

Arcelik A.Ş.

2017 9-Month Financial Results

October 20, 2017

2017 Q3 Summary

- Record quarter sales in domestic market before the SCT-break ends, coupled with the strongest quarter (YTD) in international sales
- Despite the ongoing high raw material prices, improvement in gross margin compared to Q2 thanks to sourcing and pricing measures
- Slight improvement in European MDA retail market compared to first half
- Price adjustments in domestic market
- Improving EUR/USD parity
- Strong sales in Turkey continues to pressure working capital need
- Leverage remained around June 2017 level

Net Sales
TRY 5.4 bln.

EBITDA
Margin
10.0%

WC / Sales
33.5%

Leverage
2.6X

2017 Q3 Sales Performance

Key Factors Impacting Revenues



SCT Cut

Strong domestic demand before the deadline at the end of September 2017



Currency Impact

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



Dawlance Consolidation

Consolidation of Pakistan based Dawlance



International Growth*

Slightly improving growth in Western Europe, strong performance in Eastern Europe, positive signals in South Africa and political turmoil affecting demand in ME



POS Cash Register

Weak demand as the deadline remains as the end of 2017

* Based on January-August 2017 retail sales data

2017 Q3 Margin Performance

Key Factors Impacting Margins



Currency Impact

Appreciation of EUR against USD during the quarter (QoQ)



Pricing

Price hikes in domestic market



Dawlance Consolidation

High margin Pakistani operations



Raw Material Cost

No further worsening due to reflection of Q2 procurements in Q3 financials and longer term positioning in the steel market, easing prices in open cell market



OPEX

Increase (QoQ) in opex-to-sales ratio stemming from sales related costs (i.e. logistics, guarantee)

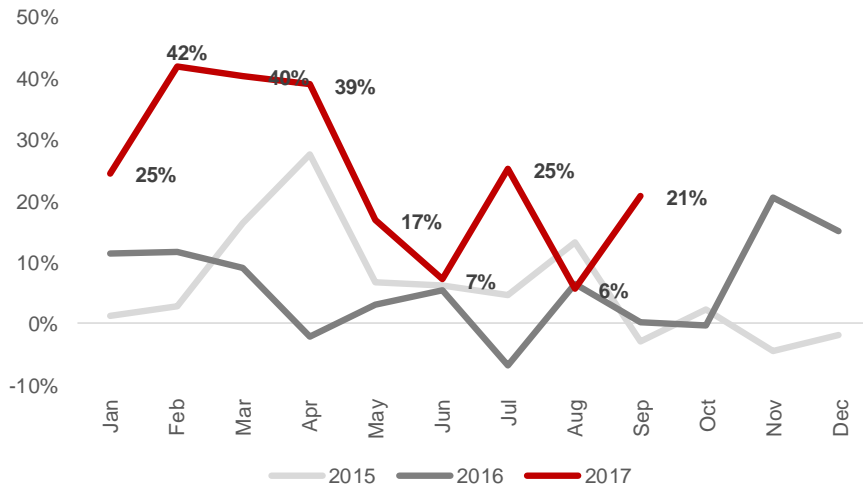
2017 Q3 Performance - Turkey

Market

- Slower growth in MDA market compared to Q1 and Q2, but still quite solid just before the SCT-break deadline (Q1: 36% - Q2: 20% - Q3: 16%)
- More rational pricing environment in the market
- Acceleration in A/C market mainly due to low base of 3Q16. (Q3: 77% – H1: 25%)

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

**Turkish MDA6 Total Market
YoY Change**



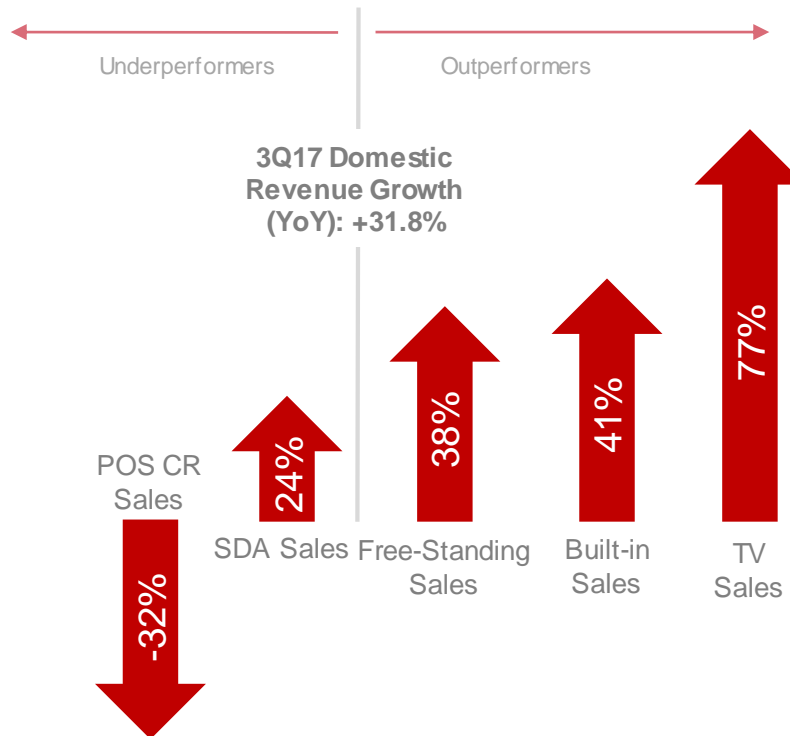
**Turkish Market by Product Type
(MDA 6)**

('000 Units)	3Q17	3Q16	YoY
Refrigerator	708	615	15%
Freezer	306	303	1%
Washing M.	640	557	15%
Dryer	43	17	147%
Dishwasher	489	385	27%
Oven	323	278	16%
Total	2,508	2,155	16%

