Russia strengthened
 - As in the previous quarters, shift to built-in continued
- S. Africa extended its positive performance to 2Q18

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



European Market Unit Growth by Product Type (6M18) (%)

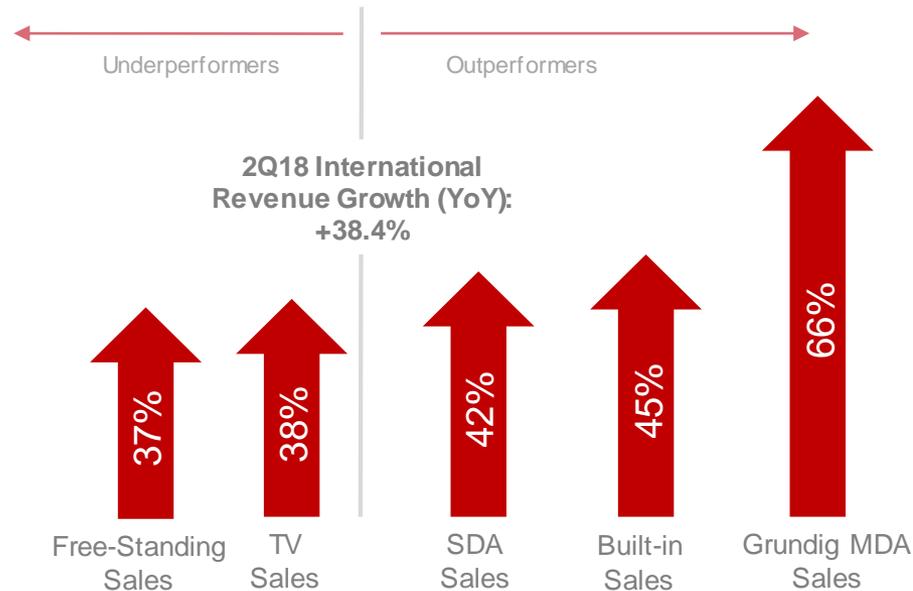


• Figures are based on retail panel of a market research company. S. Africa comparison is based on 4M18 data

2018 Q2 Performance - International

Arçelik A.Ş.

- Topline growth of almost 40% was achieved in international markets thanks to organic growth and TRY devaluation.
 - Share of built-in sales reached ~20% of international MDA sales in 2Q18
 - Grundig MDA sales continue its remarkable performance with ~66% YoY growth in 2Q18
 - SDA sales, another strategic focus, surged by ~42% YoY in 2Q18

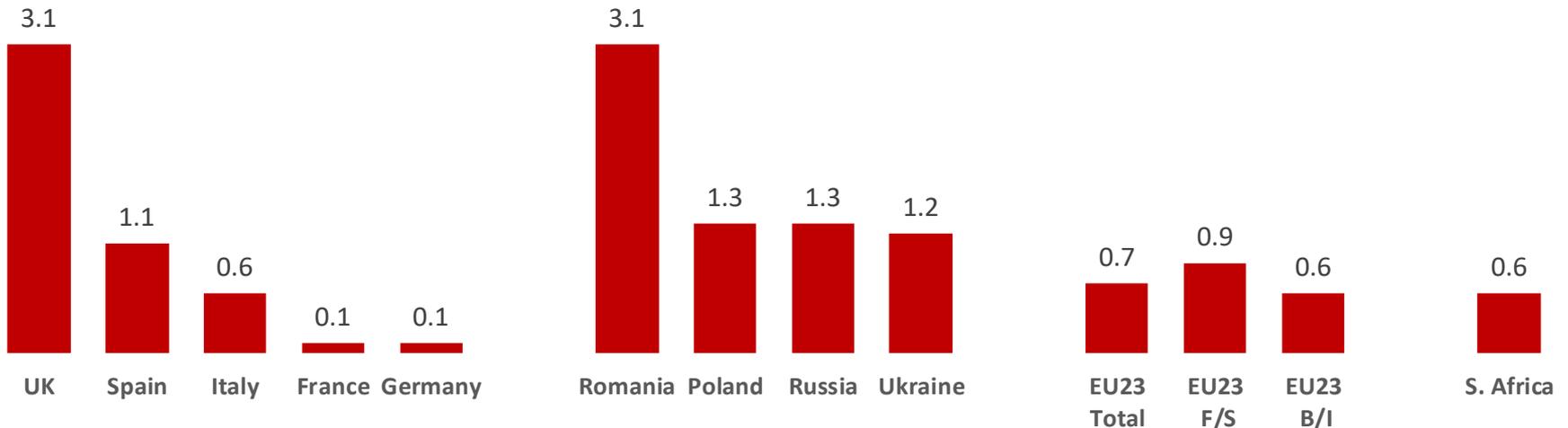


2018 Q2 Performance - International : Europe

Arçelik A.Ş.

- Despite the declining market in West Europe, Arçelik Group outperformed the market with market share gains across all Europe.
- Advantage of depreciating TRY was used in some countries to increase market share and to improve margin in others.
- Price adjustments were done in countries/regions like Spain, Romania and Central Europe.

