

Arçelik

2020 – 3 Month Financial Results

Quarter Highlights

- Top line growth of 13%
- Flat gross profitability (QoQ)
- OPEX/Sales at 27%, largely due to depressed international sales in March
- One-off contribution of TRY217mn in EBITDA
- TRY 495 mn. FCF* in 1Q20
- Improvement in working capital and leverage despite currency impact

TRY7.8bn

Revenue

11.2%

EBITDA Margin

26%

NWC/Sales Ratio

2.3x

Leverage

COVID-19 Impact

Asia – Supply Chain

- Alternative suppliers after disruption in the chain
- Impact on production was limited in January-February.
- Our Chinese suppliers reached almost full capacity in March
- In Q1, China and ASEAN sales were below ~30% of the budget

Production

- In Q1, production stopped in China initially due to Chinese New Year and then the virus outbreak.
- In April, production stopped in Pakistan, Bangladesh and South Africa due to countrywide lockdowns.
- Currently, all facilities except Pakistan and S. Africa are running with lower CUR.

Key Markets and Demand

- Spread to Europe and other key markets started in March
- March international sales are down by ~20% in unit terms.
- April EMENA revenue down by ~35% in EUR terms
- Turkey remained resilient in March

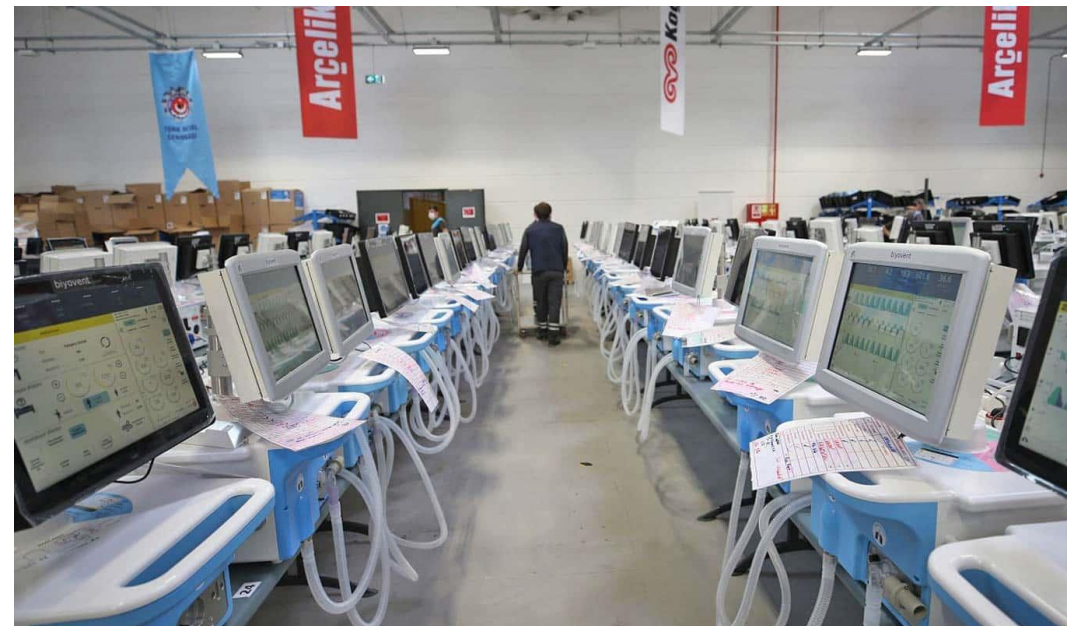
Measures Taken

- Strict social distancing and hygiene measures in operational factories, dealer and after sales service network in Turkey (only 3-4% of dealers are closed in domestic market)
- Most of office employees (>75%) are working "home office"
- SKU optimization to prevent any inventory build-up
- CAPEX and OPEX prioritization

COVID-19 Impact

Serving Communities

- Under a co-joint project, supervised by Ministry of Industry and Ministry of Health, mass production of medical ventilators, which are critical in treating the novel coronavirus, started in our TV plant in Cerkezkoy.
- Through “Health Workers Support Movement”, Arçelik Group brands are making a pledge to support healthcare professionals by donating major appliances and small home appliances to hospitals in many countries.
- As Arcelik Group, we try to support elderly people in various countries by prioritizing service requests or offering free service.



Competitive Edge During and Post COVID-19

Operational Advantages

- Most of the production facilities are still operational (TR and RO already account for 75% of total capacity)
- Impact on domestic demand was relatively lower
 - April Turkey MDA6 Sell-in units: ~-15%
 - April Turkey MDA6 Sell-out units: ~-10%
- Strong global after sales service during COVID-19 lockdowns
- Well-suited market positioning in Europe for demand recovery
- Tailwinds in raw-material prices
- Lower interest rates especially in Turkey
- Digital transformation to help both online sales and daily business operations

Strong Balance Sheet and Liquidity

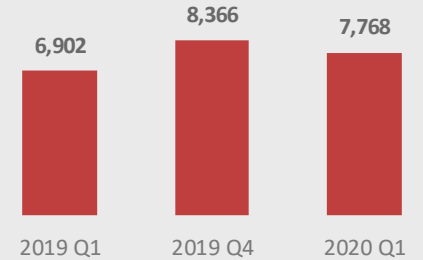
- TRY 7.8 bn cash in 1Q20 (80% in hard currency)
- Token sale of TRY 310 mn to further support liquidity
- %70 of total uncommitted TRY- lines are still available
- No covenants on bonds and commercial bank loans, enough room in terms of leverage covenants in investment loans
- Successfully rolled Q1 - TRY redemptions and have also done prefinancing at convenient rates
- Hard currency FX debt service is limited with Eurobond coupon payments
- Receivable insurance coverage for international sales, solid collaterals for domestic operations

Key Factors **Sales/Margins**

Revenue Growth

+13%

- ↑ Inorganic growth from Singer Bangladesh
- ↑ Unit growth in Turkey
- ↓ Organic decline in international sales



Gross Margin

31.8%

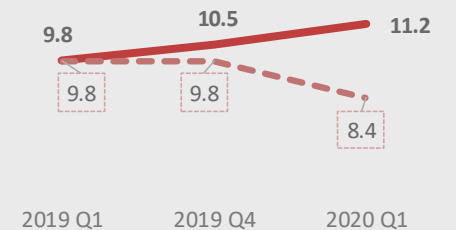
- ↑ Higher share of domestic sales (QoQ)
- Stable raw material prices
- ↓ Strong USD against ZAR, TRY, PKR and GBP