2017 Q3 Performance - Turkey

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- Sales performance in MDA6 slightly above the market average during the quarter (Market: +16% YoY, Arcelik +18% YoY)
- Substantial growth in A/C after below-market performance in H1 (+65% in Q3 vs +9% in H1)
- Flat TV market share YoY around 27%* with c.9% YoY unit growth in 3Q17
- POS Cash Registers unit sales remain weak (down 66% YoY in 3Q17)



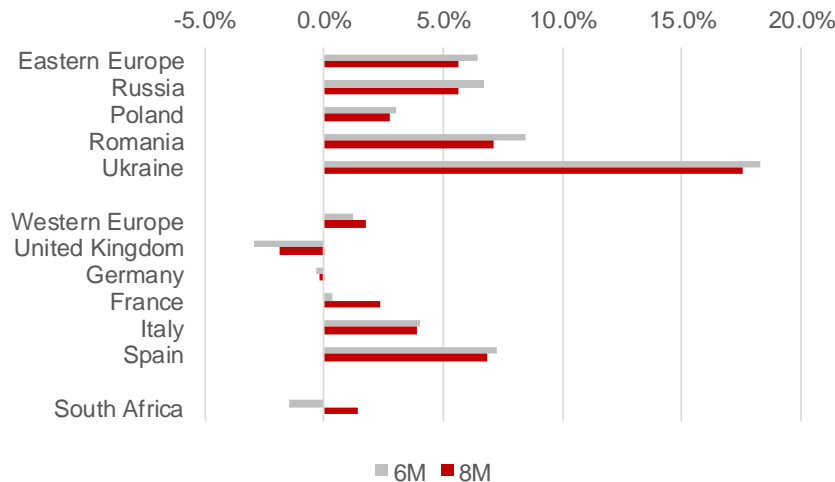
* The market share data for TV is based on retail panel.

2017 Q3 Performance - International

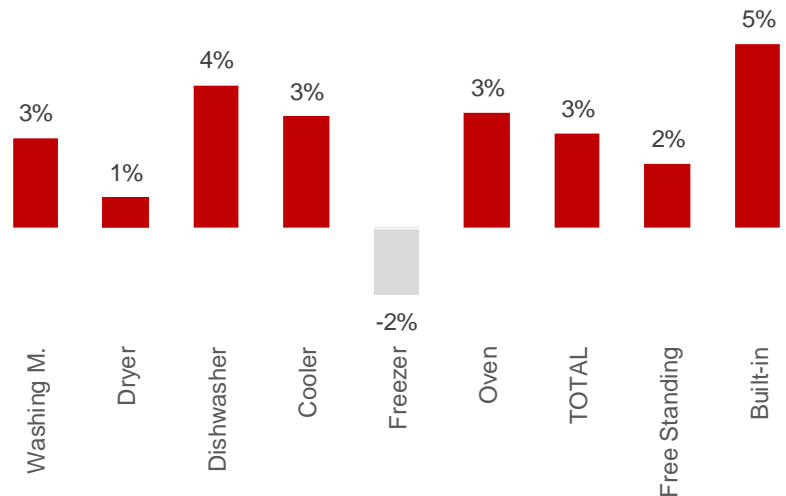
Market

- Slightly better growth in Europe in 8M period due to improvement in demand in W. Europe
 - UK turned green, Germany stays sluggish, France rebounded strong, Italy and Spain are still robust in July-August period
 - Despite the slight slowdown, high growth goes on in E. Europe, Russia and Romania in particular
 - Higher growth in built-in segment in all across the region
- Political developments in Middle East affects the market negatively
- Positive outlook at the end of Q2 improved further in S. Africa as market turns green in 8M

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



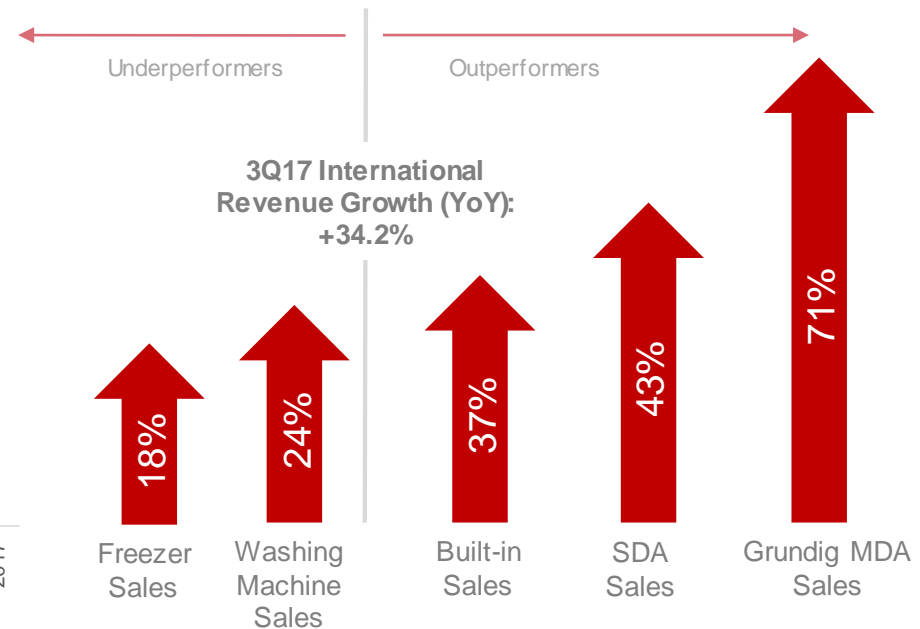
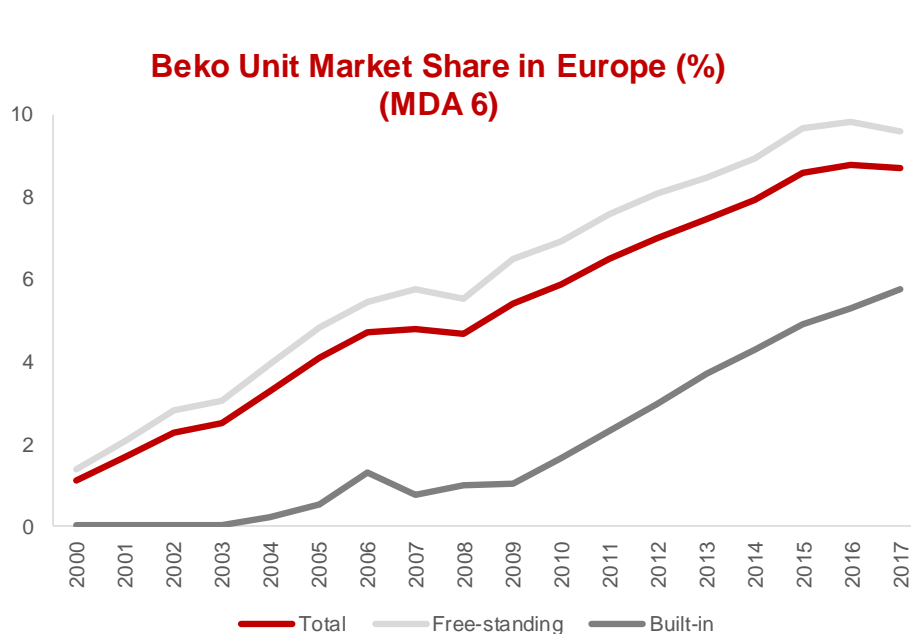
European Market Growth by Product Type (8M17) (%)