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



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

S. Africa & Sub-Sahara

- In the domestic market, Defy had a flat topline in hard currency in H1 due to slower Q2.
- Despite the difficult trading environment (forex shortages, etc), exports to Sub-Sahara were up low-single digit (in hard currency) in H1.

ASEAN

- Sales in ASEAN region reached ~USD42mn in 2Q18.
- Refrigerator production in Thailand was ~170 K units, up by 32%.
- Market shares in cooling segment doubled in major countries.

Beko MS in Cooling	June 17	June 18
Malaysia	0.8%	1.4%
Thailand	0.6%	1.3%
Vietnam	0.8%	2.6%

Pakistan

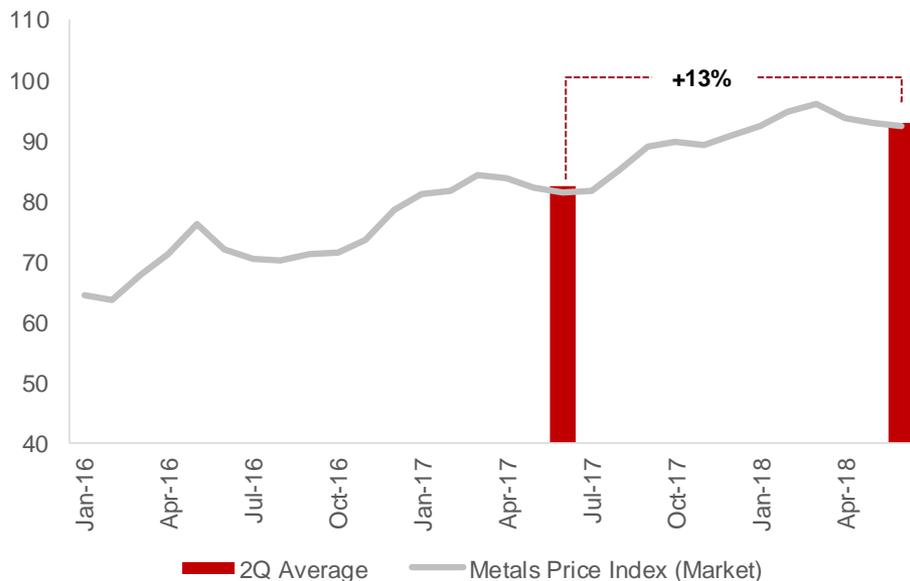
- Dawlance continued to enjoy around 20% topline growth in LC in 2Q2018.
- Price adjustments were done in order to cope up with PKR devaluation, high raw material prices and increased tariffs on imported product/parts.

India

- Work continues on the purchased land in Sanand, Gujarat.
- Initial sales to the JV has already started with sales of TRY 10 million.

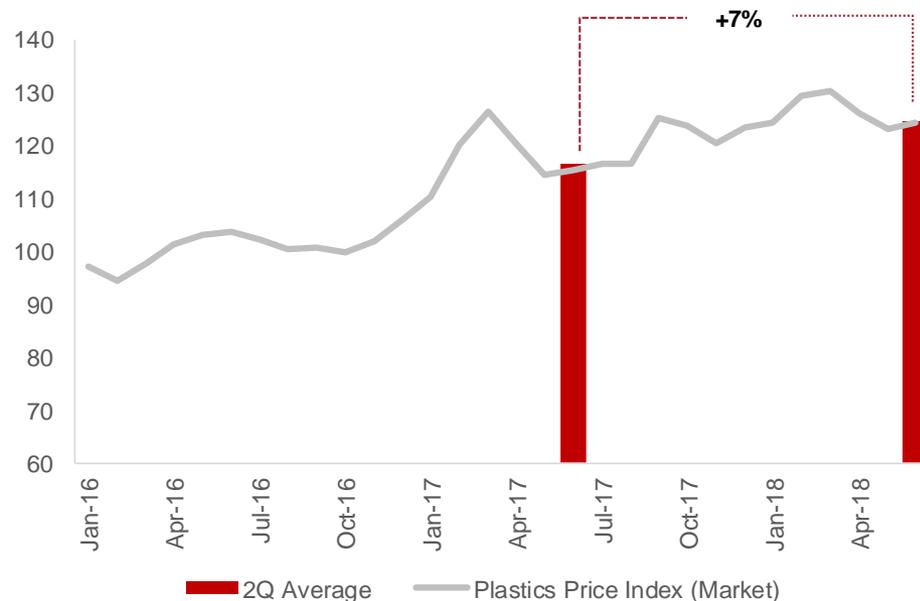
Trends in Raw Material Prices

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

1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
82	83	85	90	94	93

Plastic Prices Index Quarterly Average - Market

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

2018 Q2 Other Developments



Existing operations of industrial motors and payment technologies were spun off as two new companies under the names of «WAT Motor Industry & Trade Inc.» and «Token Financial Technologies» to increase focus and unlock the huge value of both businesses.



