

Arcelik

2018

Financial Results

January 30, 2019

2018 Q4 Summary

- International organic growth, YoY depreciation of TRY and price adjustments led to 30% top-line growth YoY
- Flat gross profit margin QoQ as increasing domestic profitability offsetted the negative impact of TRY appreciation on international margins
- Relief in raw material prices started to help margins in 4Q18
- Strict opex management with 160 bps QoQ improvement in Opex-to-Sales ratio
- Slight market share losses in Europe compared to 9M18
- TRY appreciation and strong collection performance helped WC/Sales ratio
- Leverage declined thanks to strong EBITDA generation and TRY valuation

Net Sales
TRY 7.4 bln.

**EBITDA
Margin**
12.2%

WC / Sales
28.0%

Leverage
2.4X

2018 Q4 Sales Performance

Key Factors Impacting Revenues



International Growth

Organic growth (~6%) continued in 4Q18 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

Despite the new SCT Incentive and a favorable base, domestic sell-in demand remained weak



Pakistan Market

Mainly due to macro developments, Pakistani market had a slower quarter

2018 Q4 Margin Performance

Key Factors Impacting Margins



Price Adjustments

Earlier price adjustment in Turkey, Pakistan and MENA region led to expansion in profit margins



OPEX Management

Thanks to strict OPEX management during the quarter, Opex-to-Sales ratio improved by 160bps QoQ



Raw Material

Both plastic and metal prices continued to decline during the quarter



TRY Appreciation

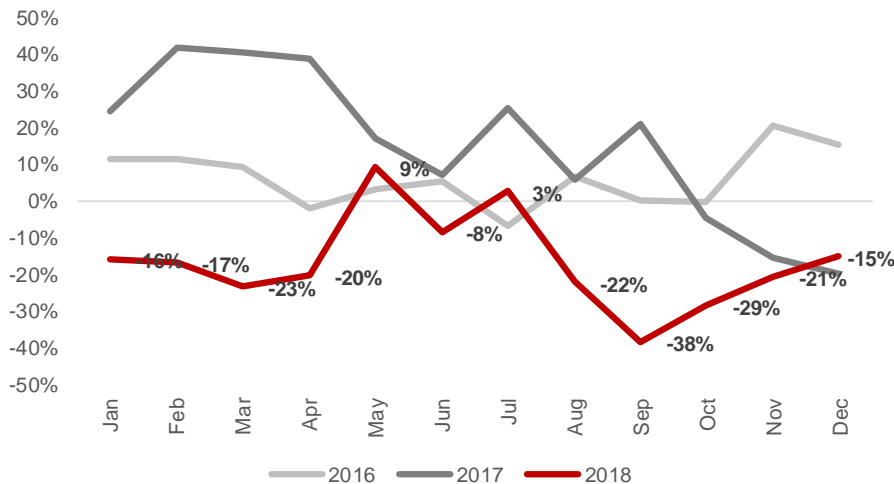
TRY appreciation had a negative impact on international profitability through sales of pre-purchased inventory but was supportive for domestic margins

2018 Q4 Performance - Turkey

Market*

- Despite the SCT incentive and low base of 2017, sell-in market contracted by 22% in 4Q. However, retail demand was positive in the last 2 months due to SCT break.
- A/C demand declined by 15% during the quarter.
- Retail demand for TV decreased sharply by 24% (YoY) in the quarter (9M: +0,9%)

**Turkish MDA6 Total Market
YoY Change**



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

('000 Units)	4Q18	4Q17	YoY	4Q16	vs. 4Q16
Refrigerator	312	388	-20%	487	-36%
Freezer	6	46	-87%	58	-89%
Washing M.	401	518	-23%	555	-28%
Dryer	47	45	3%	38	23%
Dishwasher	298	357	-16%	423	-30%
Oven	178	240	-26%	278	-36%
Total	1,242	1,594	-22%	1,839	-32%

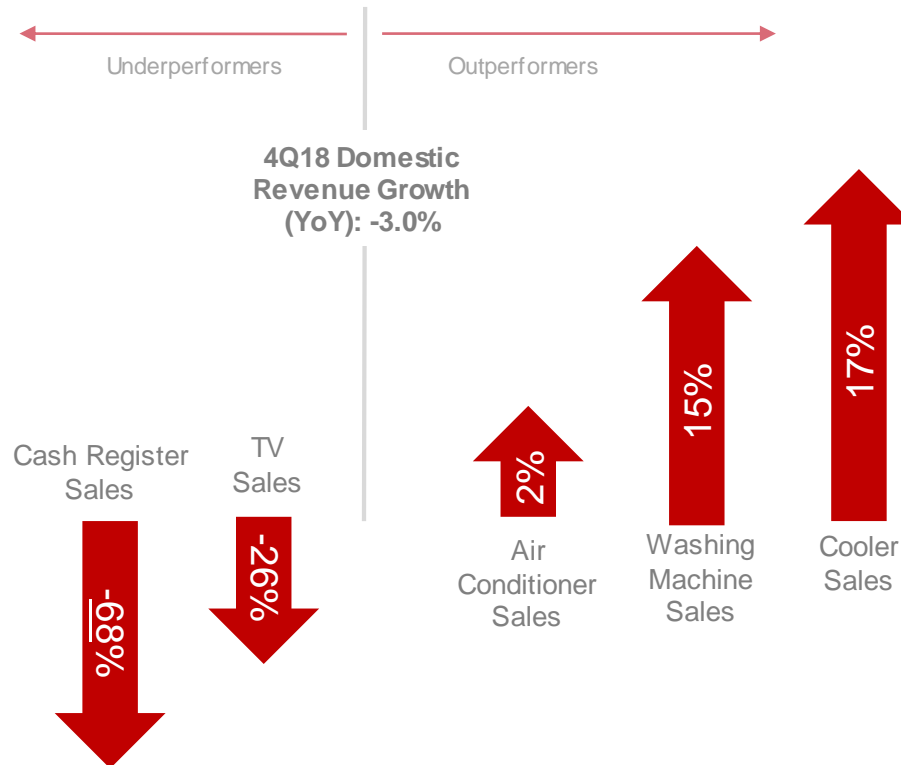
* MDA and A/C figures are based on BESD data.