EBITDA Margin




11.2%

- ↑ Contribution from one-off items
- ↓ Higher OPEX/Sales compared to 4Q19

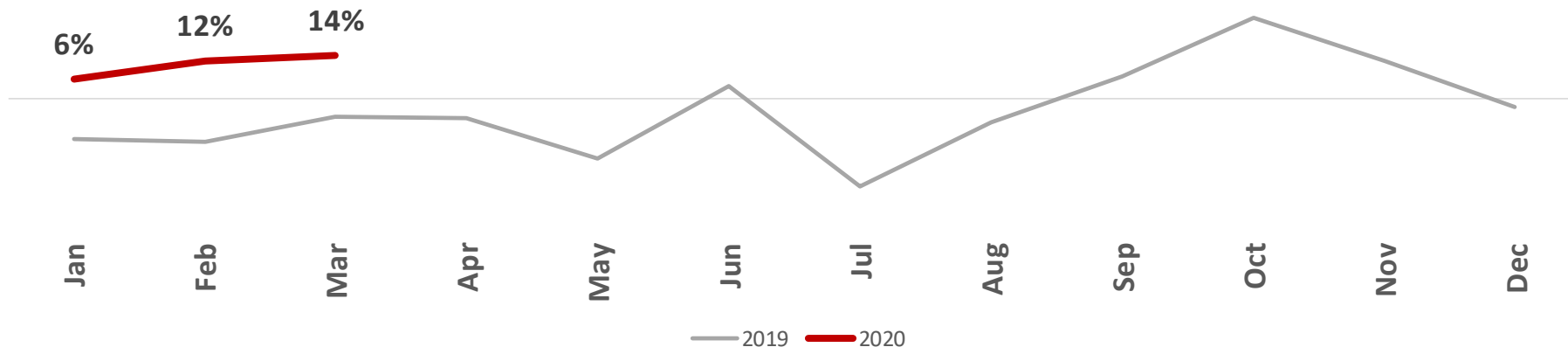


--- EBITDA margin excluding one off items

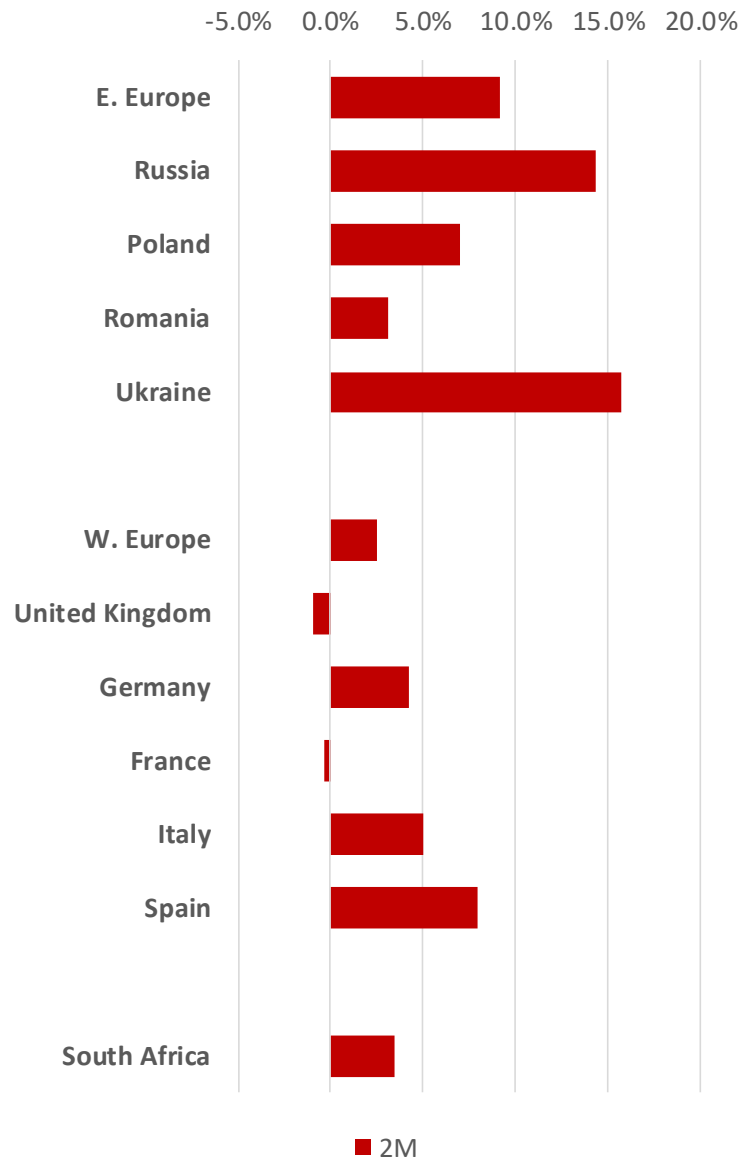
2020 Q1 Performance **Turkey**

	 MDA-6	 Air-Conditioner	 TV
Market	+11%	+36%	+14%
Arçelik	+7%	Lower than market	~26% Market Share 2nd Place

Turkish MDA6 Market YoY Change



2020 Q1 International Markets



West Europe

- Strong 2M20 especially in Germany, Spain and Italy

East Europe

- Substantial growth in 2M19 in almost each country

Bangladesh

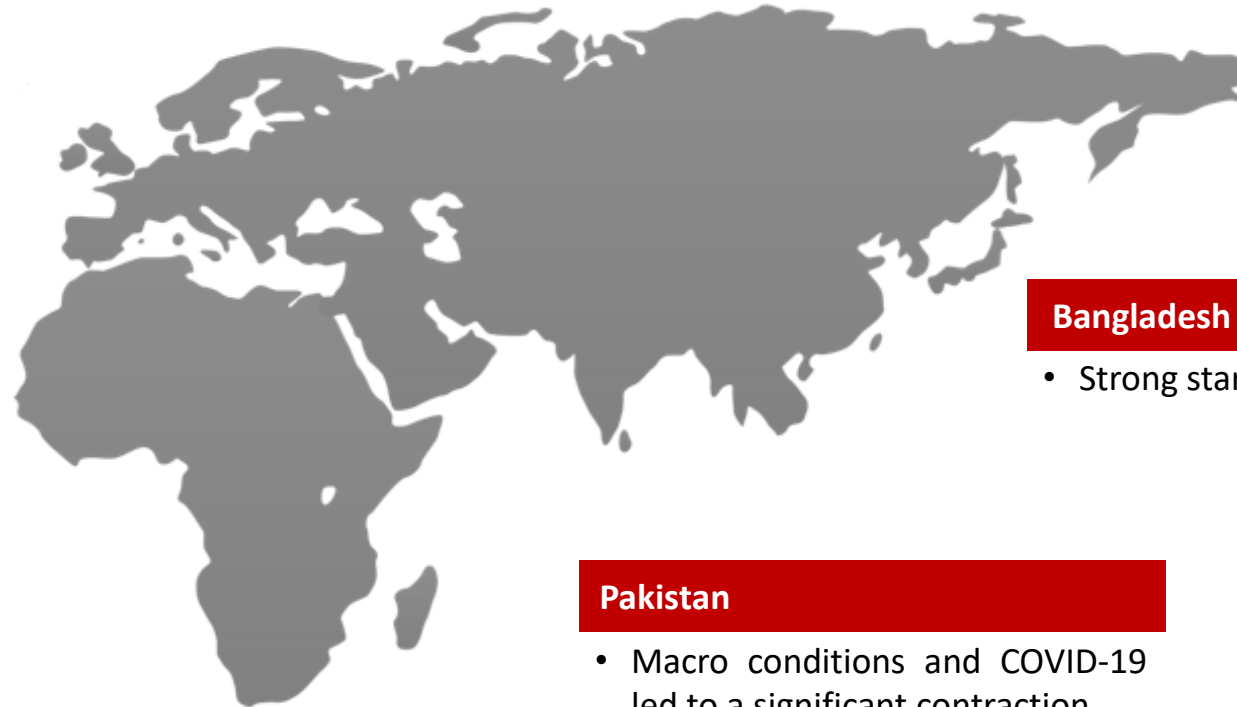
- Strong start diluted by COVID 19

Pakistan

- Macro conditions and COVID-19 led to a significant contraction

South Africa

- 2M positive picture, devastated by macro (2nd recession in the last 2 years, downgrades) and finally COVID 19