The resilient balance sheet of Arçelik A.Ş. was again validated as Fitch Ratings has affirmed the Company's Long-Term Foreign and Local Currency Issuer Default Ratings at "BB+" and upgraded its National Long-Term rating to "AA+" from "AA". The Outlooks are Stable. Fitch has also affirmed Arçelik A.Ş.'s senior unsecured bond rating at "BB+".



Arçelik's commitment to corporate governance was reaffirmed by SAHA Inc. which has increased the Corporate Governance Rating of Arçelik A.S. to 9.53

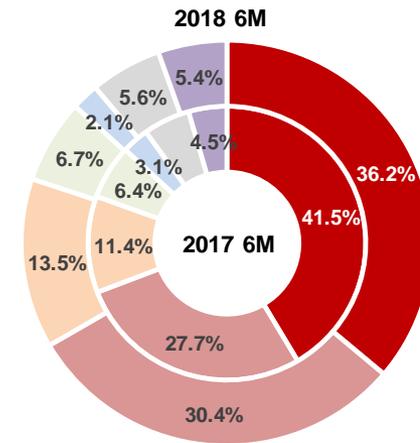
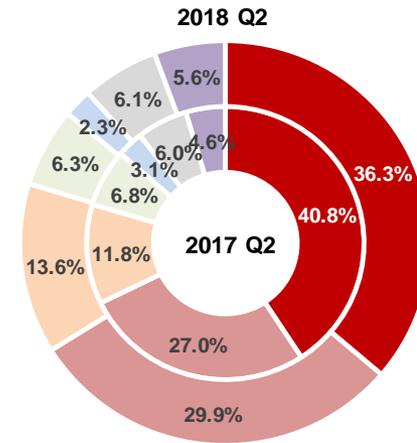
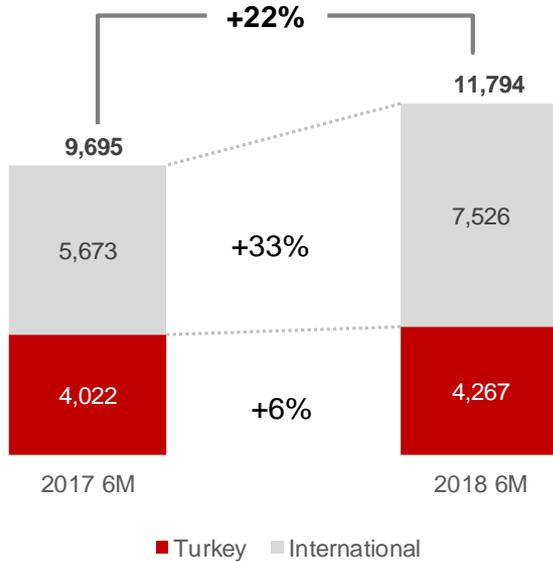
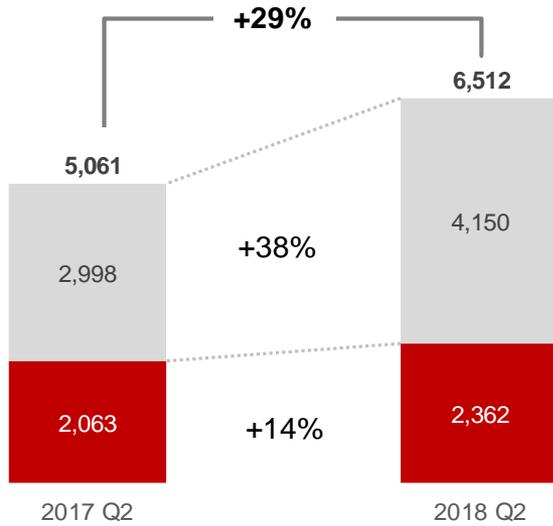
Arçelik Experience Store in Istinyepark Mall won grand prize in 2018's Outstanding Store Design<1200 sqm" category at the 12th World Retail Awards as part of World Retail Congress.