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

2018 Q4 Performance - Turkey

Arçelik A.Ş.

- Topline decline realized at 3% YoY mainly due to fragile demand environment
 - In MDA, unit sales was better than the market in 4Q18. (Market: -22%, Arcelik -18%)
 - A/C unit sales also outperformed the market as volumes remained flat YoY.
 - In TV segment, the company improved its position and performance in the market in Q4 and it continued to enjoy the second position in FY with ~25% market share.

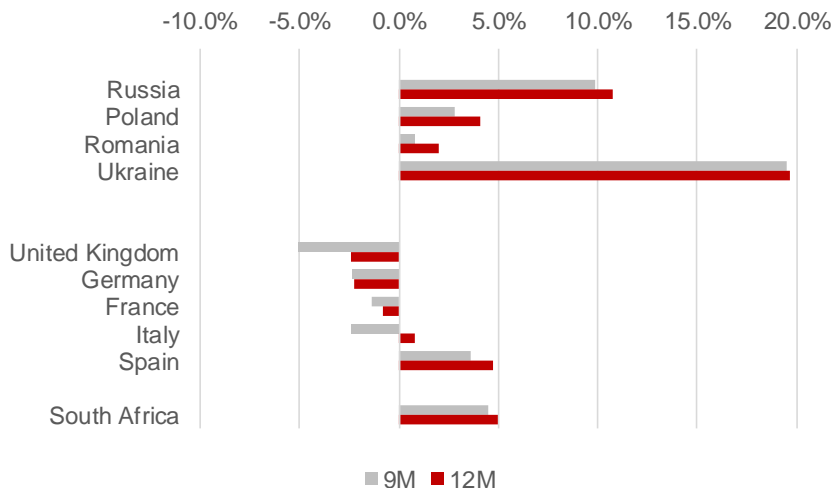


2018 Q4 Performance - International

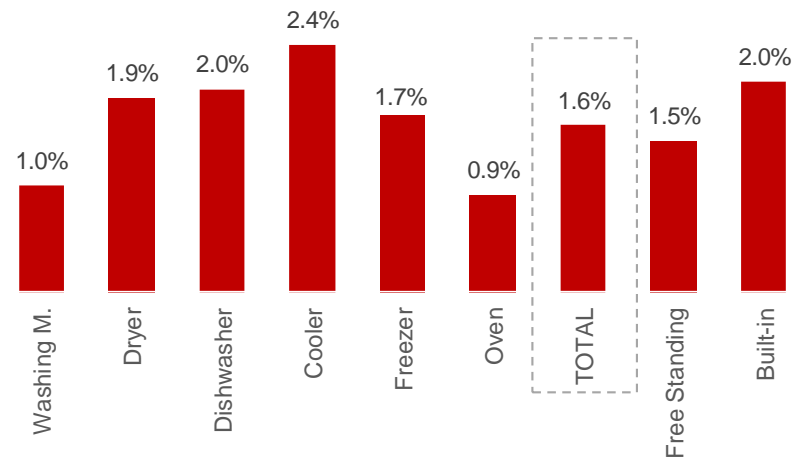
Market*

- West Europe improved slightly in 4Q18 but closed year with ~1% decline.
 - UK, Spain and Italy were the source of improvement (QoQ) while Germany and France were weak.
- East Europe enjoyed another strong quarter as yearly growth reached 8%.
 - After a weak 9M, Romania also contributed to region's performance
- S. African retail demand grew significantly as demand shifted from Q3 to Q4.
- Mainly due to macro conditions, Pakistan slowed down in 4Q18.

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



European Market Unit Growth by Product Type (12M18) (%)

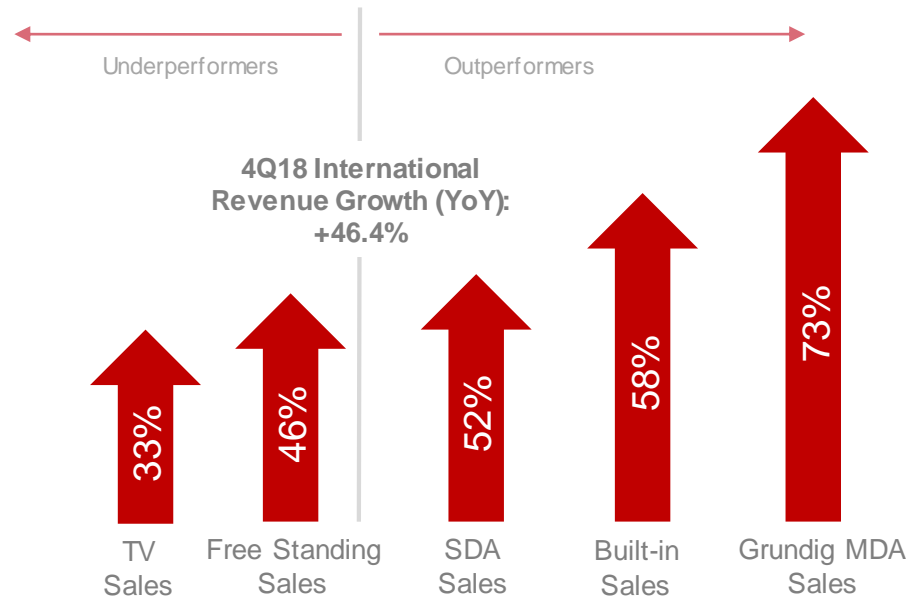


• Figures are based on retail panel of a market research company.