2017 Q3 Performance - International

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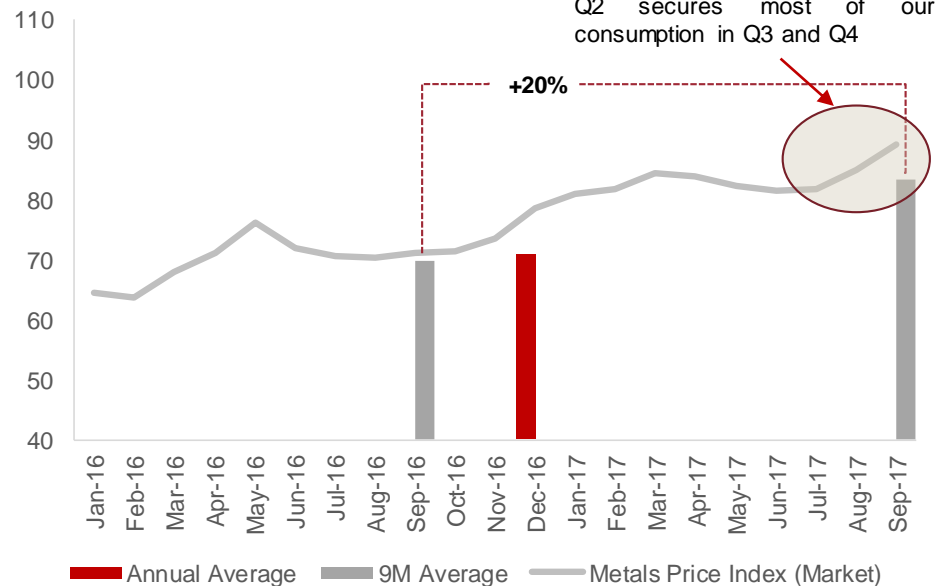
- Beko continues to be the runner-up brand in total Europe
 - Beko takes the lead again in FS segment in 8M as market share loss slows down in July-August
 - In terms of market share gain in BI segment, Beko is among the Top 3 players in Europe
- Grundig MDA continues to grow in premium segment with sales growth over 70% in Q3
- Flat TV sales (YoY) following a weaker performance in 1H17 as key markets rebounded
- In line with expanding distribution, Beko reached a unit market share of 0,8% in cooling by August 2017 in Asia 9.*



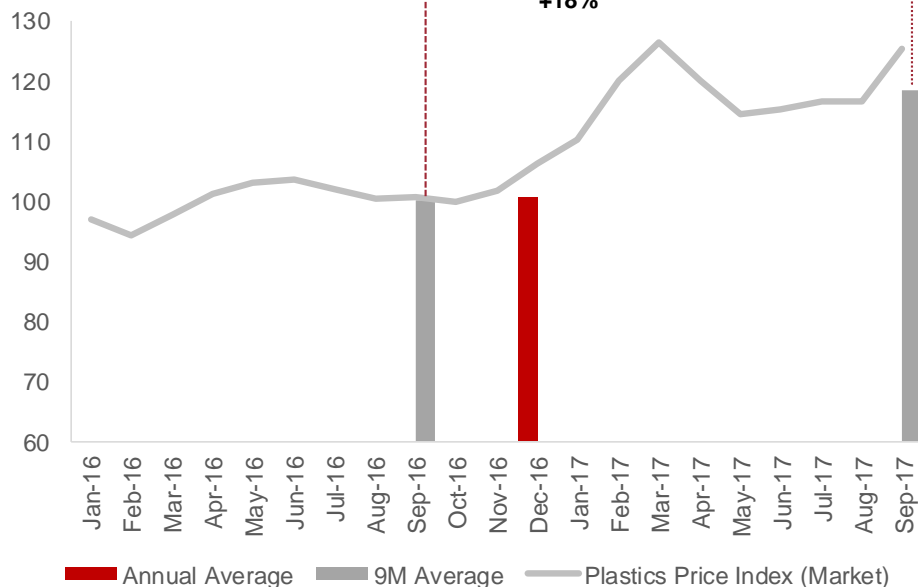
* Hong Kong, Indonesia, Myanmar, Philippines, Singapore, Thailand, Taiwan, South Korea, Vietnam

