

Arcelik A.Ş.

2018 3-Month Financial Results

April 26, 2018

2018 Q1 Summary

- Strong organic growth in international sales coupled with weak TRY led to topline growth
- Tighter opex management, strong EUR/USD improved EBITDA margin on a QoQ basis.
- W. Europe had a negative start while E. Europe continues to be strong
- Market share gains all across Europe, mainly in built-in segment
- Price adjustments in domestic market continued during the quarter
- Working capital deteriorated slightly mainly due to TRY depreciation at quarter-end
- Net leverage increased due to dividend payment in Q1, translation impact of higher FX denominated debt and higher TRY interest rates

Net Sales
TRY 5.3 bln.

**EBITDA
Margin**
9.9%

WC / Sales
31.6%

Leverage
2.83X

2018 Q1 Sales Performance

Key Factors Impacting Revenues



International Growth*

Despite the weak demand in W. Europe, where Arcelik gained market share, E. Europe, S. Africa and Pakistan were strong during the quarter.



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 market was sluggish as expected due to high base of last year

** Based on January-February 2018 retail sales data*

2018 Q1 Margin Performance

Key Factors Impacting Margins



Pricing

Price hikes in domestic market



OPEX

Opex-to-Sales ratio improved by 140bps QoQ and 50bps YoY thanks to operational leverage and strict opex control



EUR/USD

Strong Euro against Dollar continued to have a positive impact on profitability of international sales



Panel Prices & TV Product Mix

Panel prices have been declining since mid 2017 and helped margins in CE as well as focus on a better product mix



Raw Material

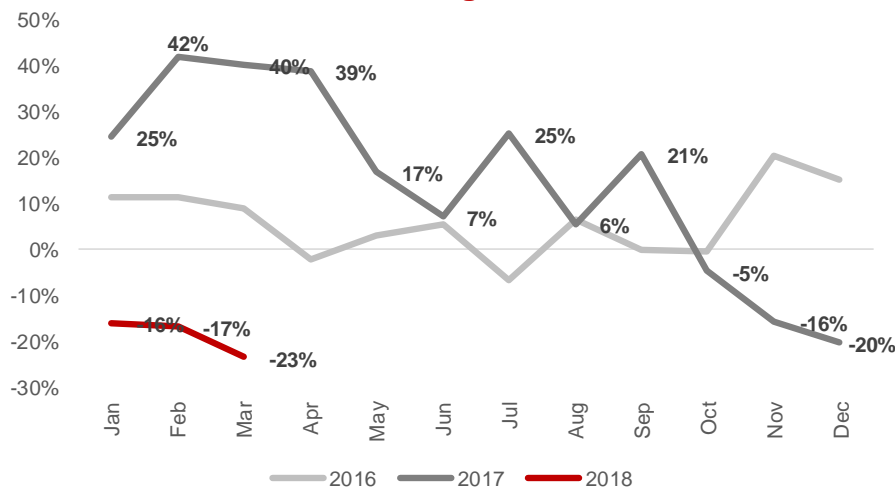
As budgeted, metal and plastic prices remained elevated

2018 Q1 Performance - Turkey

Market

- Sell-in demand for MDA continues to be sluggish due to high base of last year. (3M: -19%)
- Contraction in sell-out side was milder. (-10-15%)
- On the contrary, A/C demand was exceptionally strong (3M: +42%)
- Retail demand for TV* was flat YoY with increasing share of larger screen sizes

**Turkish MDA6 Total Market
YoY Change**



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

('000 Units)	1Q18	1Q17	YoY
Refrigerator	397	468	-15%
Freezer	195	247	-21%
Washing M.	476	608	-22%
Dryer	35	37	-5%
Dishwasher	369	486	-24%
Oven	222	253	-12%
Total	1,694	2,099	-19%

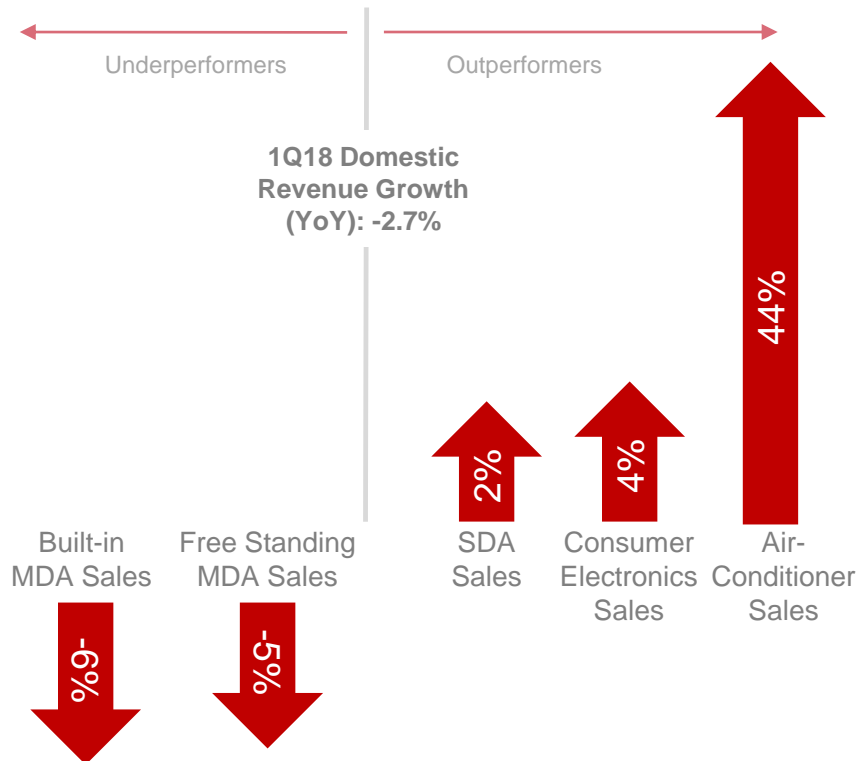
• MDA and A/C figures are based on BESD data.