2020 Q1 International Performance

46%

Europe

- Flat sales YoY mostly on strong Jan-Feb
- March sales down by 10% in EUR terms
- Mid-single digit revenue growth in **UK** in GBP term in 1Q20
- Market share gain in 2M20 period
- Slight improvement in price index in West Europe

7%

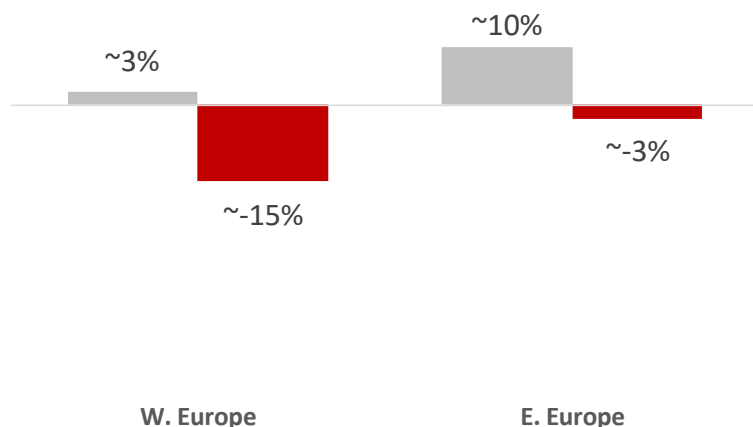
Africa

- Strong sales performance in Jan-Feb period similar to the market
- Sales almost halved in March
- Price hikes done to offset ZAR devaluation
- Defy's exports contracted by ~40% in 1Q
- Flat gross profit margin both YoY and QoQ
- Weaker EBITDA margin QoQ due to operational leverage

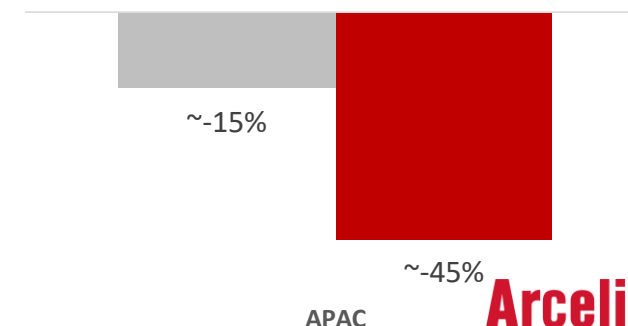
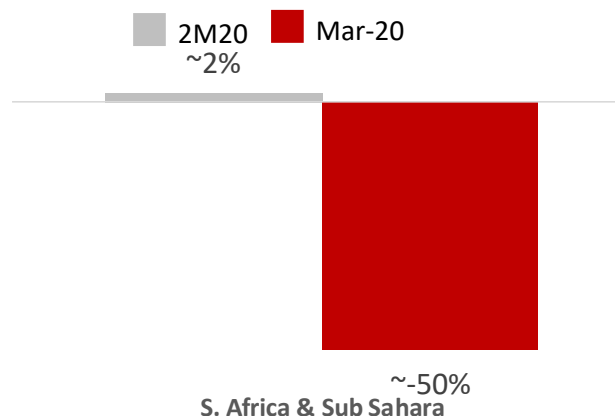
9%

Asia-Pacific

- The most impacted region in our portfolio in 1Q20
- ~40% revenue contraction in **Pakistan** in **PKR** terms reflecting both macro conditions and COVID19 impact.
- Singer Bangladesh had another double-digit growth in 1Q20
- **ASEAN** revenue realized at USD21mn.



Arcelik Regional Sales Growth (Yoy % in EUR)



APAC sales excludes Bangladesh for organic comparison

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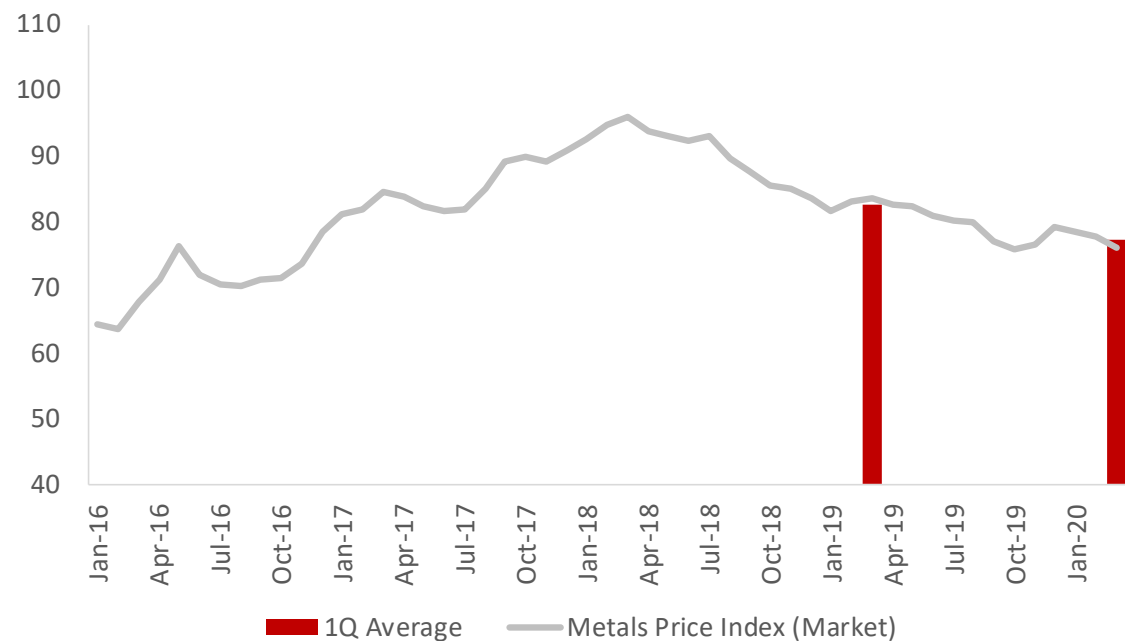
2020 Q1 Singer Bangladesh Results