Trends in Raw Material Prices

Metal Prices Index - Market



Plastic Prices Index - Market



Source: Steel BB, Steel Orbis

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

Source: ICIS - Chemical Industry News & Chemical Market Intelligence

Index includes: ABS, Polystyrene, Polyurethane, Polypropylene

Metal Prices Index Quarterly Average - Market

2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
73	71	74	82	83	85

Plastic Prices Index Quarterly Average - Market

2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
103	101	103	119	117	119

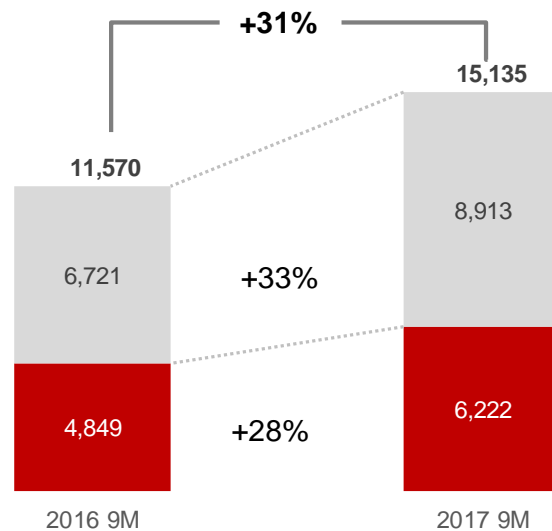
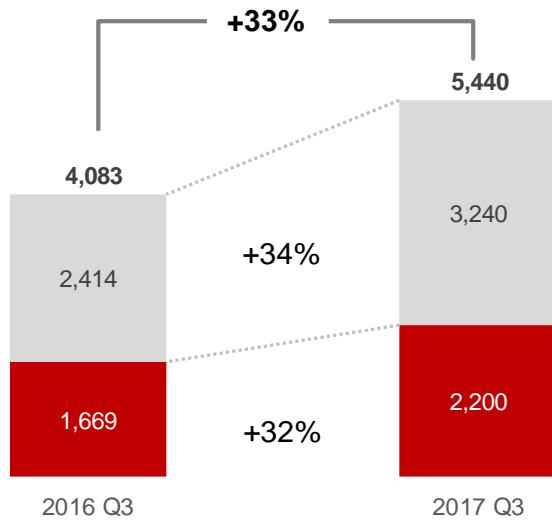
2017 Q3 Other Developments

- In September 2017, Arçelik A.Ş. participated IFA, the largest appliance fair in Europe, with its Beko and Grundig brands.
- Performance of Arçelik A.Ş. in sustainability has been recognized by two achievements in the quarter:
 - Arçelik A.Ş. has become the first and only manufacturing company to join the DJ Sustainability Emerging Markets Index from Turkey.
 - Chosen as one of the world's top nine sustainable companies, Arçelik A.Ş. was awarded the Ökoviision Sustainability Leadership Award by ÖkoWorld, one of Europe's most well-established sustainability funds.
- An Arçelik flagship store was opened in Istinye Park Mall, Istanbul, equipped with high-end retailing technologies allowing interactive customer experience. [\(Please click for an 360° tour\)](#)