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

2018 Q1 Performance - Turkey

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- Destocking at dealers and high base of 2017 led to a higher decline than the market in MDA (2018Q1: Market: -19%, Arçelik -25% vs. 2017Q1: Market: +36%, Arçelik +42%)
- Strong revenue generation in A/C segment with start of first local production using R32 gas and 10-year guarantee for inverter
- Improving mix and higher market share in larger screen and UHD TVs.

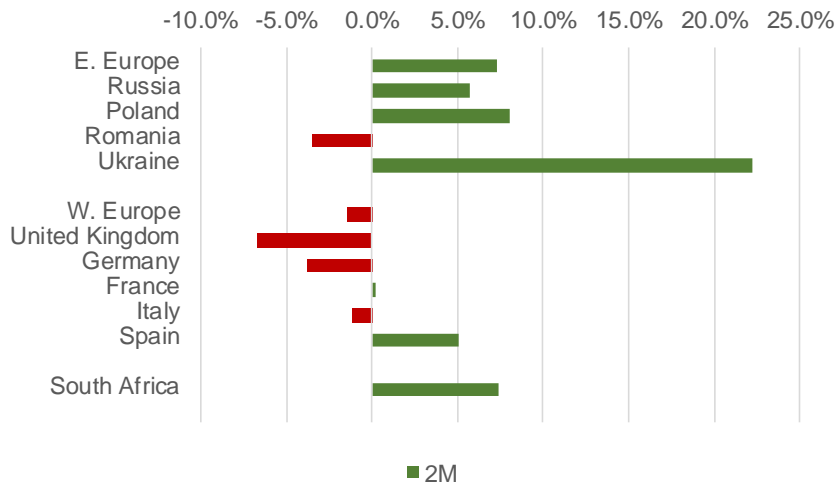


2018 Q1 Performance - International

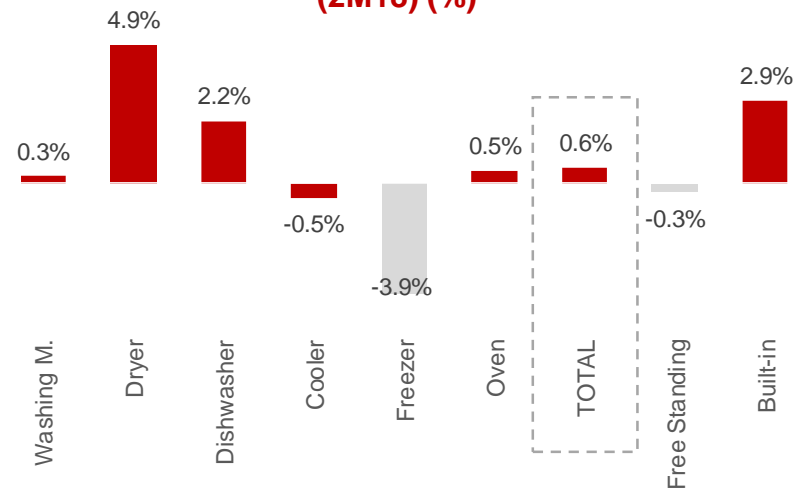
Market

- Germany and UK led the negative start in W. Europe while E. Europe started robust
 - France was flat, Spain protected its momentum while Italy contracted
 - Strong growth goes on in E. Europe in general, except for Romania due to high base
 - As in the previous quarters, shift to built-in continued in 1Q18
- S. Africa recorded strong growth, on top of its positive performance in 2017

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



European Market Unit Growth by Product Type (2M18) (%)



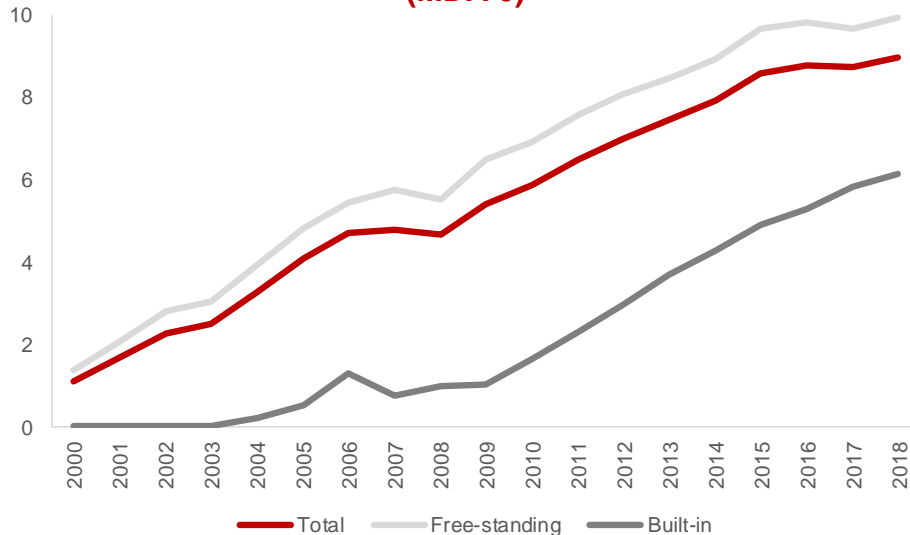
Figures are based on retail panel of a market research company.