BDT mn	2020 Q1	2019 Q1	2019 Q4	Δ% YoY	Δ% QoQ	2019	2018	Δ% YoY
Revenue	3,064	2,744	2,026	12	51	15,485	13,559	14
Gross Profit	825	791	543	4	52	4,353	3,760	16
<i>margin</i>	<i>26.9</i>	<i>28.8</i>	<i>26.8</i>			<i>28.1</i>	<i>27.7</i>	
EBIT	266	302	260	-12	2	1,874	1,594	18
<i>margin</i>	<i>8.7</i>	<i>11.0</i>	<i>12.8</i>			<i>12.1</i>	<i>11.8</i>	
Profit Before Tax	163	123	128	33	27	1,470	1,275	15
<i>margin</i>	<i>5.3</i>	<i>4.5</i>	<i>6.3</i>			<i>9.5</i>	<i>9.4</i>	
Net Income	111	123	80	-9	39	1,032	921	12
<i>margin</i>	<i>3.6</i>	<i>4.5</i>	<i>3.9</i>			<i>6.7</i>	<i>6.8</i>	

1Q20 Highlights

- Double digit top line growth sustained in 1Q20
- Significant unit increase in major categories
- Thanks to ongoing integration processes GP margin remained flat QoQ Despite two factors:
 - Higher custom duties on refrigerators and A/C raw material.
 - Marketing campaigns

2020 Q1 Raw Material Trends

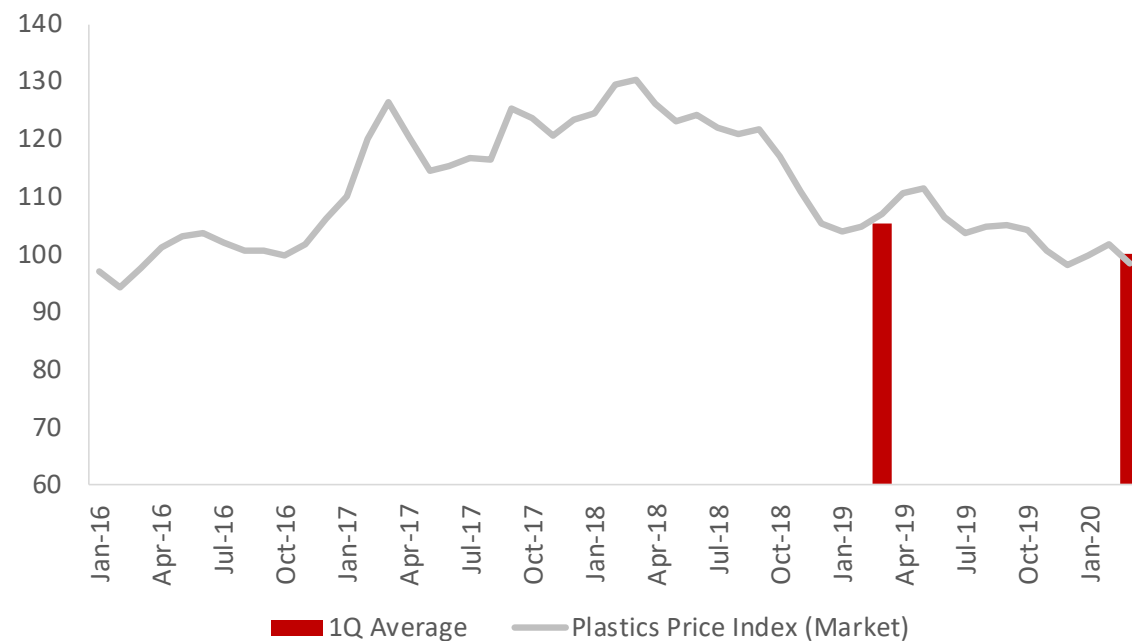


Metal Prices Index Quarterly Average - Market

2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
93	90	85	83	82	79	77	77

Source: Steel BB, Steel Orbis

Index includes: CRC, HRC, Galvanized Steel, Stainless Steel, Copper, Aluminium



Plastic Prices Index Quarterly Average - Market

2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
125	121	111	105	110	104	101	100

Source: ICIS - Chemical Industry News & Chemical Market Intelligence

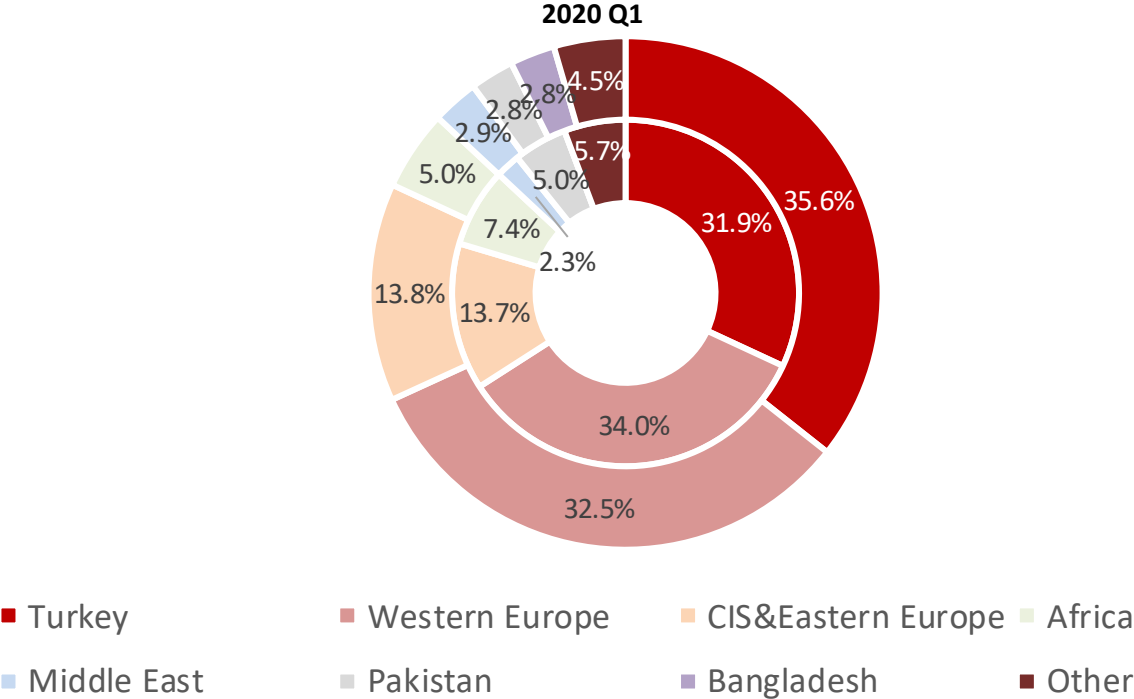
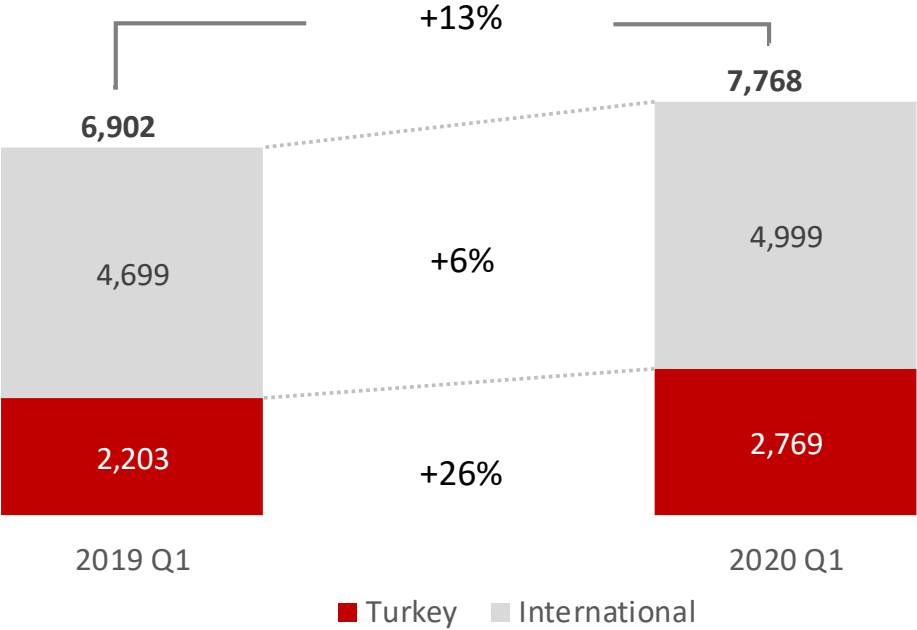
Index includes: ABS, Polystyrene, Polyurethane, Polypropylene