WORLD RETAIL AWARDS

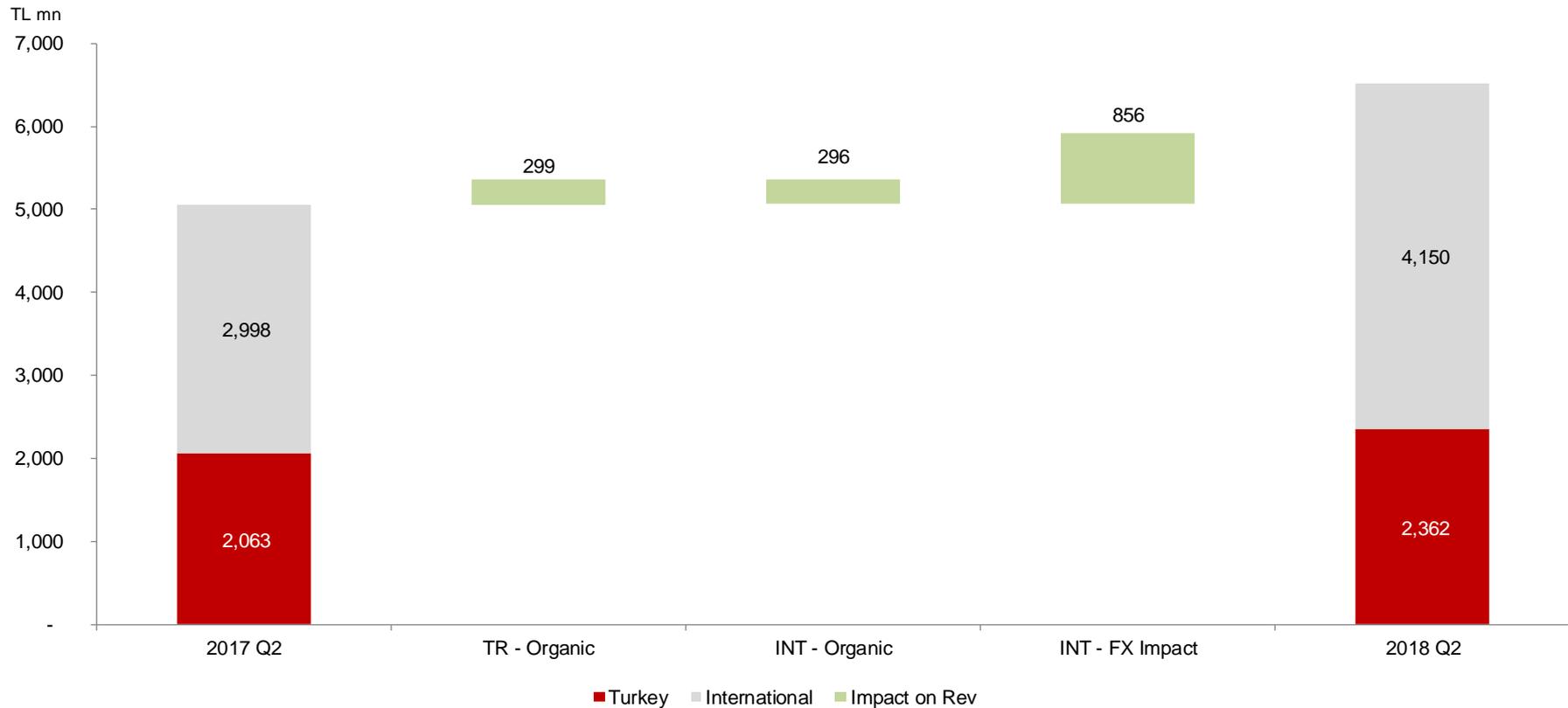
Sales Performance

Sales by Region



- Turkey
- CIS&Eastern Europe
- Middle East
- Other
- Western Europe
- Africa
- Pakistan

Sales Bridge



2018 Q2	Organic	Currency Effect	TOTAL
Domestic Growth	14.5%	0.0%	14.5%
International Growth	9.9%	28.6%	38.4%
Total Growth	11.7%	16.9%	28.7%

Financial Performance

Income Statement

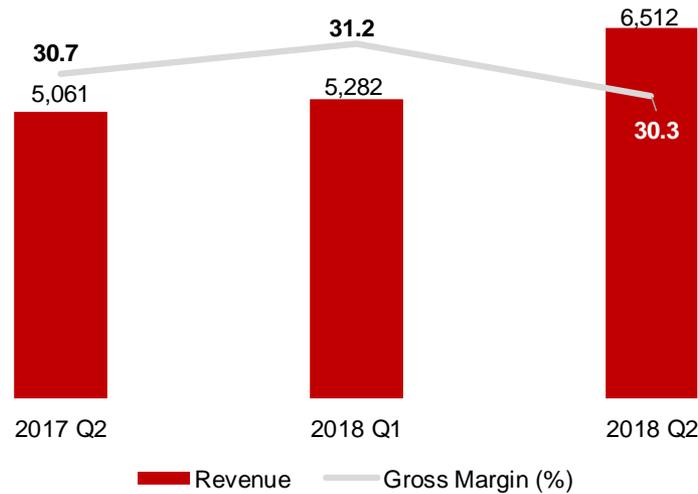
TL mn	2018 Q2	2017 Q2	2018 Q1	Δ% YoY	Δ% QoQ	2018 6M	2017 6M	Δ% YoY
Revenue	6,512	5,061	5,282	29	23	11,794	9,695	22
Gross Profit	1,974	1,554	1,651	27	20	3,625	3,032	20
<i>margin</i>	30.3	30.7	31.2			30.7	31.3	
EBIT *	418	361	373	16	12	792	715	11
<i>margin</i>	6.4	7.1	7.1			6.7	7.4	
Profit Before Tax	189	214	158	-11	20	347	450	-23
<i>margin</i>	2.9	4.2	3.0			2.9	4.6	
Net Income**	145	257	178	-44	-19	322	498	-35
<i>margin</i>	2.2	5.1	3.4			2.7	5.1	
EBITDA*	579	496	523	17	11	1,102	981	12
<i>margin</i>	8.9	9.8	9.9			9.3	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.