2018 Q1 Performance - International : Europe

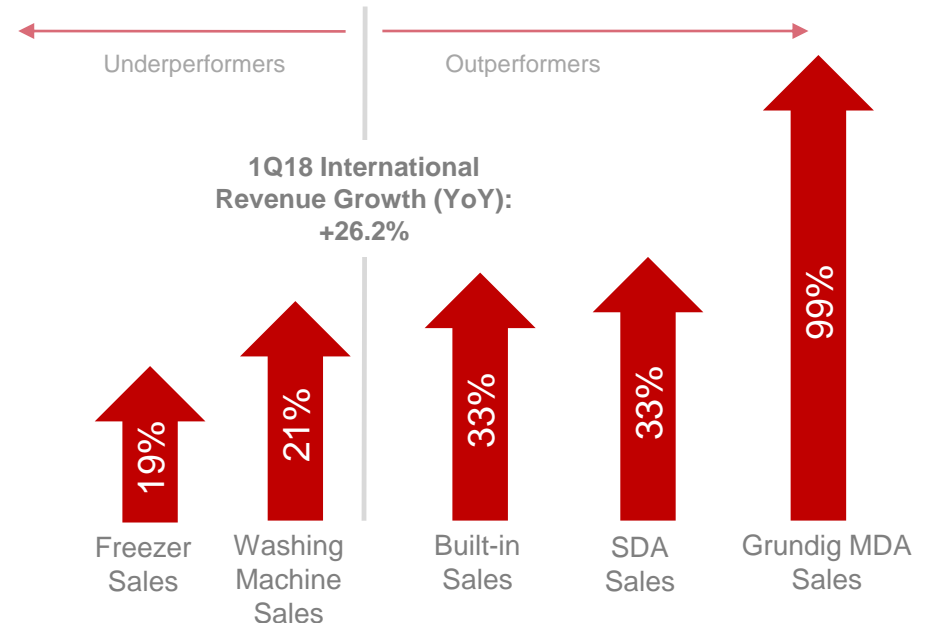
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- 2M18 marked a succesful period in terms of market share gains all across Europe:
 - Arçelik Group was among the top performers for both FS and BI segments in total Europe
 - Arçelik Group became no.1 in UK and no.2 in Spain
- Beko was the top market share gainer and became 4th brand in built in segment
- Grundig MDA sales almost doubled YoY with significant market share gains

Beko Unit Market Share in Europe (%) (MDA 6)



Figures are based on retail panel of a market research company for Jan-Feb 18



S. Africa & Sub-Sahara

- Defy continues its far-ahead leading position in domestic market with almost 40% share.
- Though it's still a niche (<10% of market), growth of Defy in BI was strong (>65% share)
- Exports of Defy to Sub-Sahara growing by more than 10% in hard currency

ASEAN

- In line with expanding distribution, ASEAN region sales reached ~USD35mn in 1Q18
- Refrigerator production in Thailand was almost 80 K units, increasing by more than 30%

Pakistan

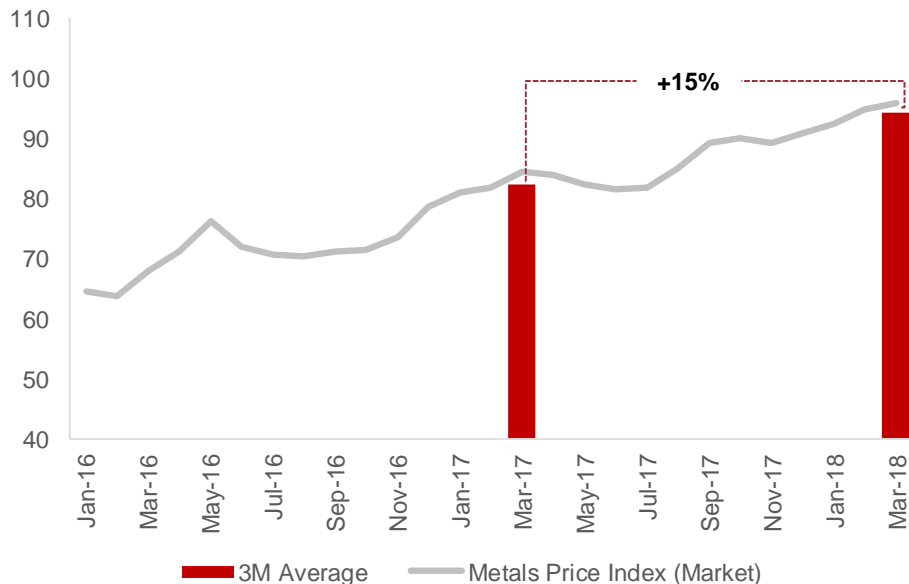
- High performance in washing machines, cooking appliances and A/C led to almost 20% topline growth (in LC) in Q1
- Execution of first Dawlance mono brand shop in April

India

- Purchase of the land for the refrigerator plant has been completed.
- Trade operations of JV is to start by mid-year, with sales of around USD 25-30 mio..