2018 Q4 Performance - International

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- TRY depreciation and organic growth led to ~46% increase in international sales.
 - Share of built-in improved ~100bps YoY to ~20%.
 - Grundig sales increased more than 70%.
 - SDA had another strong quarter with 52% revenue growth.

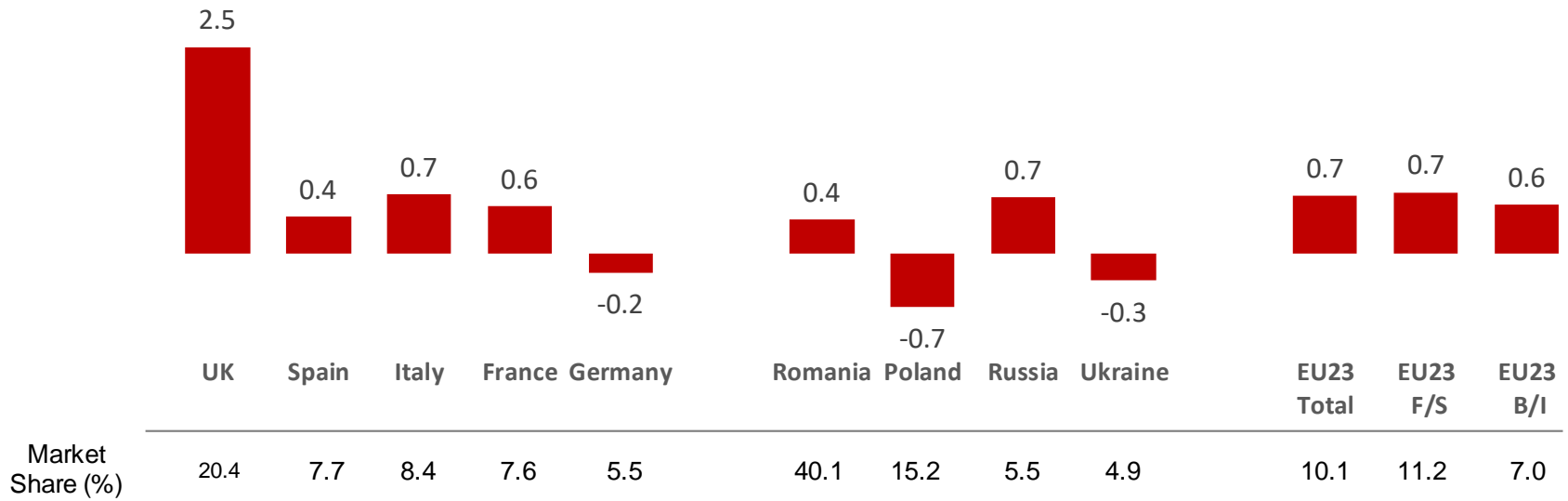


2018 Q4 Performance - International : Europe

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- Slight market share losses in Q4 after an exceptionally strong 9M18.
 - Throughout 2018, Beko has reached highest ever market shares (monthly) in WE total, UK, France, Spain, Romania and Russia.
- TRY is still supportive albeit to a lesser extent compared to 3Q18.
- In some Western European markets, promotional activity was reduced to focus more 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-Dec 18 except EU23 region, which is based on Jan-Oct

2018 Q4 Performance – International : Asia & Africa

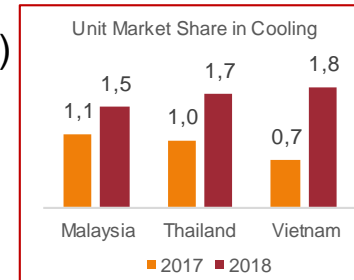
Arçelik A.Ş.

S. Africa & Sub-Sahara

- Sell-in sales were weak as retail demand is expected to be sluggish in 1H19 in S. Africa.

ASEAN

- Sales in ASEAN region was ~USD23mn in 4Q18. (USD135mn YTD*)
- Refrigerator production in Thailand was ~345 K units, up by 30%.
- Market share gains go on in the region.



Pakistan

- In line with sluggish market conditions, Dawlance recorded low single digit revenue growth in local currency.
- Price adjustments continued in all product categories in Q4.

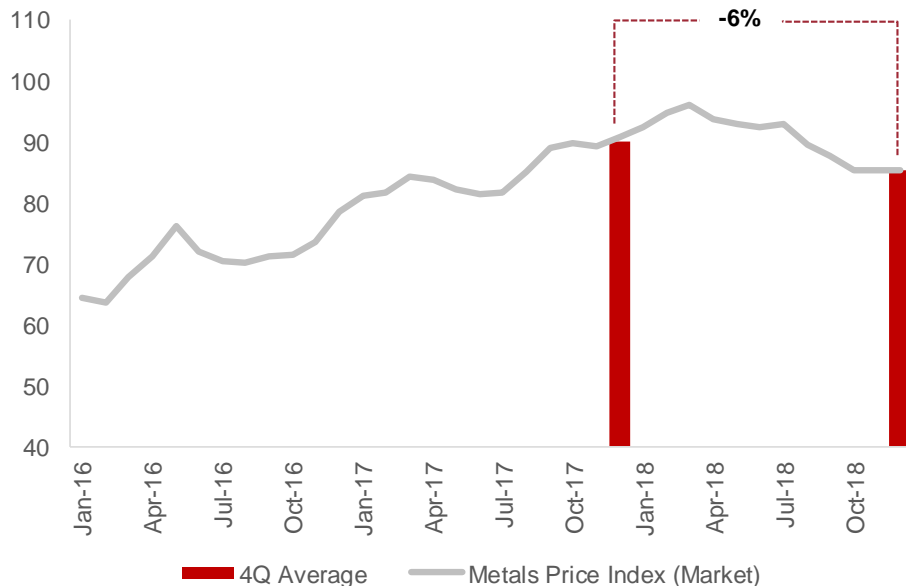
India

- Plant construction is going on as the JV is building up distribution, including listing on Tata CliQ.
- With the initial product launch, sales to the JV reached TRY 120 million.