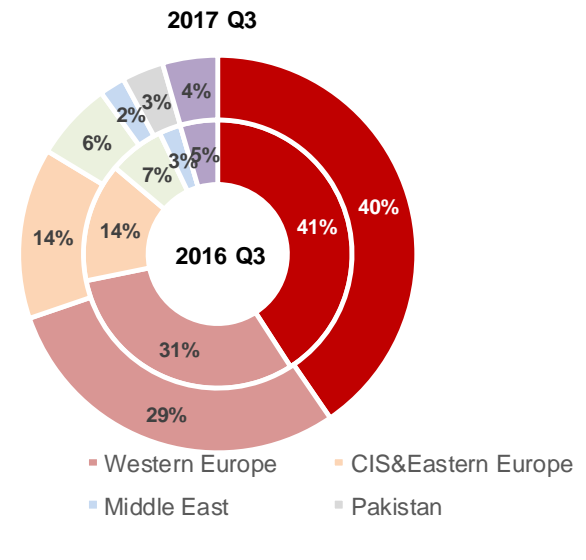


Sales Performance

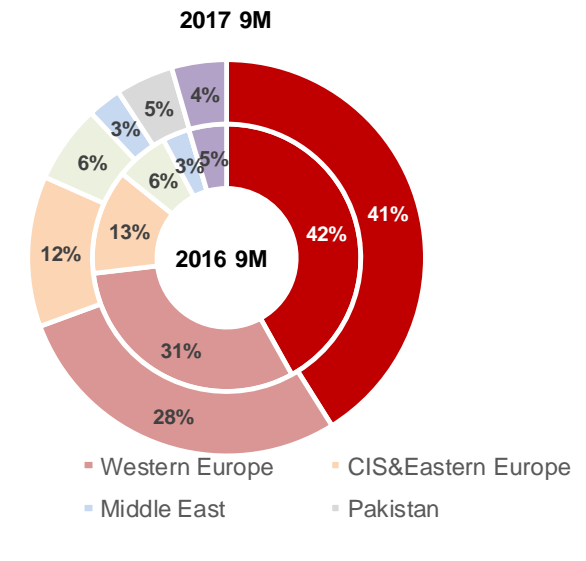
Sales by Region



■ Turkey ■ International

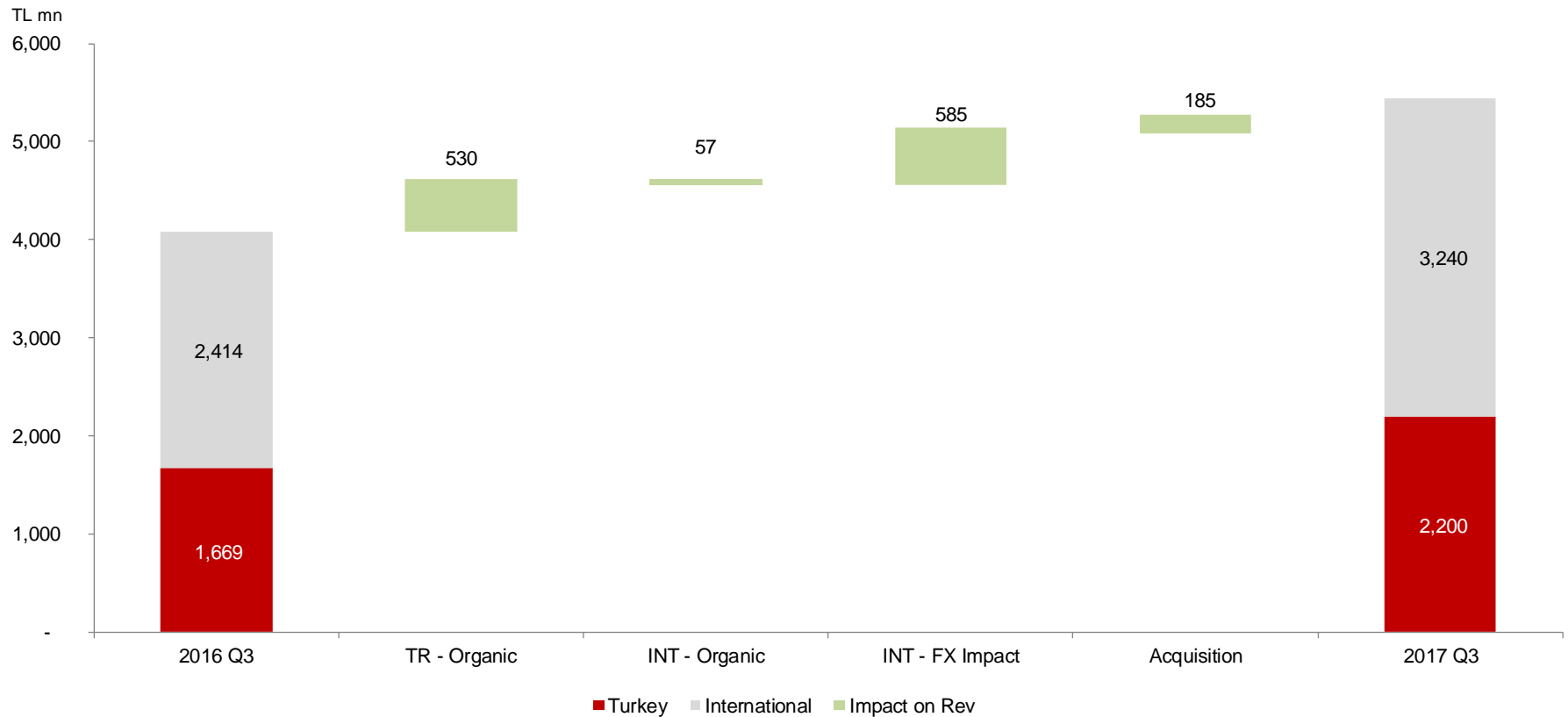


■ Turkey ■ Western Europe ■ CIS&Eastern Europe
 ■ Africa ■ Middle East ■ Pakistan
 ■ Other



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

Sales Bridge



2017 Q3	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	31.8%	0.0%	0.0%	31.8%
International Growth	2.4%	24.2%	7.6%	34.2%
Total Growth	14.4%	14.3%	4.5%	33.2%

Financial Performance

Income Statement

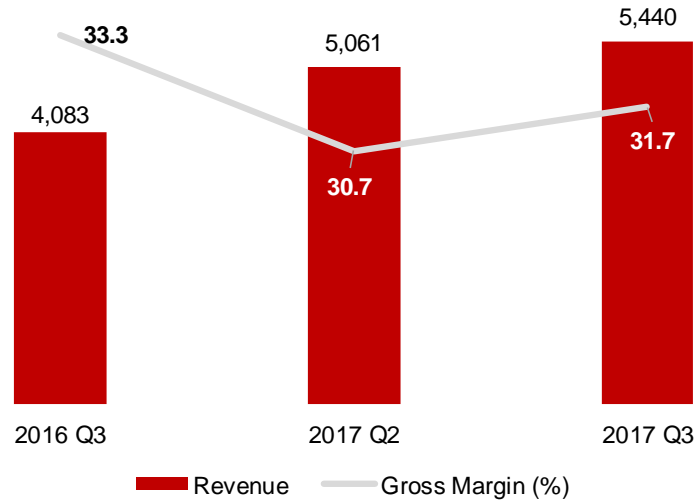
TL mn	2017 Q3	2016 Q3	2017 Q2	Δ% YoY	Δ% QoQ	2017 9M	2016 9M	Δ% YoY
Revenue	5,440	4,083	5,061	33	7	15,135	11,570	31
Gross Profit	1,725	1,361	1,554	27	11	4,757	3,908	22
<i>margin</i>	31.7	33.3	30.7			31.4	33.8	
EBIT *	409	375	361	9	13	1,123	1,029	9
<i>margin</i>	7.5	9.2	7.1			7.4	8.9	
Profit Before Tax	258	283	214	-9	21	709	1,093	-35
<i>margin</i>	4.8	6.9	4.2			4.7	9.4	
Net Income**	258	264	257	-2	0	755	1,074	-30
<i>margin</i>	4.7	6.5	5.1			5.0	9.3	
EBITDA*	546	484	496	13	10	1,527	1,346	13
<i>margin</i>	10.0	11.9	9.8			10.1	11.6	

* 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.