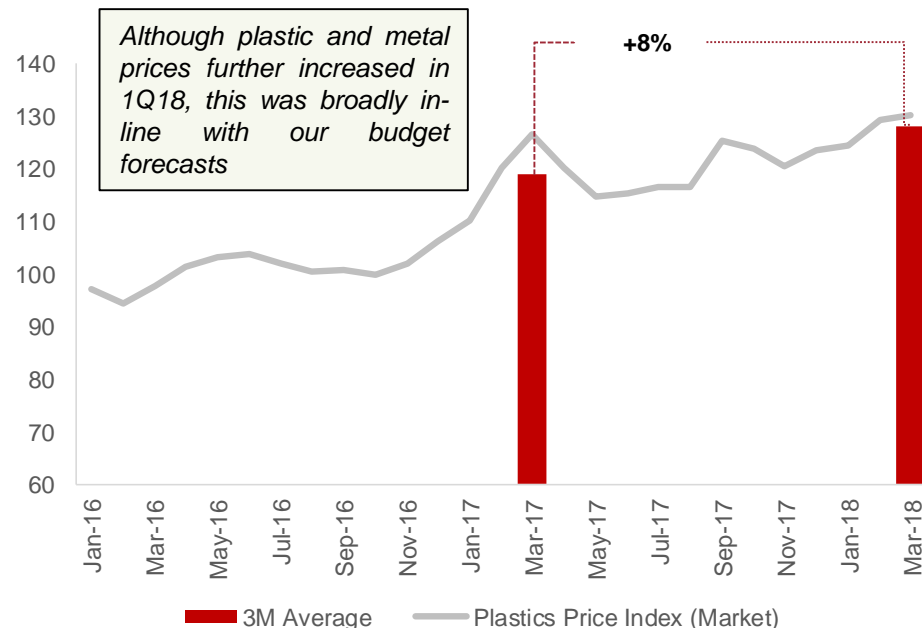
Trends in Raw Material Prices

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

4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
74	82	83	85	90	94

Plastic Prices Index Quarterly Average - Market

4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
103	119	117	119	123	128

2018 Q1 Other Developments



- Beko announced the extension of its sponsorship of FC Barcelona over the next three sportive seasons.

- The extension coincided with the launch of a global initiative '*Eat Like A Pro*' campaign that aims to help tackle the global epidemic of childhood obesity.



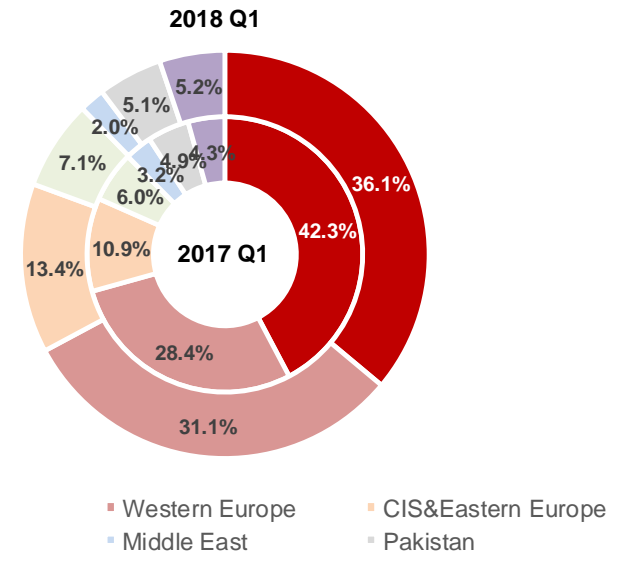
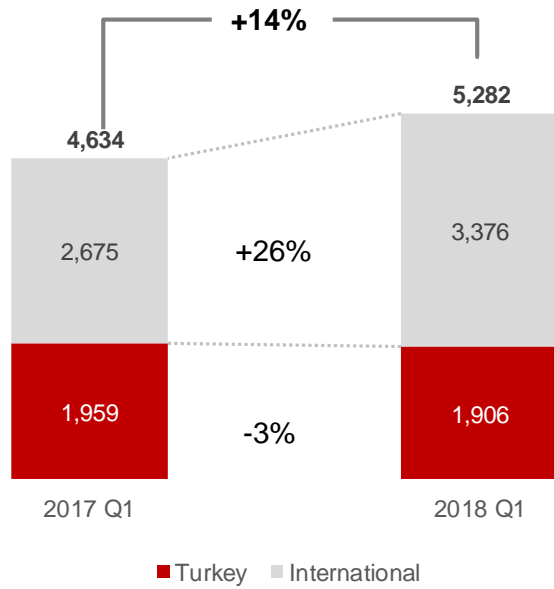
- In collaboration with Divan hotel chain, Arçelik launched *Asista*, a voice intelligent system.

- In the last week of March 2018, Arçelik A.Ş. paid a total of TRY 435 mio. gross cash dividends to shareholders.