* In previous quarters, direct sales to India were included in ASEAN sales. As VoltBek started trading operations, FY figure excludes sales to India.

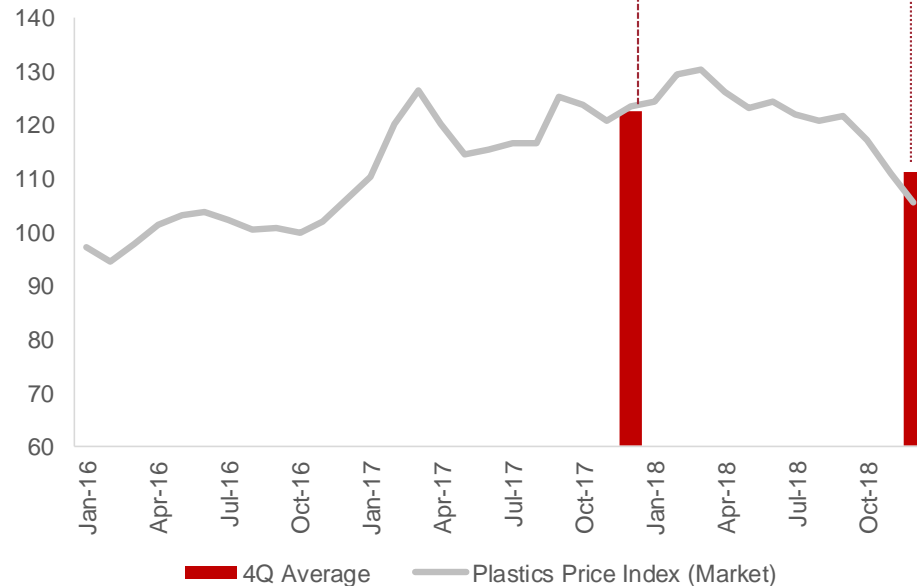
Trends in Raw Material Prices

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

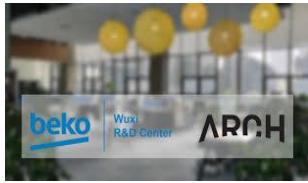
Metal Prices Index Quarterly Average - Market

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

Plastic Prices Index Quarterly Average - Market

3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
119	123	128	125	121	111

2018 Q4 Other Developments



A new R&D Center, Arch R&D Co. Ltd., was launched in High-Tech Development Zone, in Wuxi, Jiangsu, China.

Beko Spain received recognition for its career in Spain by the Secretary of State for Energy as Beko has been the fastest growing brand in Spain on the MDA6 sector in the last decade.



The launch of the new Grundig concept store took place in November in S. Africa. The B2B solution for architects, designers and interior decorators is a first of its kind in the country.

Beko “Eat Like A Pro” campaign with FC Barcelona won the “Best Brand Activation involving a Club” category along with a silver award in “Partnership of the Year” at Football Business Awards in London.



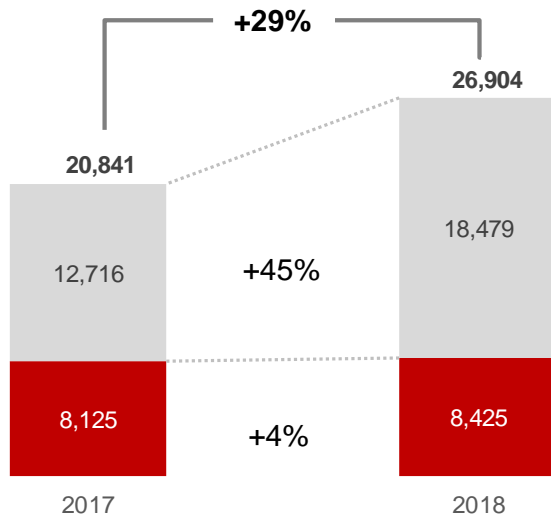
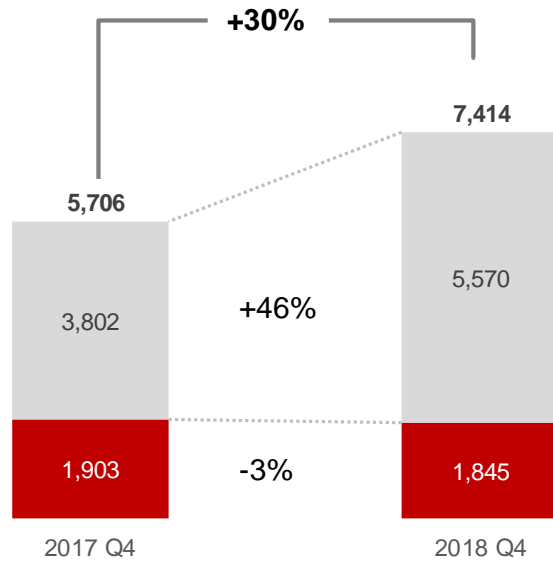
Thanks to its accomplishments in sustainability, Arçelik won the first prize in the "Management" category of the European Business Awards for the Environment. It is the first-ever Turkish company to receive the award in its industry.