Sales Performance

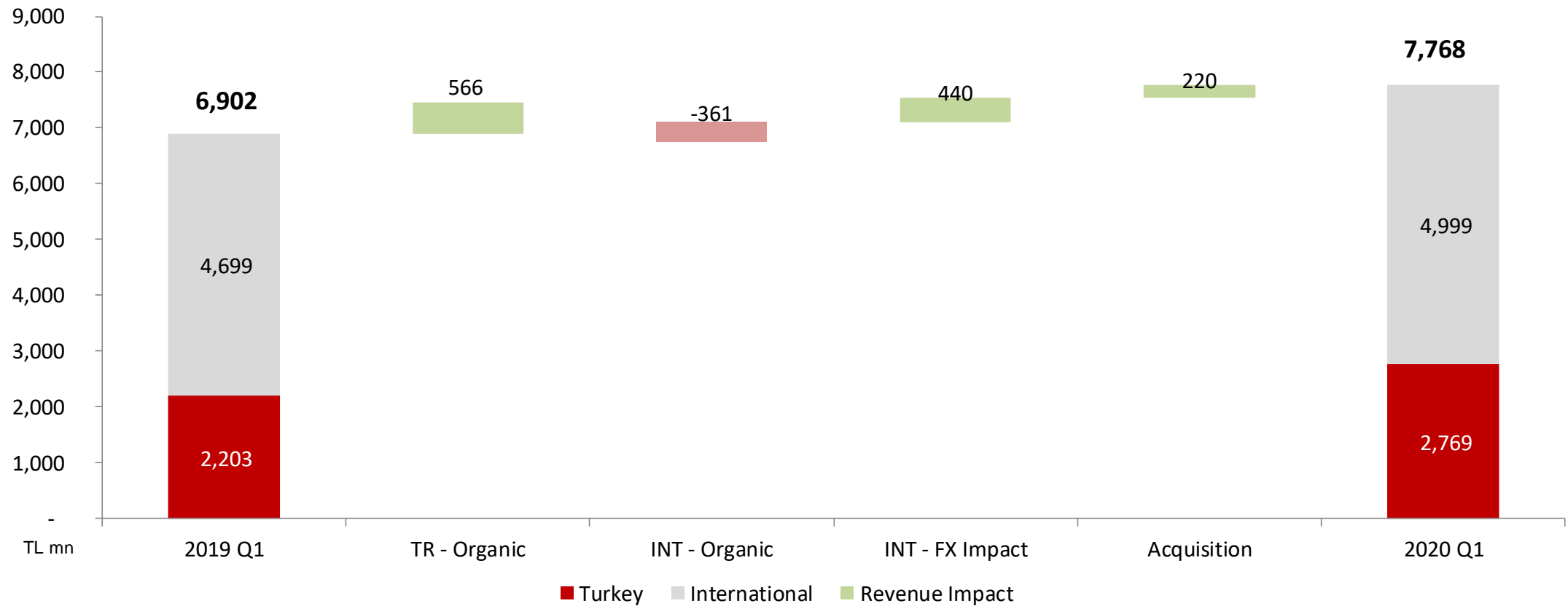


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2020 Q1 Sales by Region



2020 Q1 Sales Bridge



2020 Q1	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	25.7%	0.0%	0.0%	25.7%
International Growth	-7.7%	9.4%	4.7%	6.4%
Total Growth	3.0%	6.4%	3.2%	12.5%

Financial Performance

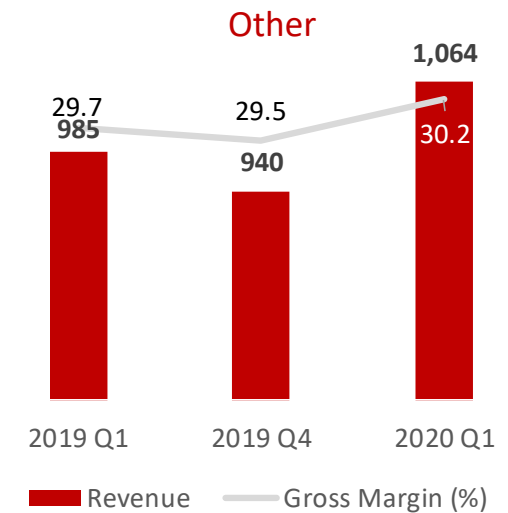
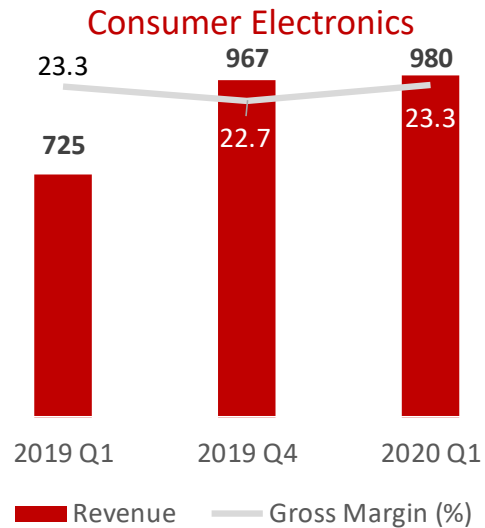
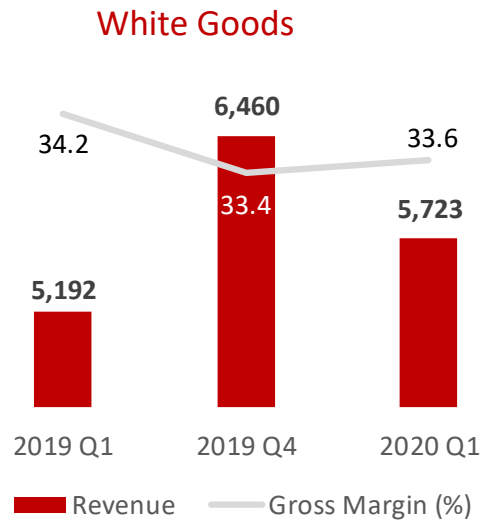
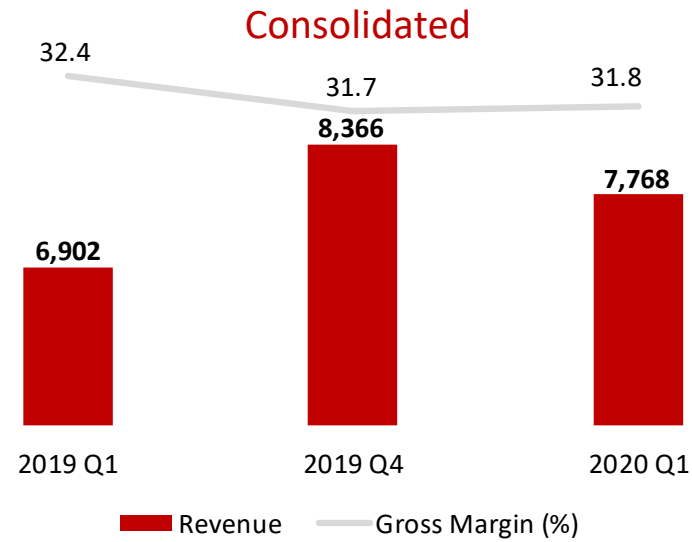
2020 Q1 Income Statement