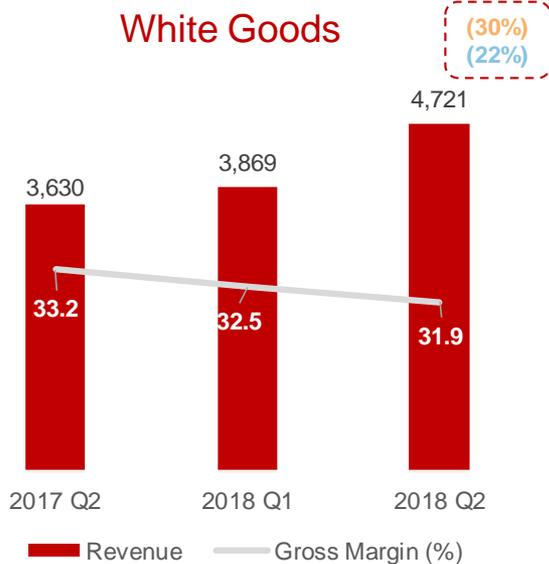
** Net income before minority

Revenue and Gross Profit by Segment

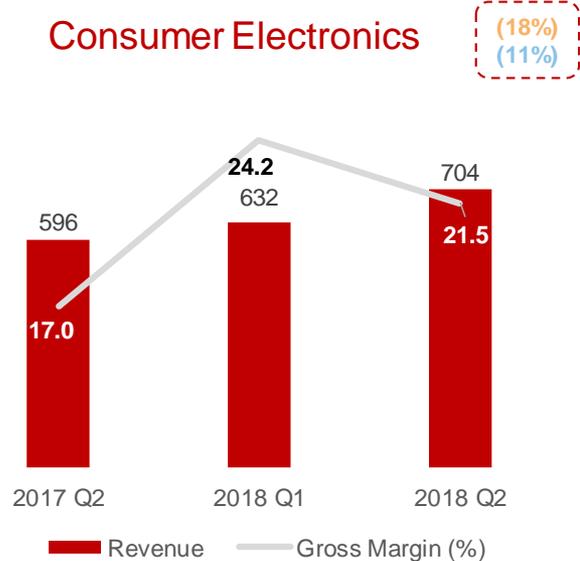
Consolidated



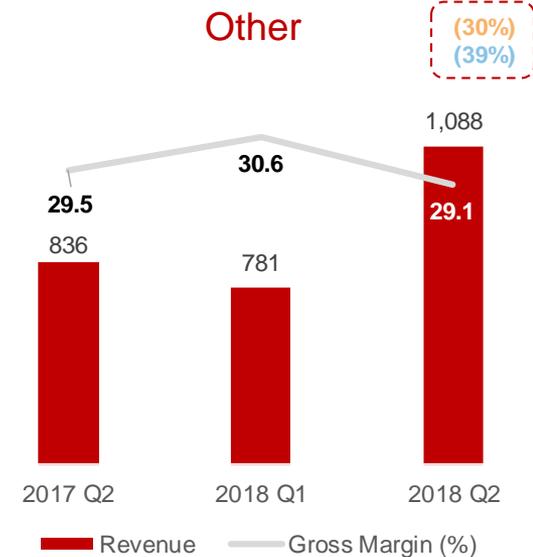
White Goods



Consumer Electronics



Other

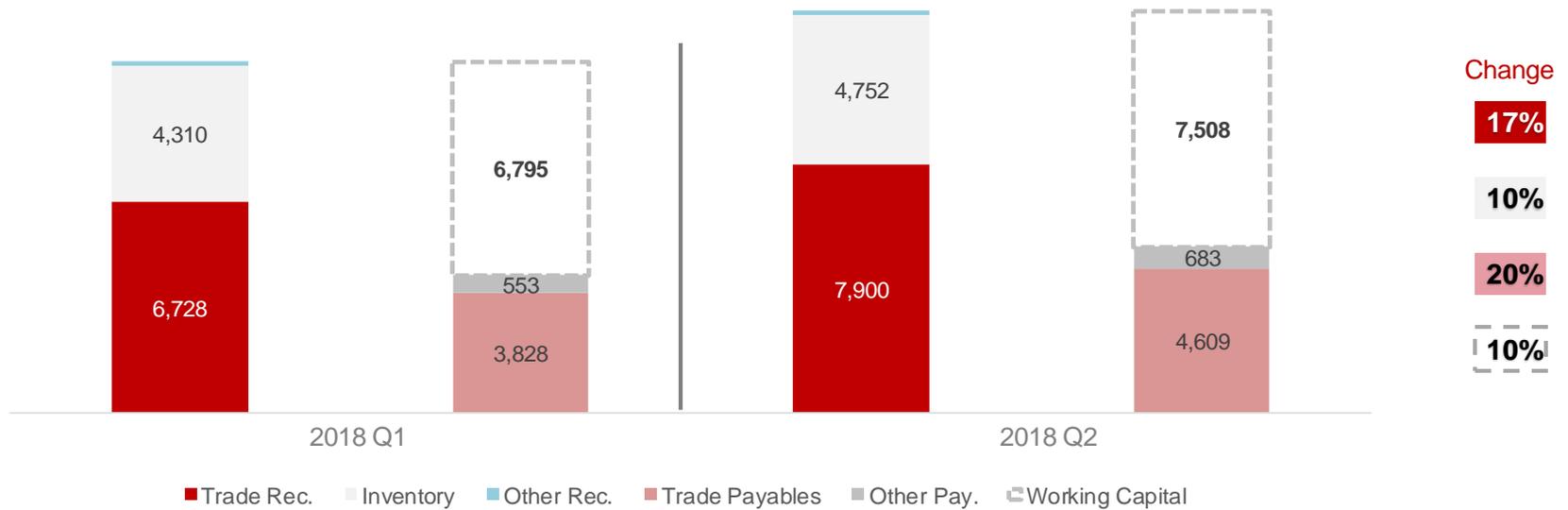


Balance Sheet

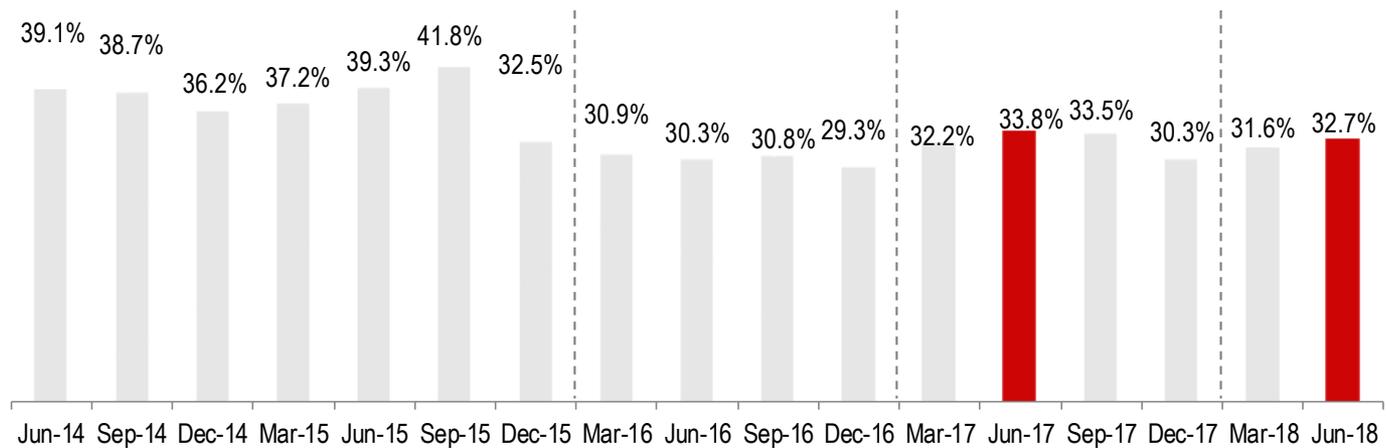
TL mn	30.06.2018	31.12.2017		31.03.2018	31.12.2017
Current Assets	16,369	13,610	Current Liabilities	10,894	8,403
Cash and Cash Equivalents	2,956	2,582	ST Bank Borrowings	4,413	3,262
Trade Receivables	7,900	6,518	Trade Payables	4,609	3,576
Inventories	4,752	3,780	Provisions	542	431
Other	760	730	Other	1,329	1,135
Non-current Assets	8,000	6,827	Non-current Liabilities	6,258	5,118
Property, Plant and Equipment	3,694	3,265	LT Bank Borrowings	5,029	4,114
Intangible Assets	2,886	2,578	Other	1,230	1,004
Financial Investments	365	285	Equity	7,216	6,915
Other	1,055	699	Total Liabilities	24,368	20,436
Total Assets	24,368	20,436			

	30.06.018	31.12.2107	31.12.2016	31.12.2015
Net Financial Debt/Equity	0.90	0.69	0.69	0.70
Total Liabilities/Total Assets	0.70	0.66	0.66	0.66