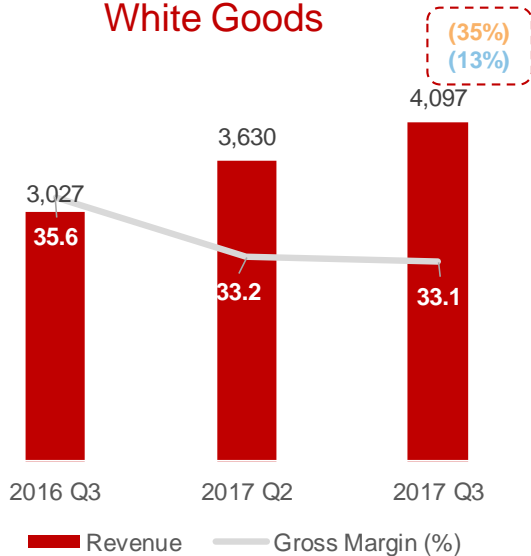
** Net income before minority

Revenue and Gross Profit by Segment

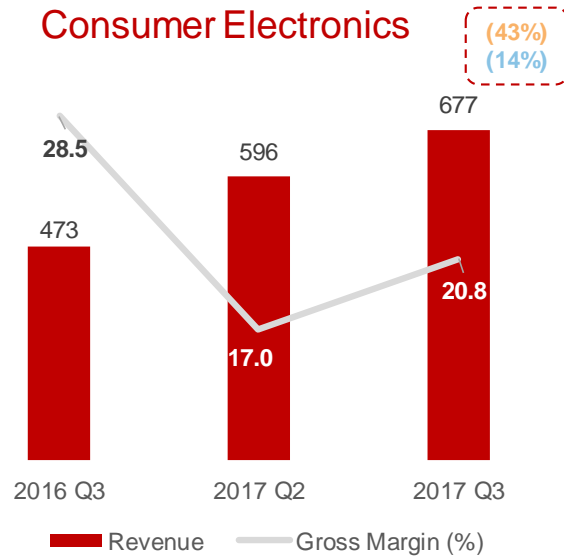
Consolidated



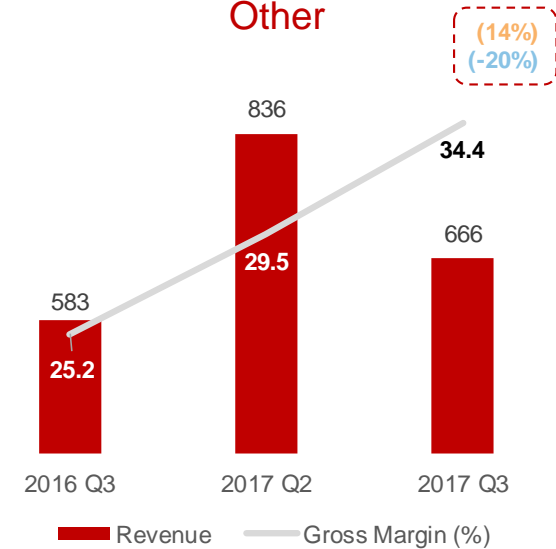
White Goods



Consumer Electronics



Other

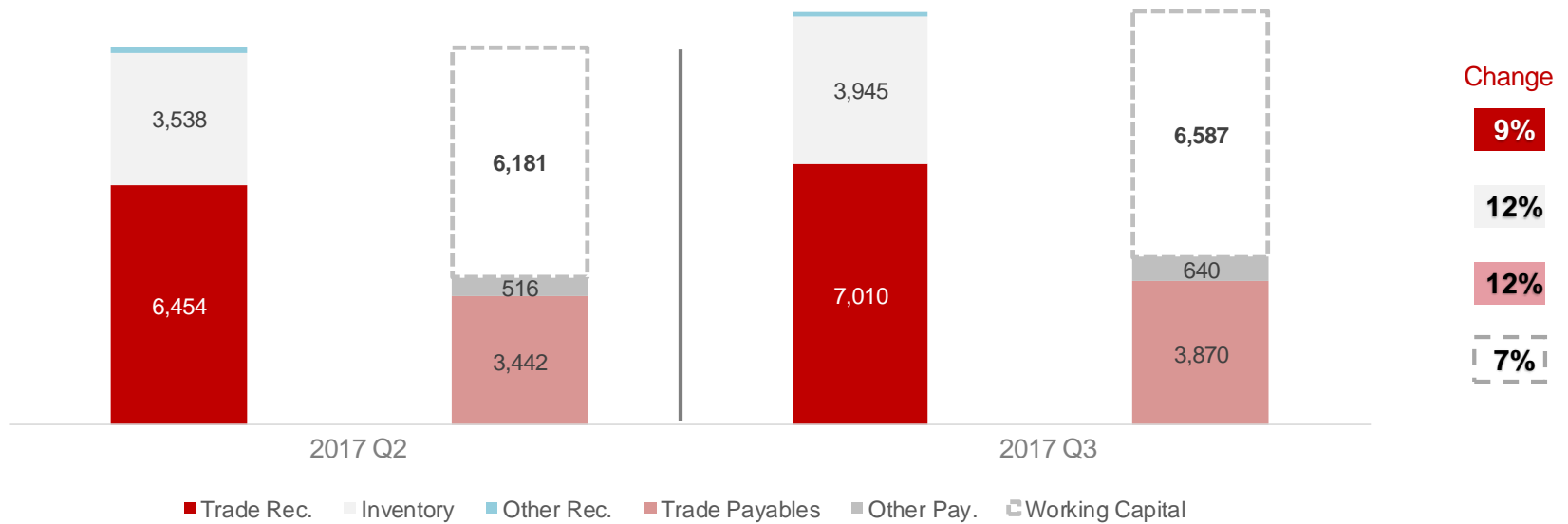


Balance Sheet

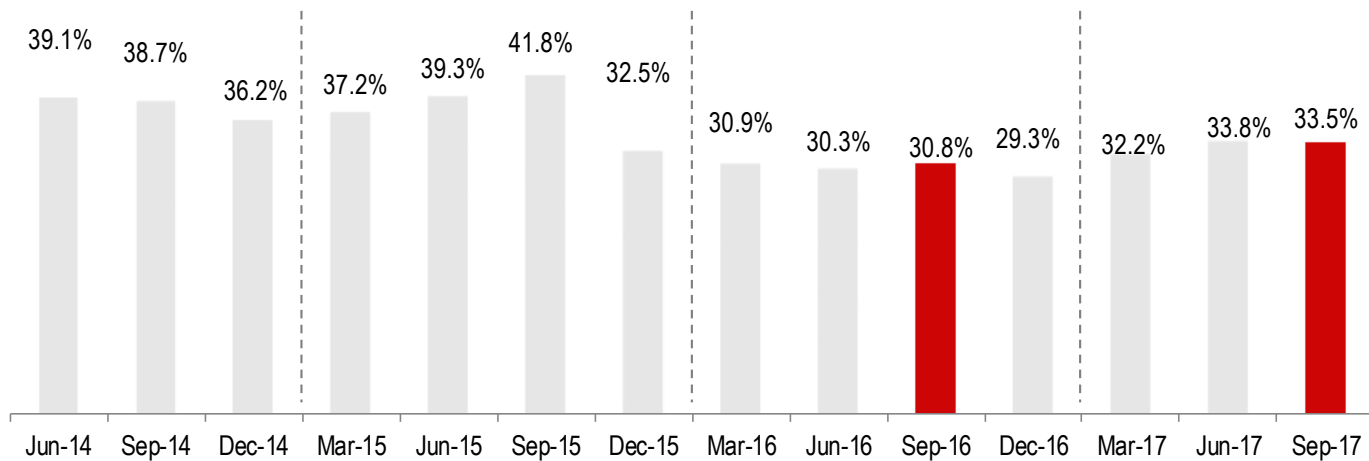
TL mn	30.09.2017	31.12.2016		30.09.2017	31.12.2016
Current Assets	13,599	10,986	Current Liabilities	8,646	6,606
Cash and Cash Equivalents	1,983	2,442	ST Bank Borrowings	3,216	2,251
Trade Receivables	7,010	5,295	Trade Payables	3,870	3,086
Inventories	3,945	2,762	Provisions	439	412
Other	660	487	Other	1,122	857