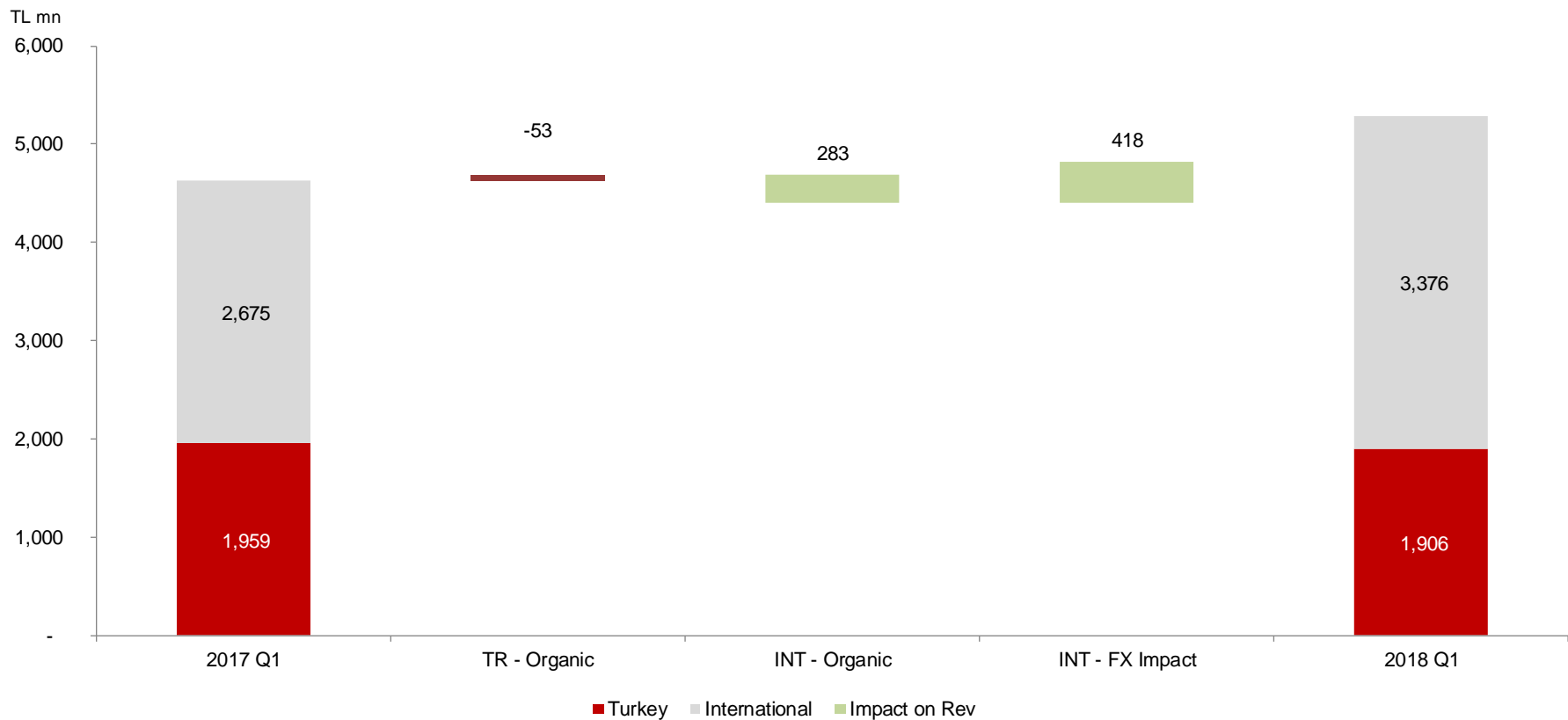


Sales Performance

Sales by Region



Sales Bridge



2018 Q1	Organic	Currency Effect	TOTAL
Domestic Growth	-2.7%	0.0%	-2.7%
International Growth	10.6%	15.6%	26.2%
Total Growth	5.0%	9.0%	14.0%

Financial Performance

Income Statement

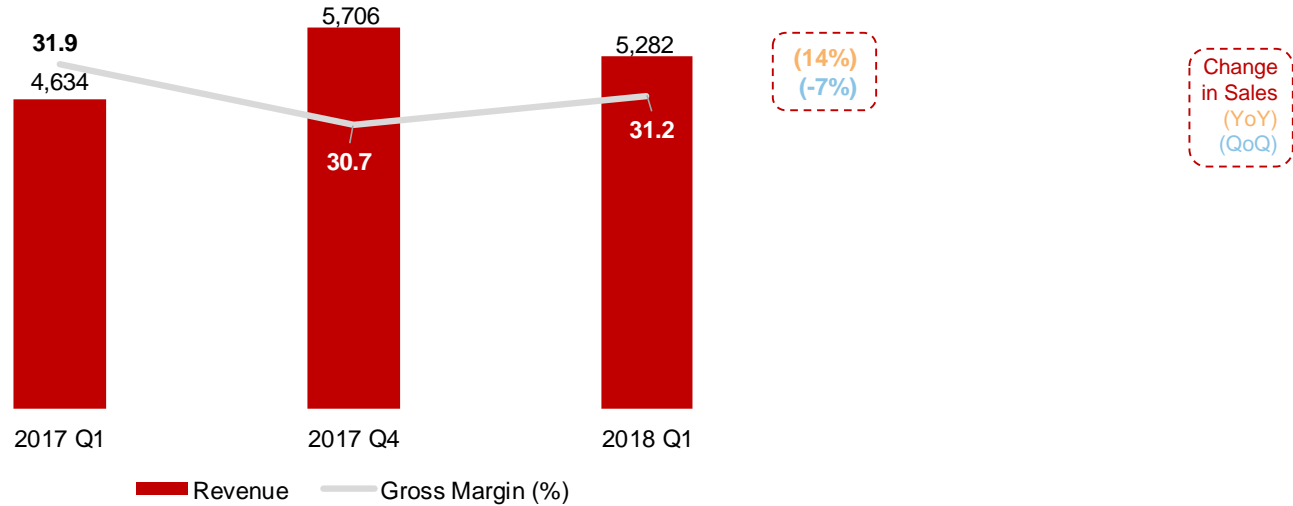
TL mn	2018 Q1	2017 Q1	2017 Q4	Δ% YoY	Δ% QoQ	2017	2016	Δ% YoY
Revenue	5,282	4,634	5,706	14	-7	20,841	16,096	29
Gross Profit	1,651	1,478	1,749	12	-6	6,506	5,340	22
<i>margin</i>	31.2	31.9	30.7			31.2	33.2	
EBIT *	373	354	282	6	32	1,406	1,331	6
<i>margin</i>	7.1	7.6	4.9			6.7	8.3	
Profit Before Tax	158	237	112	-33	41	821	1,202	-32
<i>margin</i>	3.0	5.1	2.0			3.9	7.5	
Net Income**	178	241	90	-26	97	845	1,304	-35
<i>margin</i>	3.4	5.2	1.6			4.1	8.1	
EBITDA*	523	485	427	8	23	1,954	1,769	10
<i>margin</i>	9.9	10.5	7.5			9.4	11.0	

* 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.