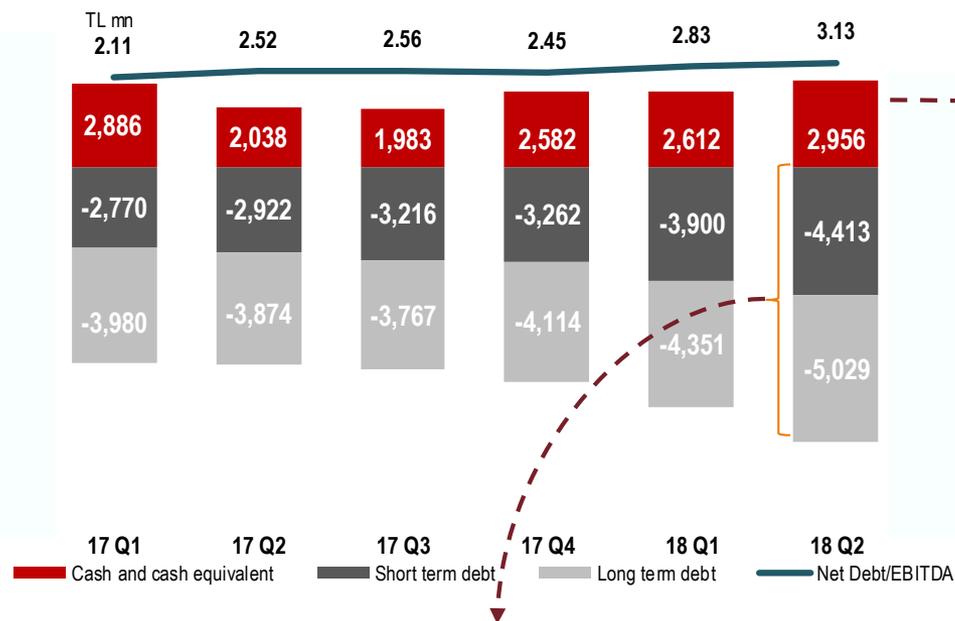
Working Capital



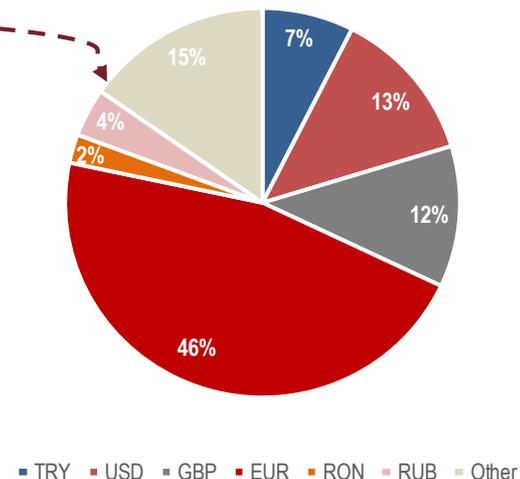
Working Capital / Sales



Cash&Debt Profile



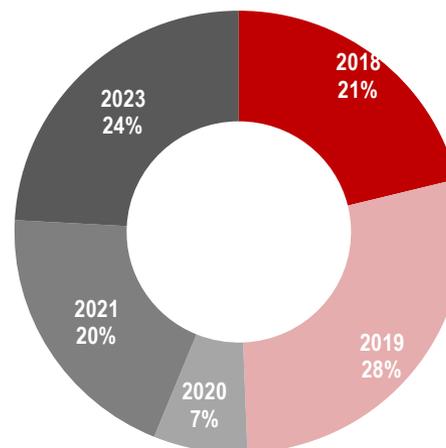
Cash breakdown by currency



Debt profile (as of Jun 30 2018)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	15.2%	3,666	3,666
EUR	1.0%	148	786
ZAR	9.6%	800	265
CNY	4.4%	24	17
GBP	1.3%	6	34
USD	4.9%	28.9	131.6
SEK	0.5%	2	1
PKR	6.6%	8,834	329
Total Bank Borrowings			5,230
USD	5.1%	505	2,302
EUR	4.0%	360	1,911
Total Eurobond			4,212
Total			9,442