TL mn	2020 Q1	2019 Q1	2019 Q4	Δ% YoY	Δ% QoQ
Revenue	7,768	6,902	8,366	13	-7
Gross Profit	2,470	2,239	2,652	10	-7
<i>margin</i>	<i>31.8</i>	<i>32.4</i>	<i>31.7</i>		
EBIT *	589	430	591	37	0
<i>margin</i>	<i>7.6</i>	<i>6.2</i>	<i>7.1</i>		
Profit Before Tax	308	261	282	18	9
<i>margin</i>	<i>4.0</i>	<i>3.8</i>	<i>3.4</i>		
Net Income**	259	226	242	15	7
<i>margin</i>	<i>3.3</i>	<i>3.3</i>	<i>2.9</i>		
EBITDA*	871	679	876	28	-1
<i>margin</i>	<i>11.2</i>	<i>9.8</i>	<i>10.5</i>		
EBITDA - ex.one-offs	654	679	823	-4	-21
<i>margin</i>	<i>8.4</i>	<i>9.8</i>	<i>9.8</i>		

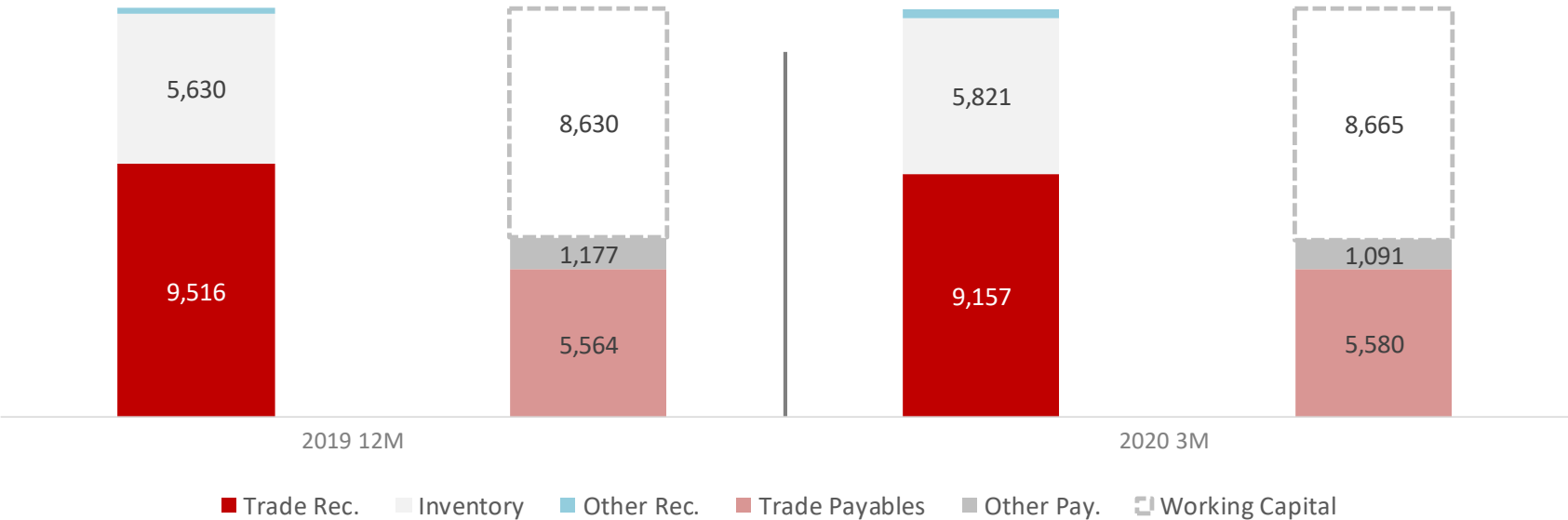
* EBIT was calculated by deducting the impact of foreign exchange gains and losses arising from trade receivables and payables, credit finance income and charges and cash discount expense and adding income and expenses from sale of property plant and equipment.