Sardis, the new generation mobile payment terminal developed by Token, the financial technologies spin-off company, won the Innovation Award by Consumer Technology Association at CES.

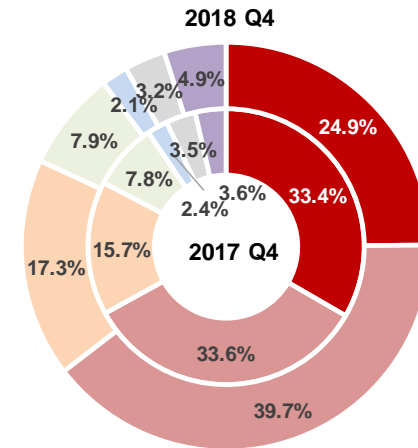


Sales Performance

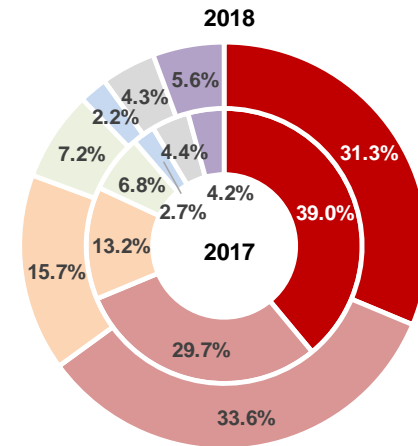
Sales by Region



■ Turkey ■ International

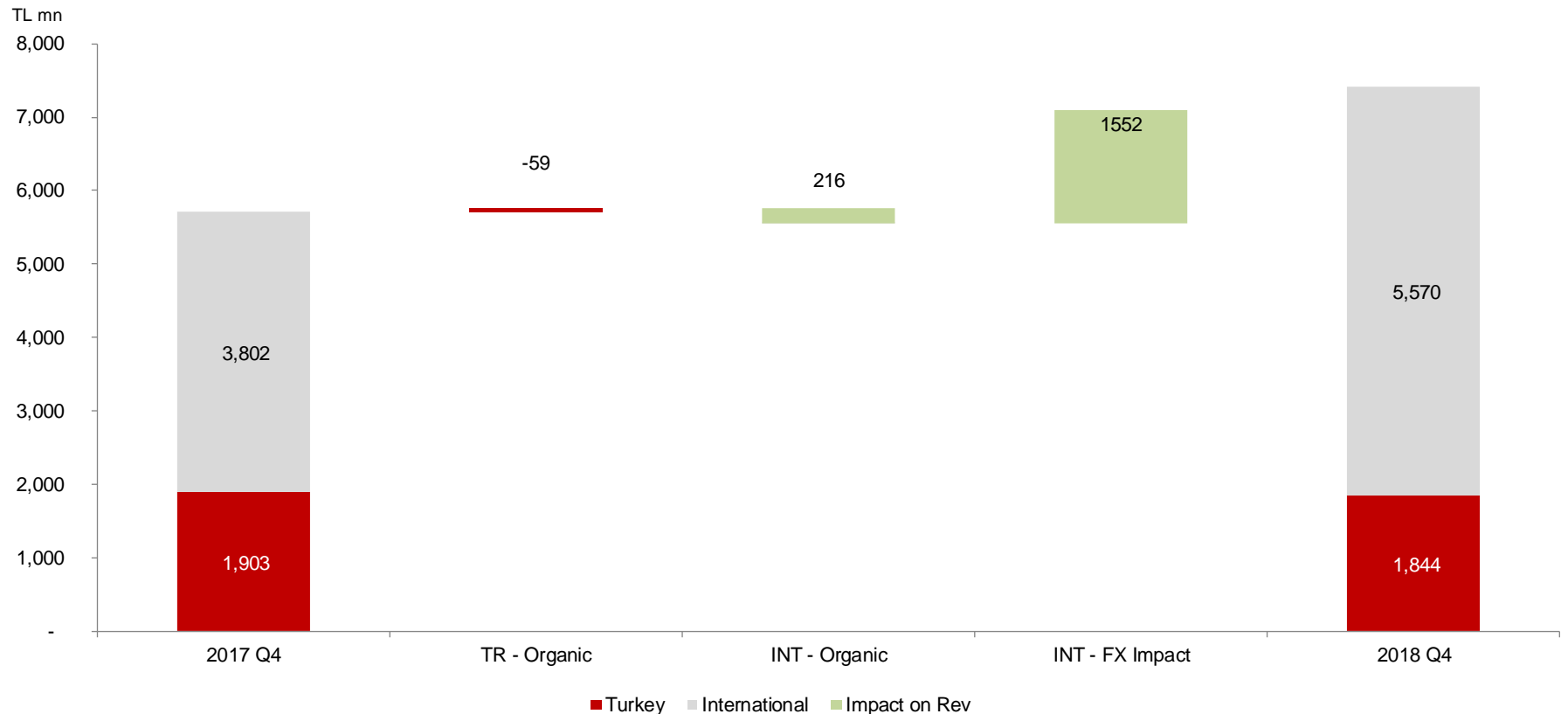


■ Turkey ■ Western Europe ■ CIS&Eastern Europe
 ■ Africa ■ Middle East ■ Pakistan
 ■ Other



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

Sales Bridge



2018 Q4	Organic	Currency Effect	TOTAL
Domestic Growth	-3.1%	0.0%	-3.1%
International Growth	5.7%	40.8%	46.5%
Total Growth	2.7%	27.2%	29.9%