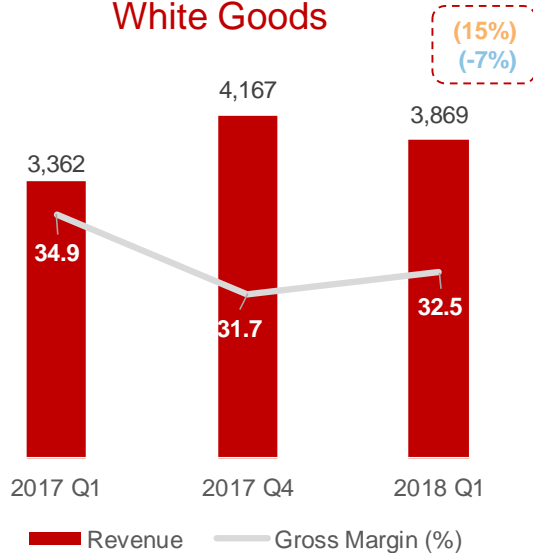
** Net income before minority

Revenue and Gross Profit by Segment

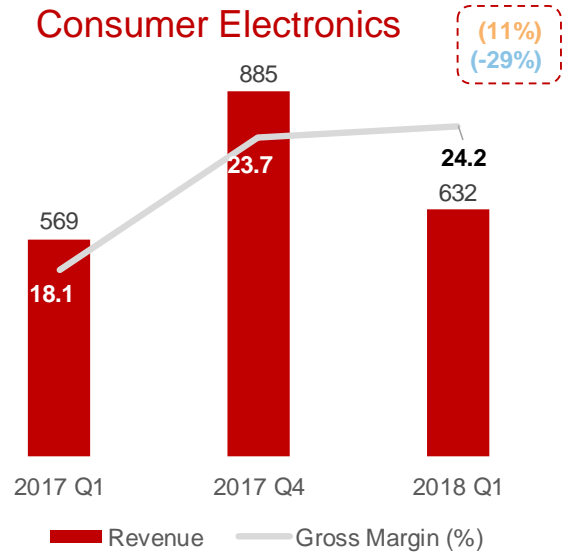
Consolidated



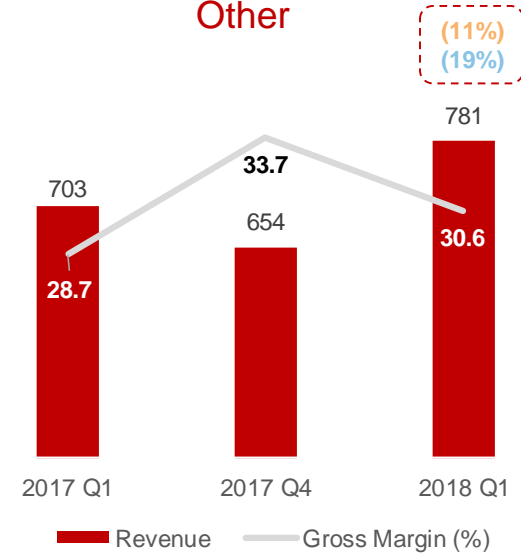
White Goods



Consumer Electronics



Other

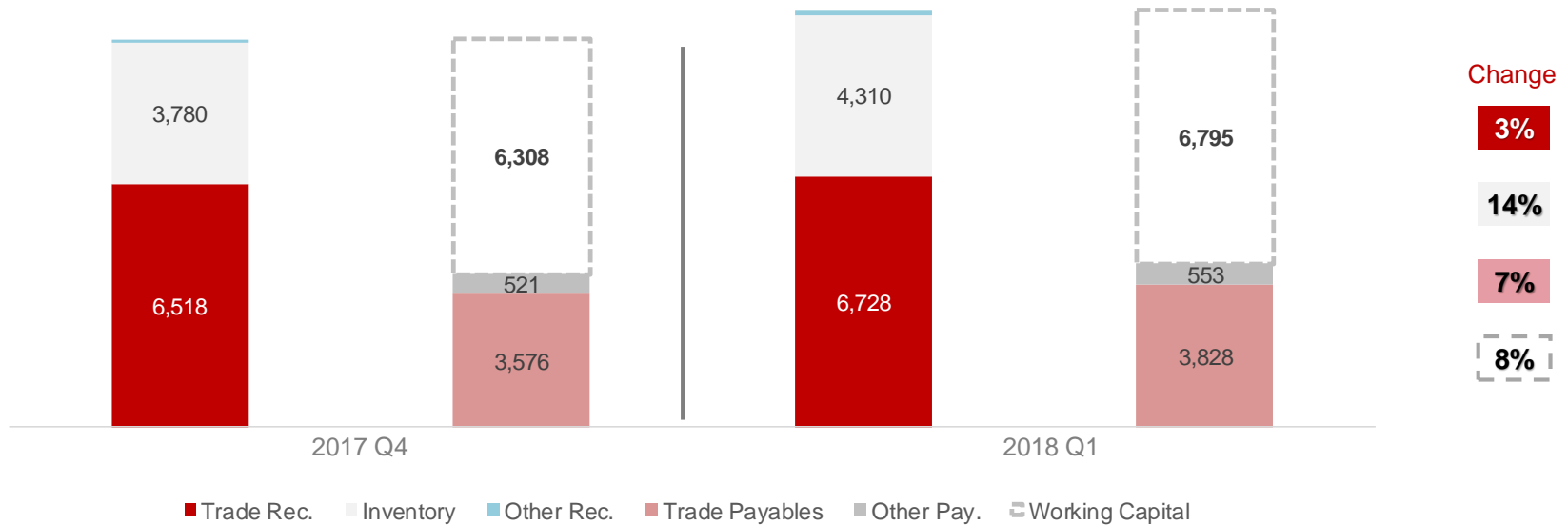


Balance Sheet

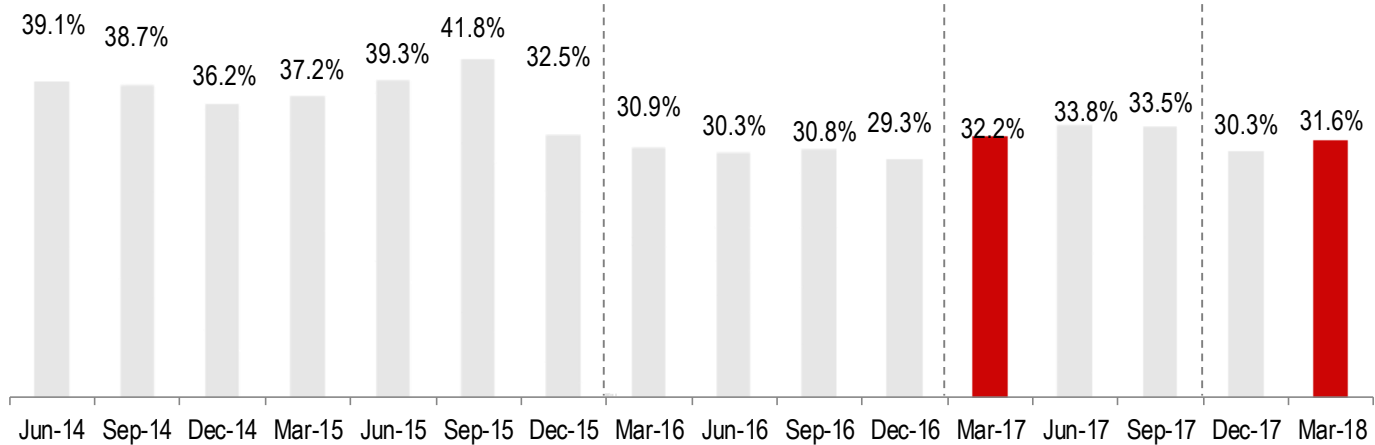
TL mn	31.03.2018	31.12.2017		31.03.2018	31.12.2017
Current Assets	14,444	13,610	Current Liabilities	9,335	8,403
Cash and Cash Equivalents	2,612	2,582	ST Bank Borrowings	3,900	3,262
Trade Receivables	6,728	6,518	Trade Payables	3,828	3,576
Inventories	4,310	3,780	Provisions	522	431
Other	794	730	Other	1,084	1,135
Non-current Assets	7,208	6,827	Non-current Liabilities	5,536	5,118
Property, Plant and Equipment	3,407	3,265	LT Bank Borrowings	4,351	4,114