** Net income before minority

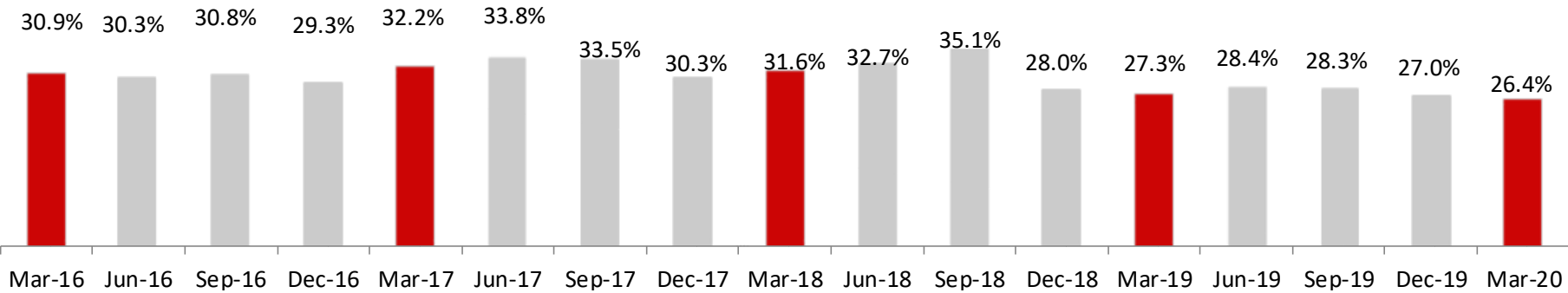
2020 Q1 Margin by Segments



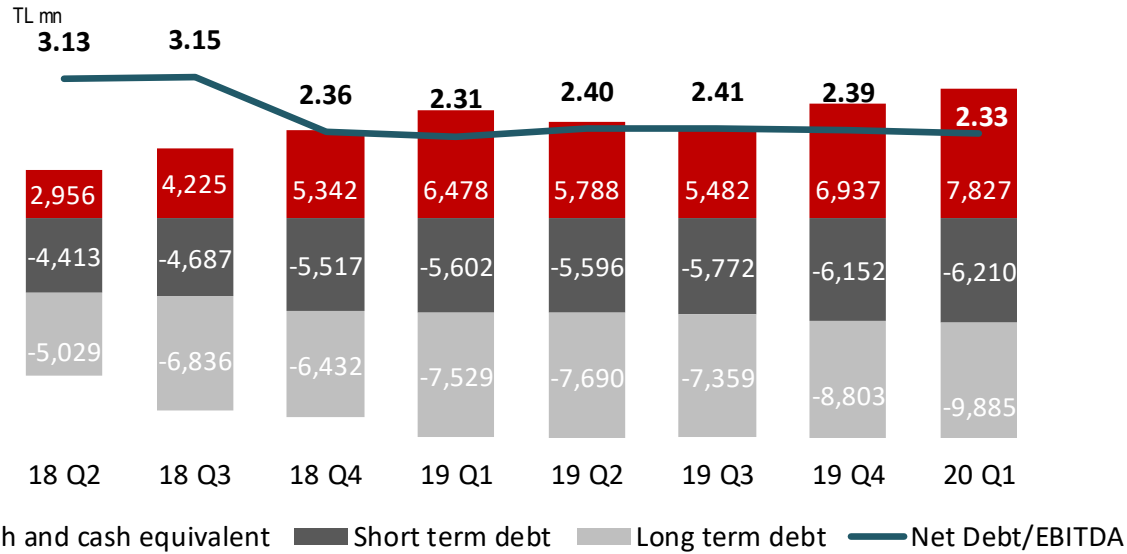
2020 Q1 Working Capital



Working Capital / Sales



2020 Q1 Cash & Financial Debt

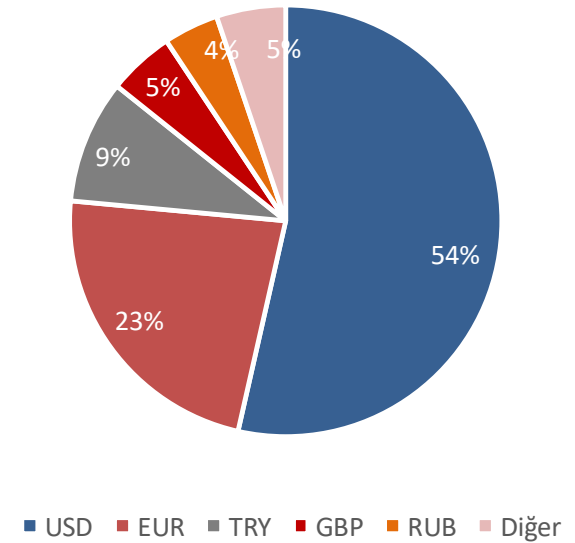


Financial Debt profile (as of Mar 31 2020)

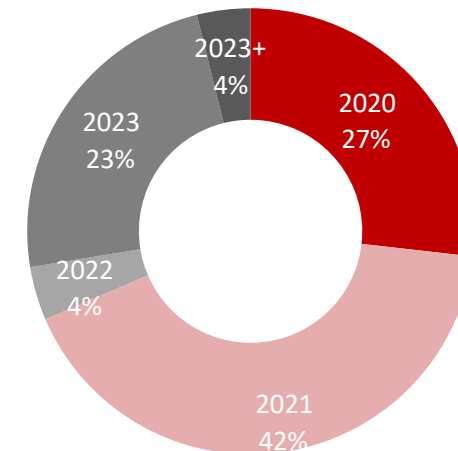
	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	14.3%	5,051	5,051
EUR	1.0%	202	1,460
GBP	1.2%	6	51
USD	3.3%	17	108
ZAR	9.1%	774	283
AUD	3.3%	15	58
RON	3.7%	183	272
PKR	13.9%	17,685	692
BDT	9.3%	3,701	284
Total			8,258
USD	5.1%	512	3,334
EUR	4.0%	357	2,576
TRY*	19.1%	1,017	1,017
Total Bond			6,927
Total			15,185

*Average fixed rate at 19.1% through Interest Rate Swaps

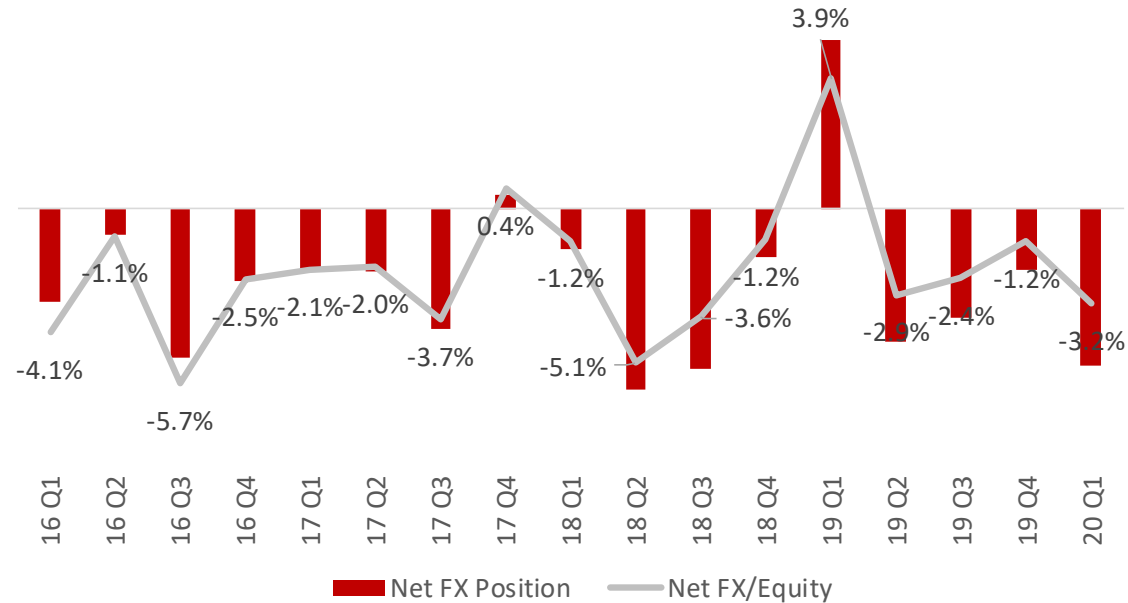
Cash Breakdown by Currency



Debt Maturity Profile



2020 Q1 FX Hedging



- FX hedging is a strictly pursued policy in Arçelik since more than 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.