Financial Performance

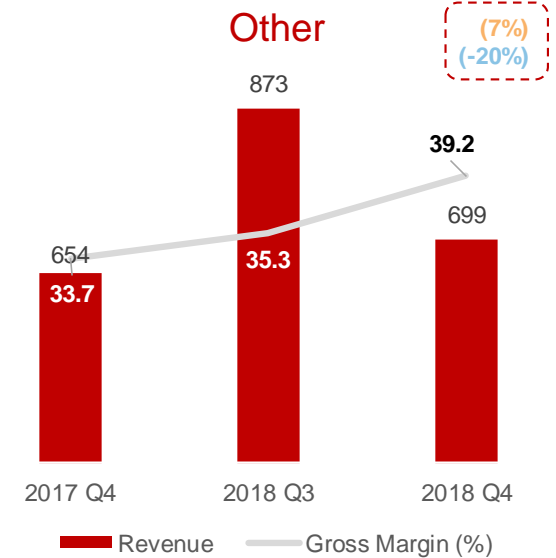
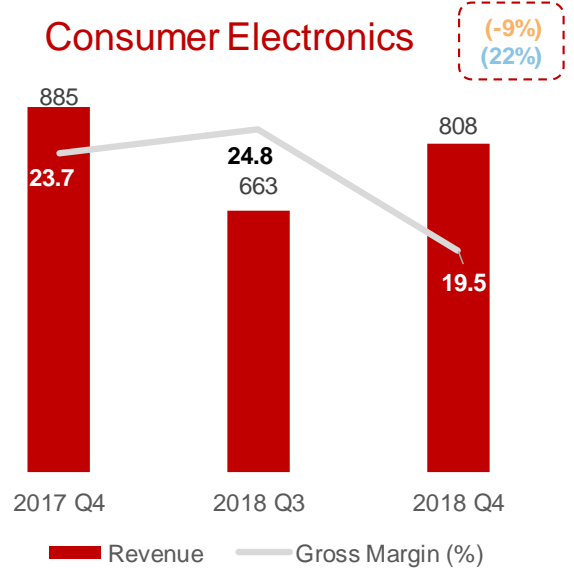
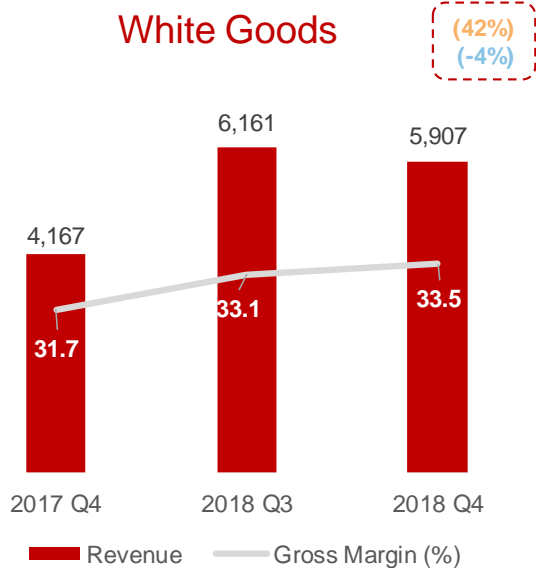
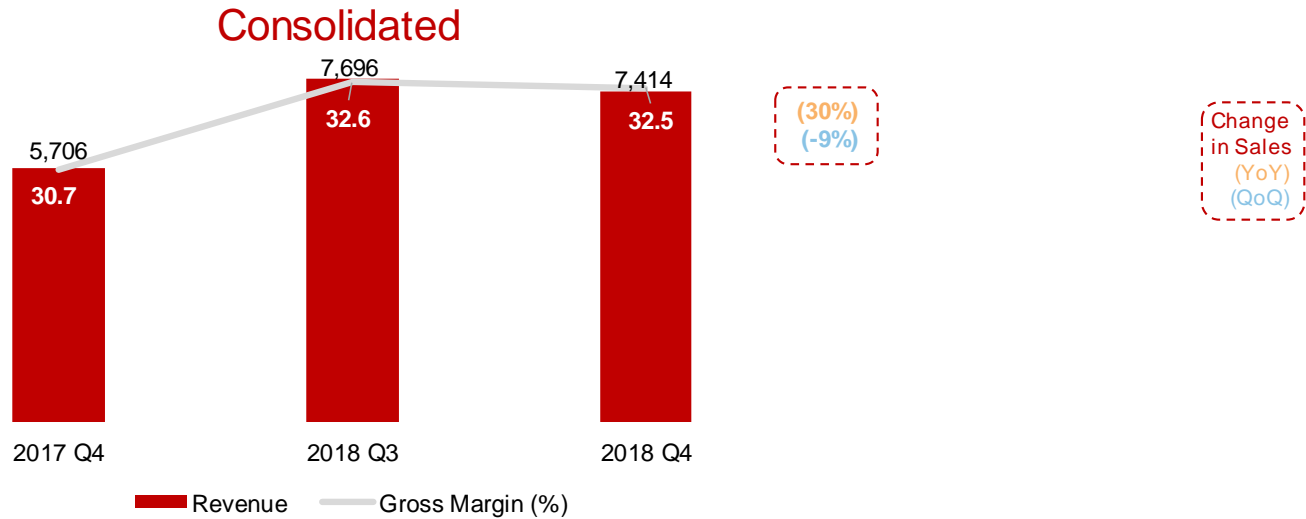
Income Statement

TL mn	2018 Q4	2017 Q4	2018 Q3	Δ% YoY	Δ% QoQ	2018	2017	Δ% YoY
Revenue	7,414	5,706	7,696	30	-4	26,904	20,841	29
Gross Profit	2,410	1,749	2,511	38	-4	8,546	6,506	31
<i>margin</i>	32.5	30.7	32.6			31.8	31.2	
EBIT *	713	282	603	153	18	2,107	1,406	50
<i>margin</i>	9.6	4.9	7.8			7.8	6.7	
Profit Before Tax	270	112	332	141	-19	949	821	16
<i>margin</i>	3.6	2.0	4.3			3.5	3.9	
Net Income**	281	90	253	212	11	856	845	1
<i>margin</i>	3.8	1.6	3.3			3.2	4.1	
EBITDA*	908	426	787	113	15	2,797	1,954	43
<i>margin</i>	12.2	7.5	10.2			10.4	9.4	