Intangible Assets	2,700	2,578	Other	1,185	1,004
Financial Investments	294	285			
Other	806	699	Equity	6,780	6,915
Total Assets	21,651	20,436	Total Liabilities	21,651	20,436

	31.03.018	31.12.2107	31.12.2016	31.12.2015
Net Financial Debt/Equity	0.83	0.69	0.69	0.70
Total Liabilities/Total Assets	0.69	0.66	0.66	0.66

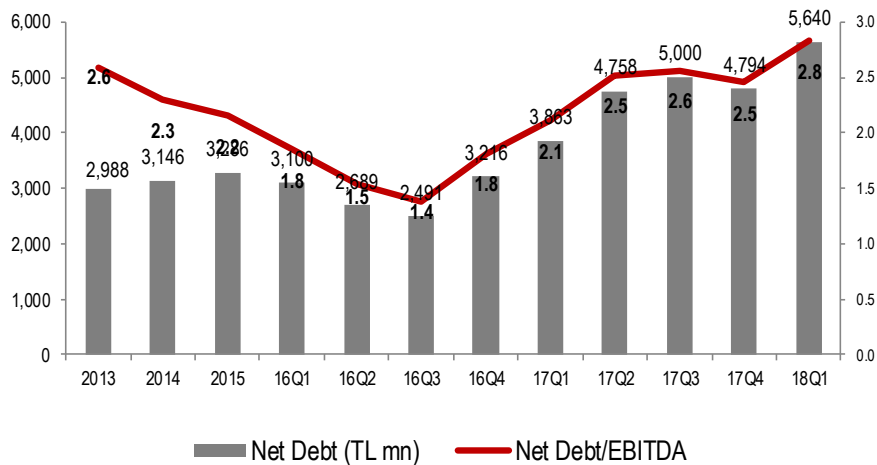
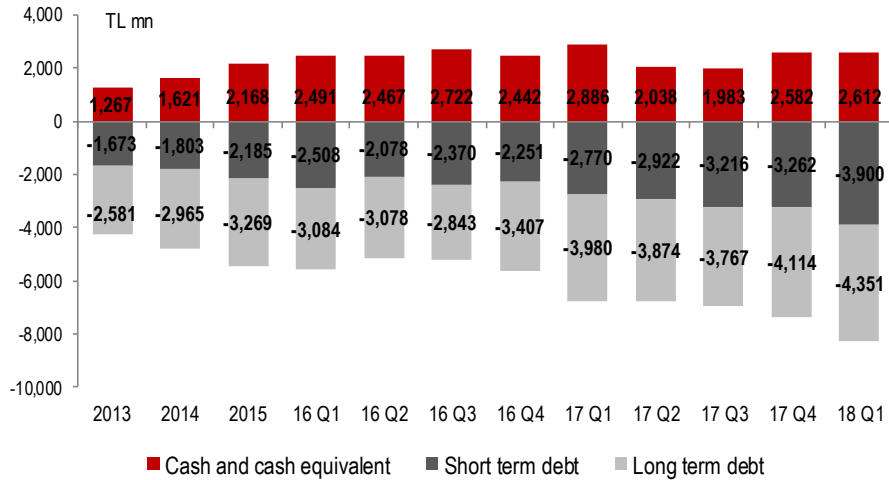
Working Capital



Working Capital / Sales



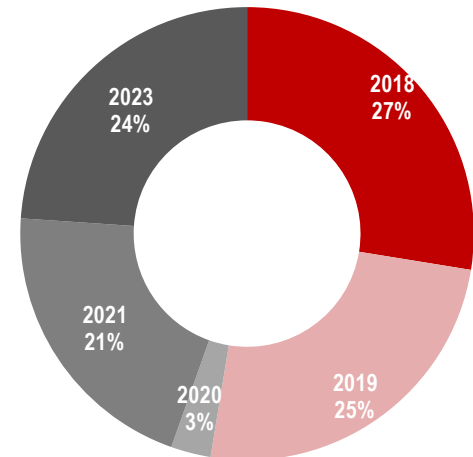
Debt Profile



Debt profile (as of Mar 31 2018)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	14.3%	3,220	3,220
EUR	1.2%	131	637
ZAR	9.7%	750	251
CNY	4.4%	24	15
GBP	1.1%	5	30
USD	2.2%	0.0	0.1
SEK	0.5%	2	1
PKR	6.5%	10,245	348
Total Bank Borrowings			4,501
USD	5.1%	511	2,016
EUR	4.0%	356	1,734
Total Eurobond			3,751
Total			8,251