Non-current Assets	6,307	5,924	Non-current Liabilities	4,715	4,299
Property, Plant and Equipment	2,926	2,750	LT Bank Borrowings	3,767	3,407
Intangible Assets	2,430	2,304	Other	948	892
Financial Investments	263	239			
Other	688	630	Equity	6,545	6,005
Total Assets	19,906	16,909	Total Liabilities	19,906	16,909

	30.09.2017	31.12.2016	31.12.2015	31.12.2014
Net Financial Debt/Equity	0.76	0.54	0.70	0.72
Total Liabilities/Total Assets	0.67	0.64	0.66	0.65

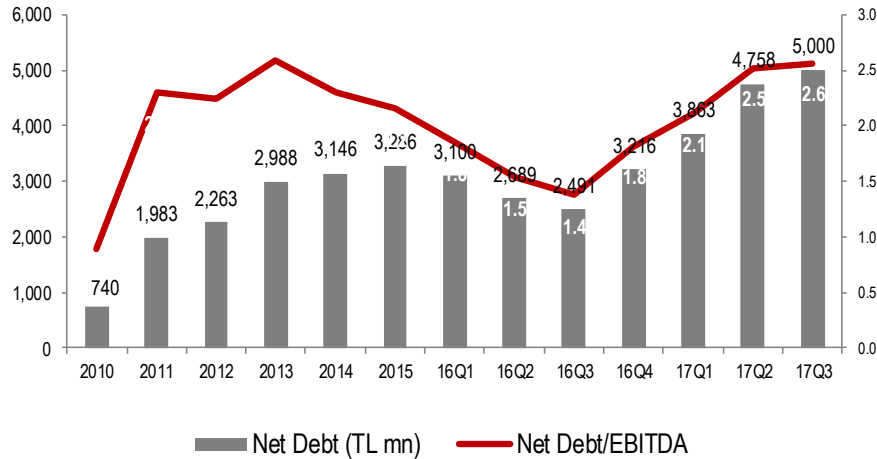
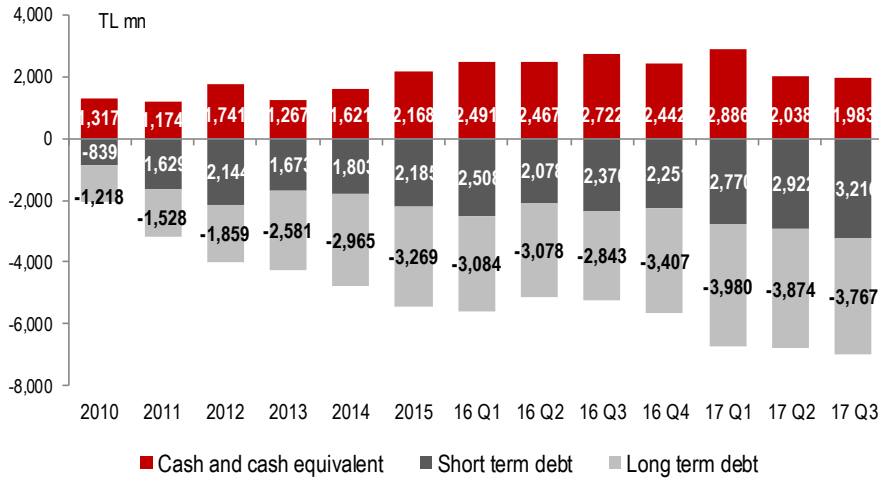
Working Capital



Working Capital / Sales



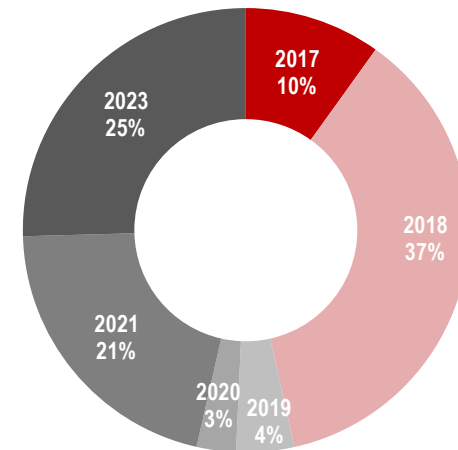
Debt Profile



Debt profile (as of Sep 30 2017)