* 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

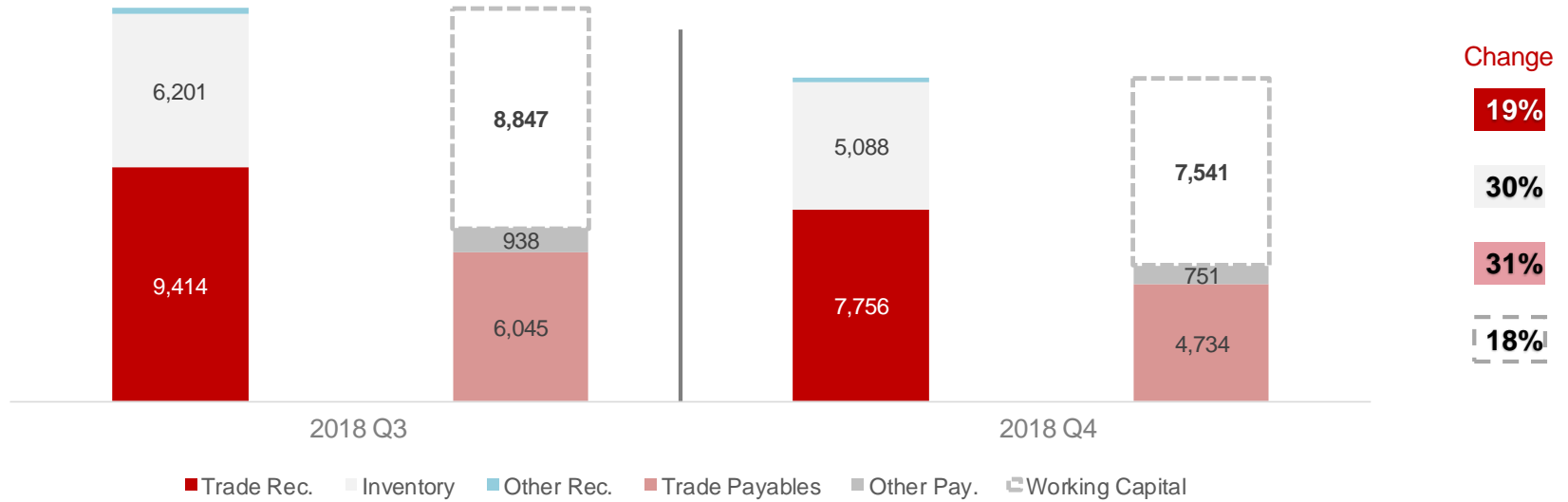


Balance Sheet

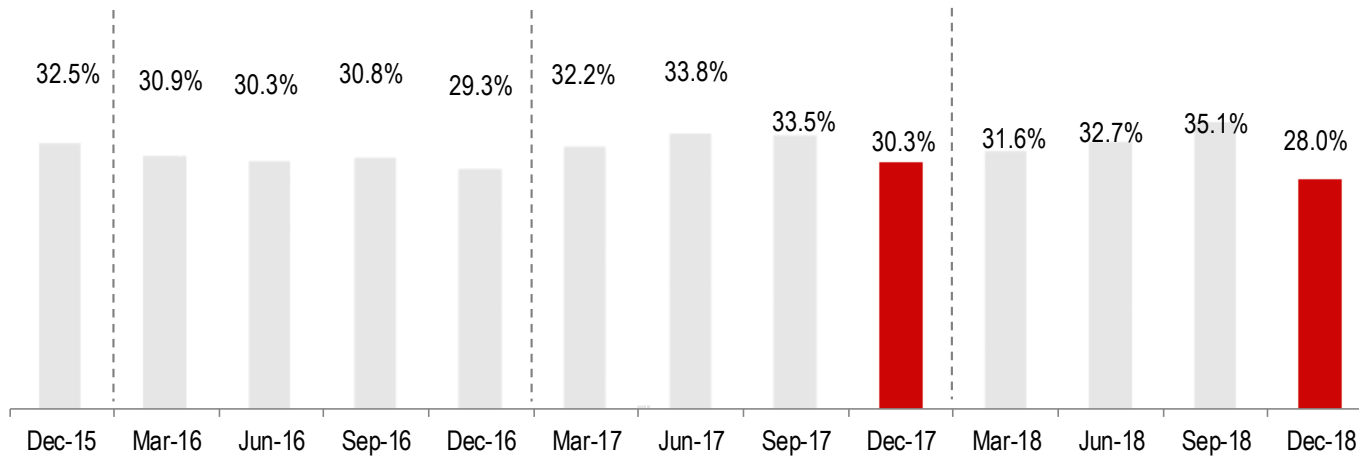
TL mn	31.12.2018	31.12.2017		31.12.2018	31.12.2017
Current Assets	19,196	13,501	Current Liabilities	12,497	8,403
Cash and Cash Equivalents	5,342	2,582	ST Bank Borrowings	5,517	3,262
Trade Receivables	7,756	6,518	Trade Payables	4,734	3,576
Inventories	5,088	3,780	Provisions	582	431
Other	1,011	622	Other	1,663	1,135
Non-current Assets	9,172	6,935	Non-current Liabilities	7,652	5,118
Property, Plant and Equipment	4,534	3,265	LT Bank Borrowings	6,432	4,114
Intangible Assets	3,109	2,578	Other	1,221	1,004
Financial Investments	348	285	Equity	8,219	6,915
Other	1,181	807	Total Liabilities	28,368	20,436
Total Assets	28,368	20,436			