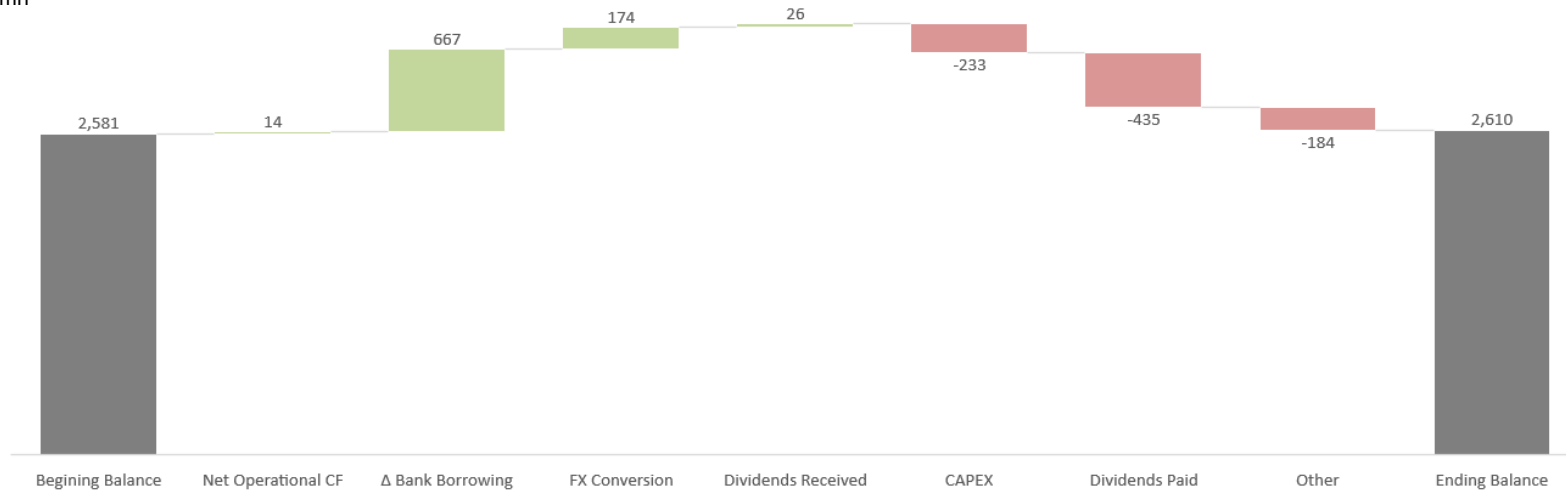
Debt maturity profile



Cash Flow

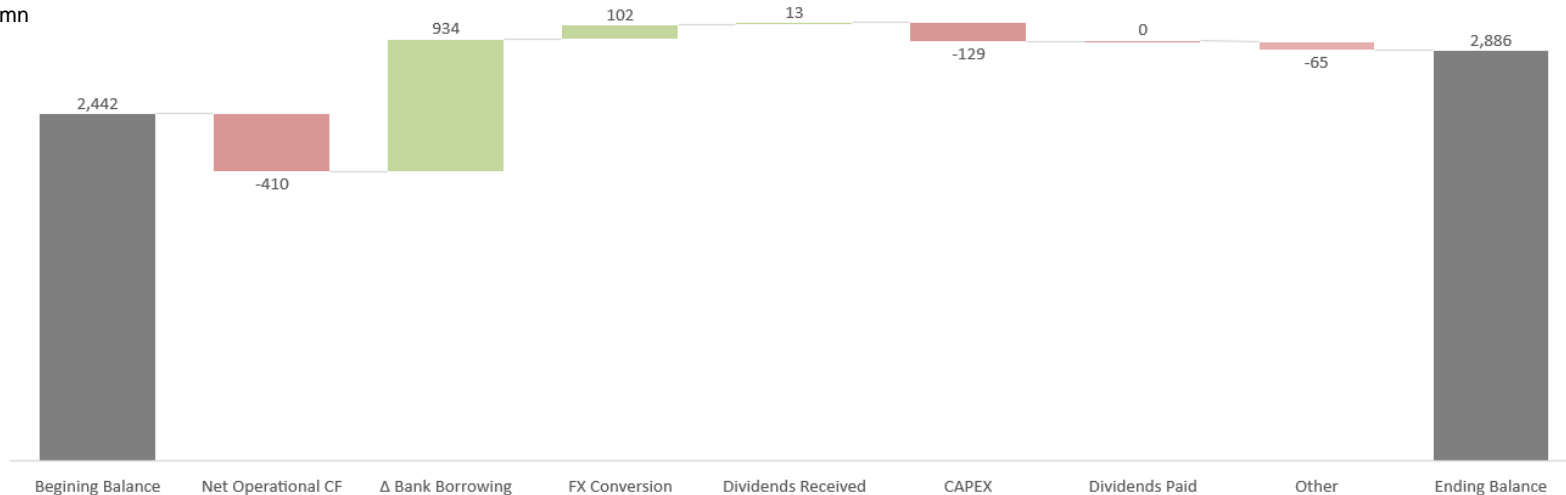
TLmn

2018
3M



TLmn

2017
3M



2018 Expectations

2018 Expectations

MARKET

**White goods market
volume growth**

Turkey* : [-5% - flat] sales volume
Flat (previous)
International : ~%2

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Market Share

Stable or higher market share
in key regions

Revenue Growth

Around 20% in TRY

EBITDA Margin (2018)**

Around 10%

**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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