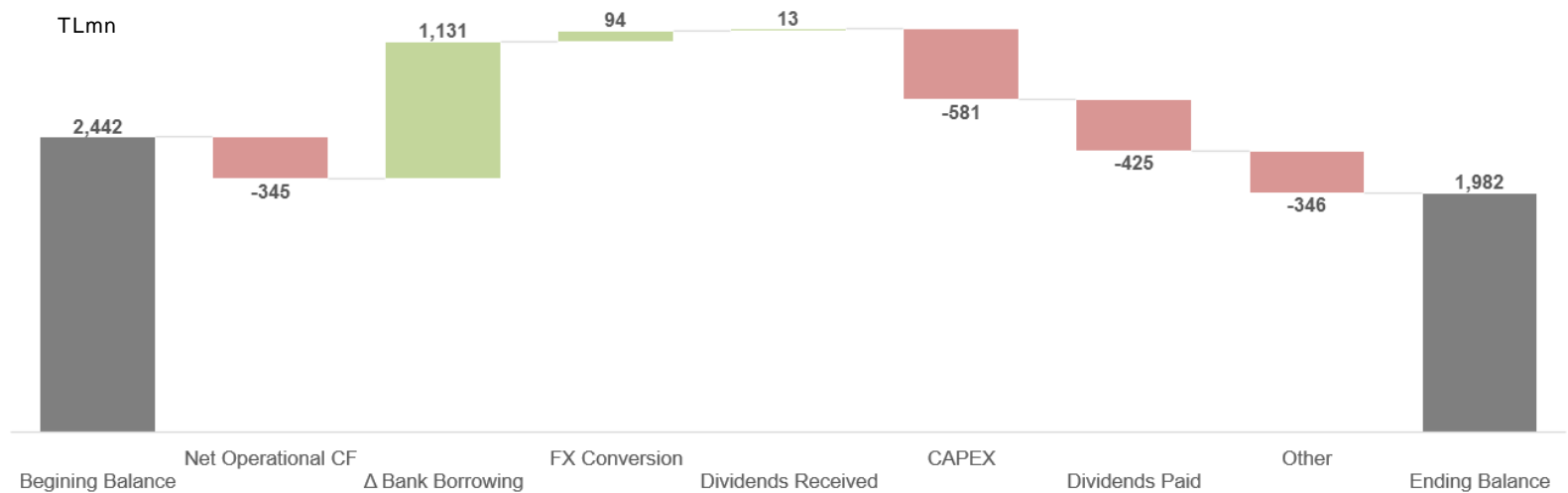
	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	12.9%	2,737	2,737
EUR	1.5%	121	507
ZAR	9.8%	750	198
CNY	4.4%	54	29
GBP	0.9%	7	32
USD	1.9%	0	0
PKR	6.3%	6,170	207
Total Bank Borrowings			3,709
USD	5.1%	510	1,812
EUR	4.0%	349	1,461
Total Eurobond			3,274
Total			6,983

Debt maturity profile

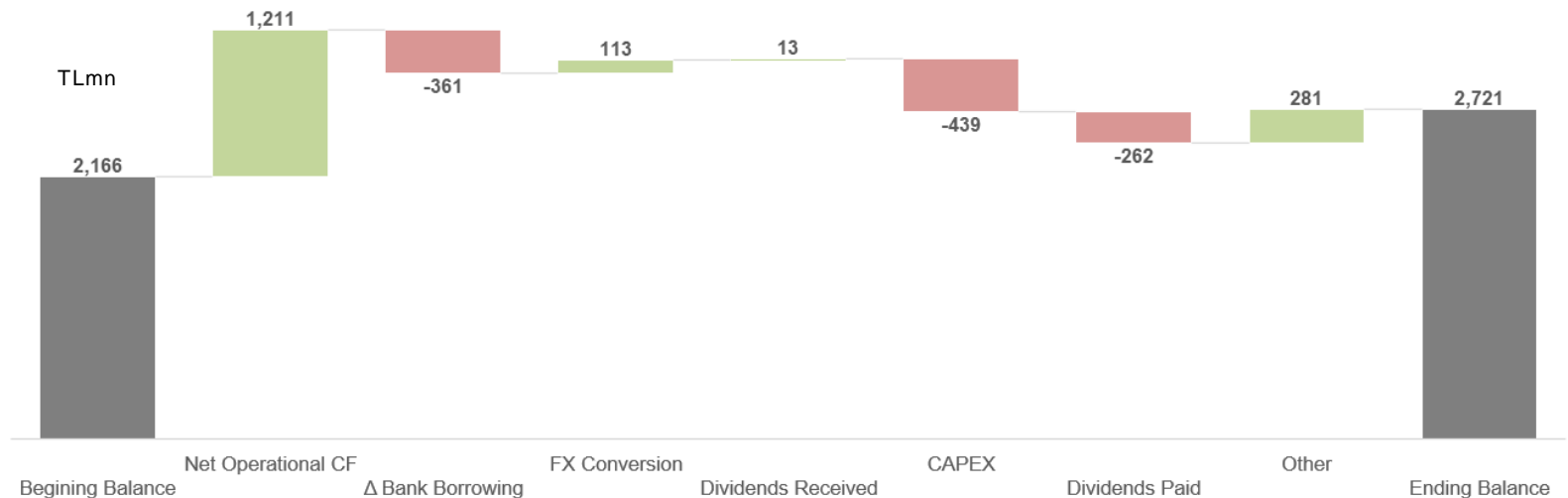


Cash Flow

2017
9M



2016
9M



2017 Expectations

2017 Expectations

White goods market volume growth	Turkey* : c.10% International : c.2%
Market Share	Stable or higher market share in key regions
Revenue Growth	c.25% in TRY
EBITDA Margin (2017)**	c.10% (previous c.10.5%)
Long-Term EBITDA margin**	c.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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