Debt maturity profile



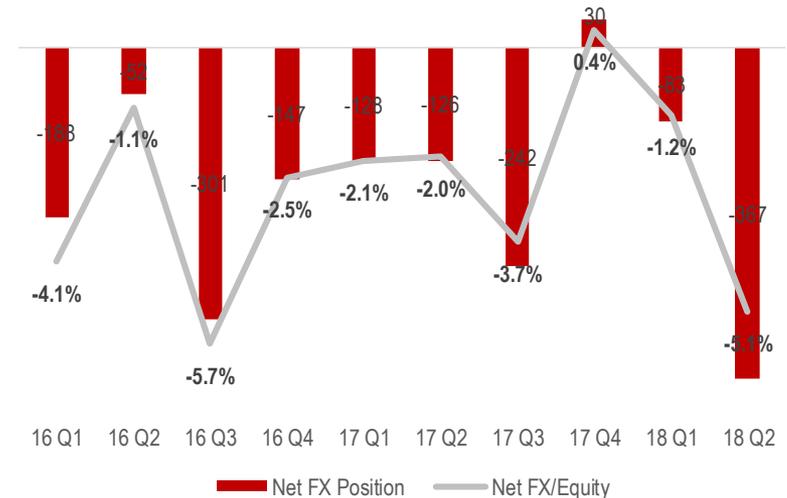
FX Hedging Policy

FX POSITION - CONSOLIDATED

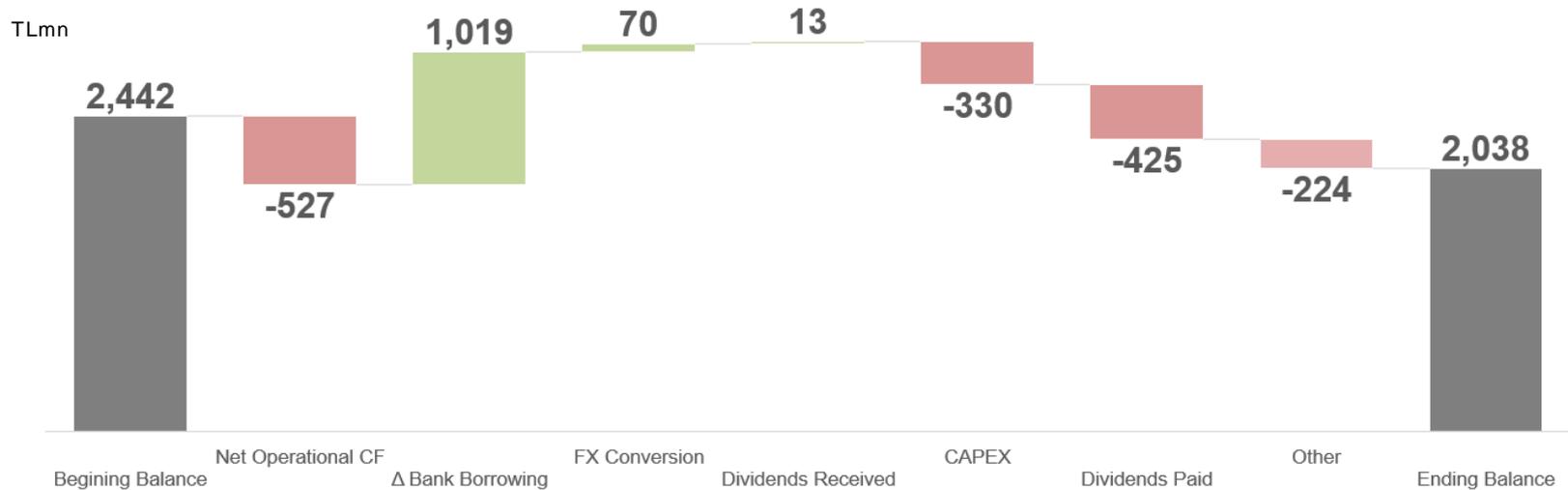
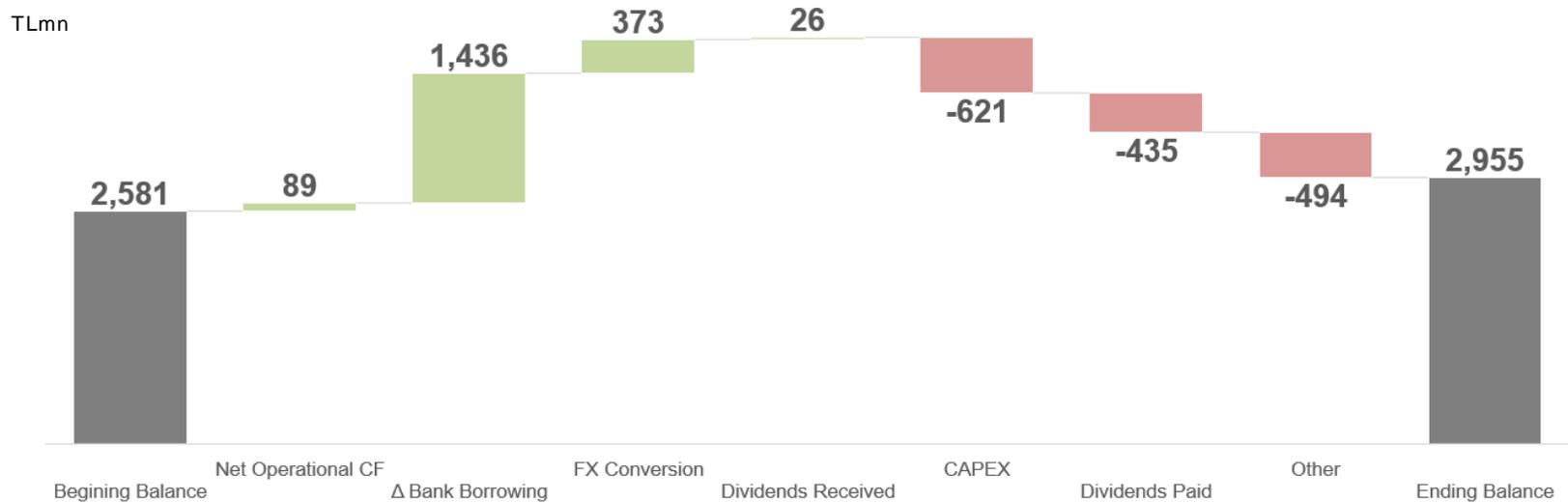
(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	-670	714	44
USD	-2,312	1,959	-353
GBP	550	-566	-16
Other	672	-714	-42
TOTAL	-1,760	1,393	-367
Net FX Position/Equity			-5.1%

- 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 28 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



2018 Expectations

2018 Expectations

MARKET

White goods
market volume
growth

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

ARÇELİK A.Ş.

PREVIOUS

NEW

Revenue Growth

Around 20% in TRY

Around 25% in TRY

EBITDA Margin
(2018)**

Around 10%

Around 9,5%

EBITDA (2018)**

TRY 2,38-2,62 bln.

TRY 2,35-2,60 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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