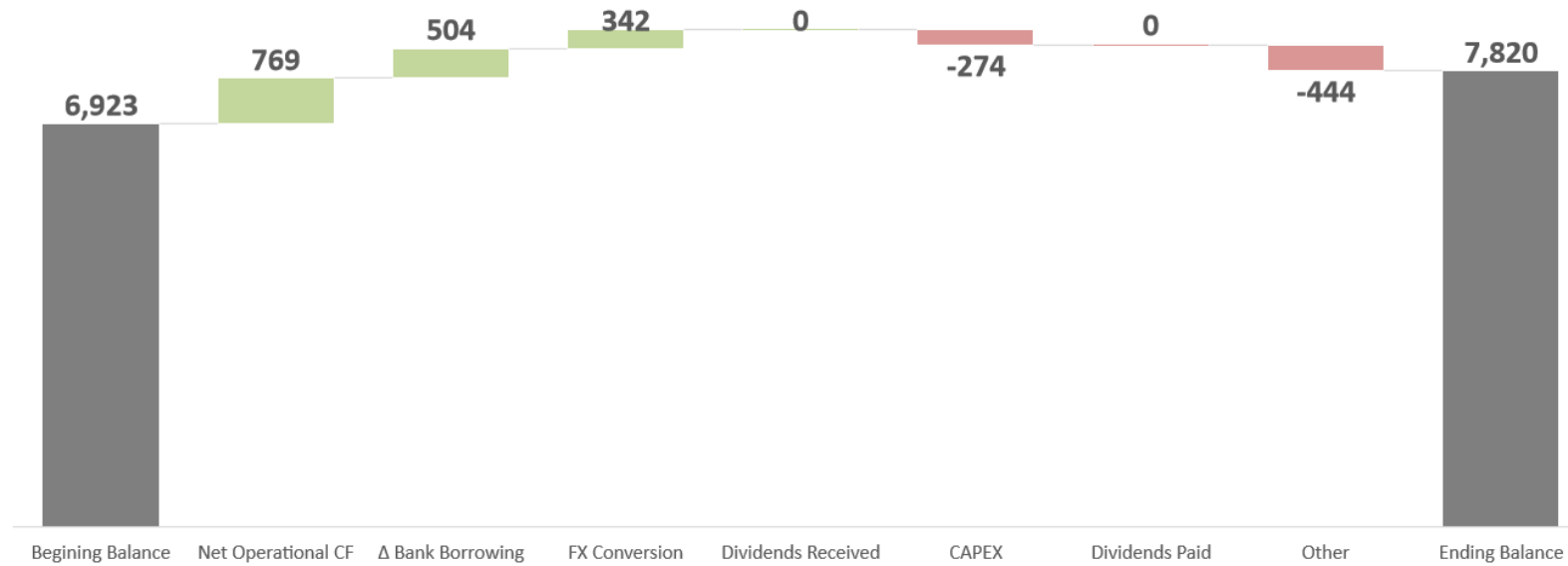
(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	-1,330	1,269	-61
USD	290	-480	-191
GBP	625	-632	-7
Other	788	-846	-58
TOTAL	373	-690	-318

Net FX Position/Equity	-3.2%
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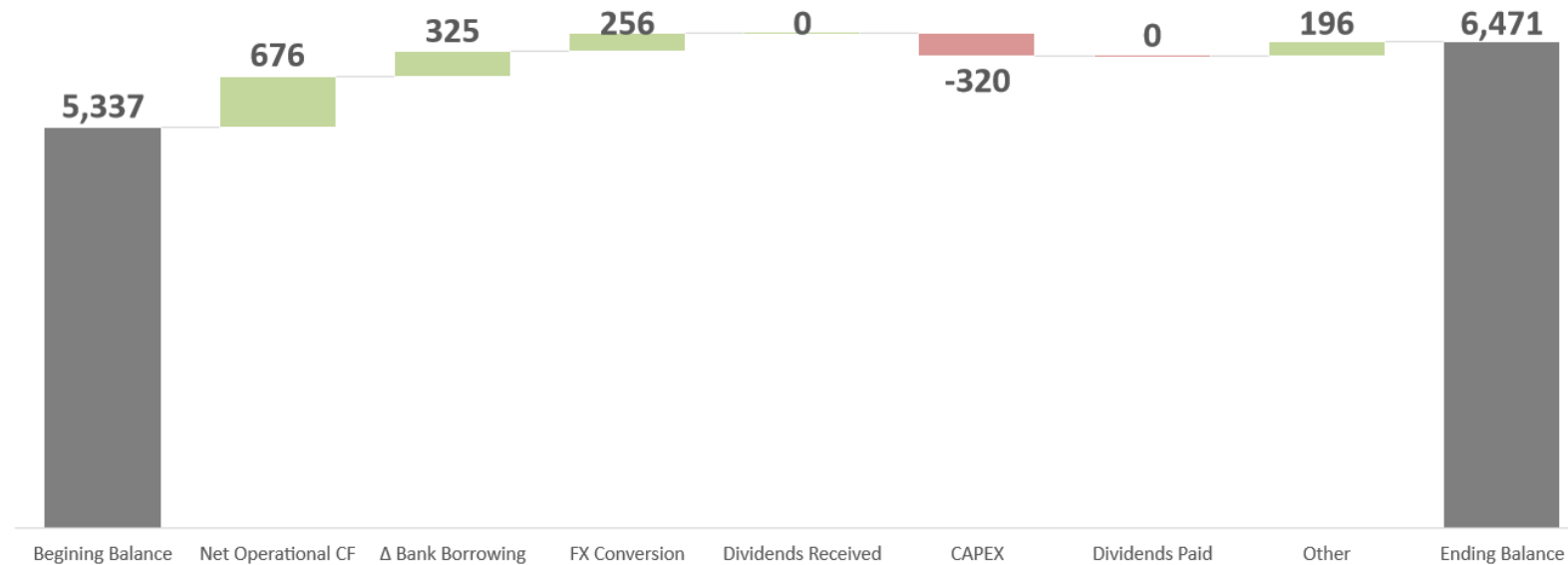
- The primary strategy is on balance sheet hedging mainly through cash, receivables, payables and financial liabilities, and the remaining part is hedged through financial derivatives.

2020 Q1 Cash Flow

2020 Q1



2019 Q1



2020 Guidance



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2020 Expectations

- In the mid of this global pandemic, the first priority of company management is to ensure the health and well-being of all employees and their families all over the world.
- The second critical issue is to keep the high liquid position of the company to be prepared against any scenario.
- We expect a weaker second quarter, followed by some normalization in Q3 and more stable market conditions in Q4.
- Thanks to our operational competitive advantages and strong balance sheet, we see more opportunities in the market aftermath of COVID-19.
- **Due to uncertainty in the global economy and our industry stemming from COVID-19 pandemic, the guidance we shared on February 2020 is no longer valid. At this point, we prefer not to provide a guidance as visibility on economic activity remains low.**

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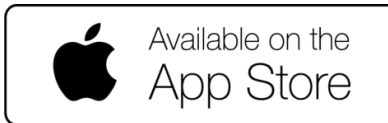
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