	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Net Financial Debt/Equity	0.80	0.69	0.69	0.70
Total Liabilities/Total Assets	0.71	0.66	0.66	0.66

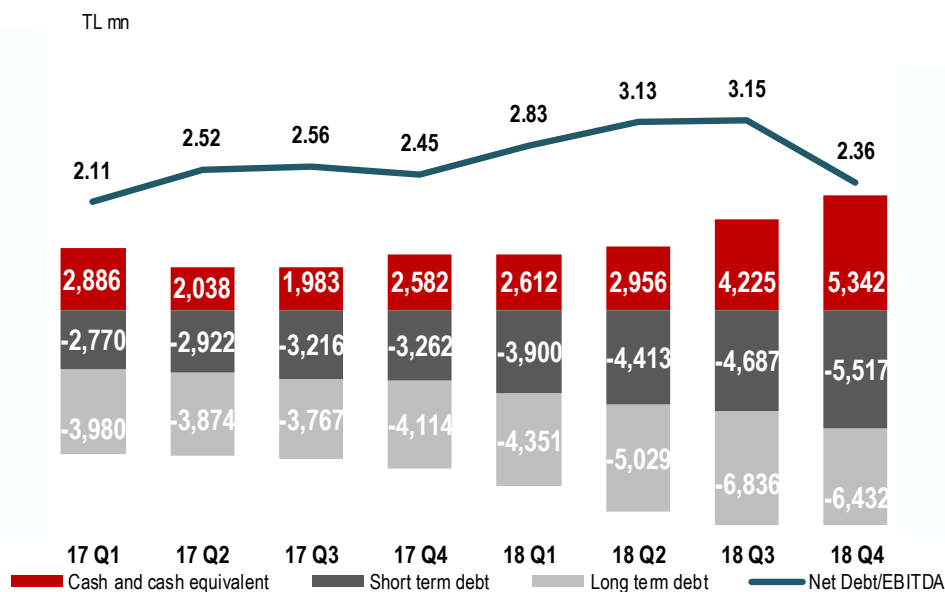
Working Capital



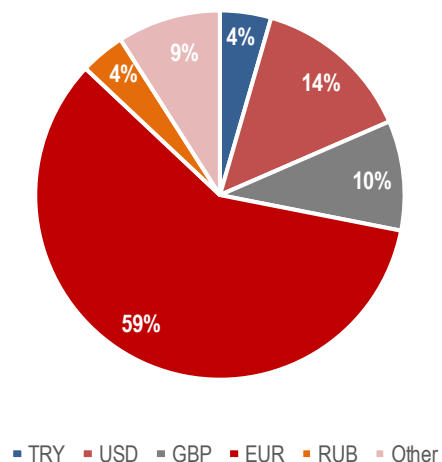
Working Capital / Sales



Cash & Debt Profile



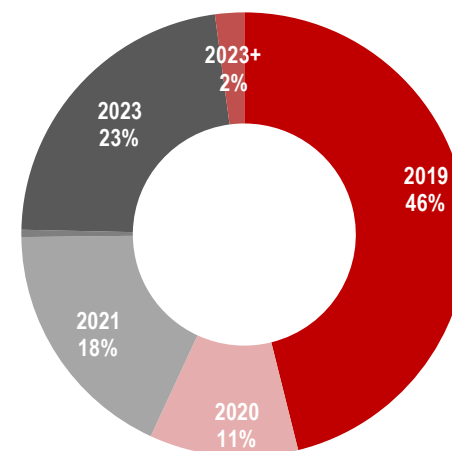
Cash Breakdown by Currency



Debt profile (as of Dec 31 2018)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	20.6%	4,640	4,640
EUR	1.1%	262	1,580
ZAR	9.4%	750	275
GBP	1.5%	7	50
RON	4.9%	4	6
PKR	9.3%	16,333	611
Total			7,161
USD	5.1%	505	2,657
EUR	4.0%	353	2,130
Total Eurobond			4,787
Total			11,948

Debt Maturity Profile



FX Hedging Policy

FX POSITION - CONSOLIDATED

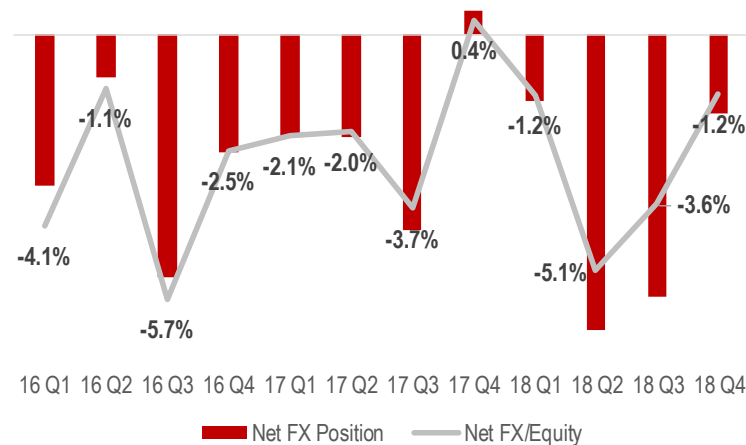
(TRYmn)	Before Hedge	Hedged Position	Net Position
EUR	662	-880	-218
USD	-2,092	2,222	130
GBP	697	-683	15
Other	984	-1,009	-25
TOTAL	251	-349	-98

Net FX Position/Equity -1.2%

* Mainly stemming from Pakistan and Vietnam where hedging is limited

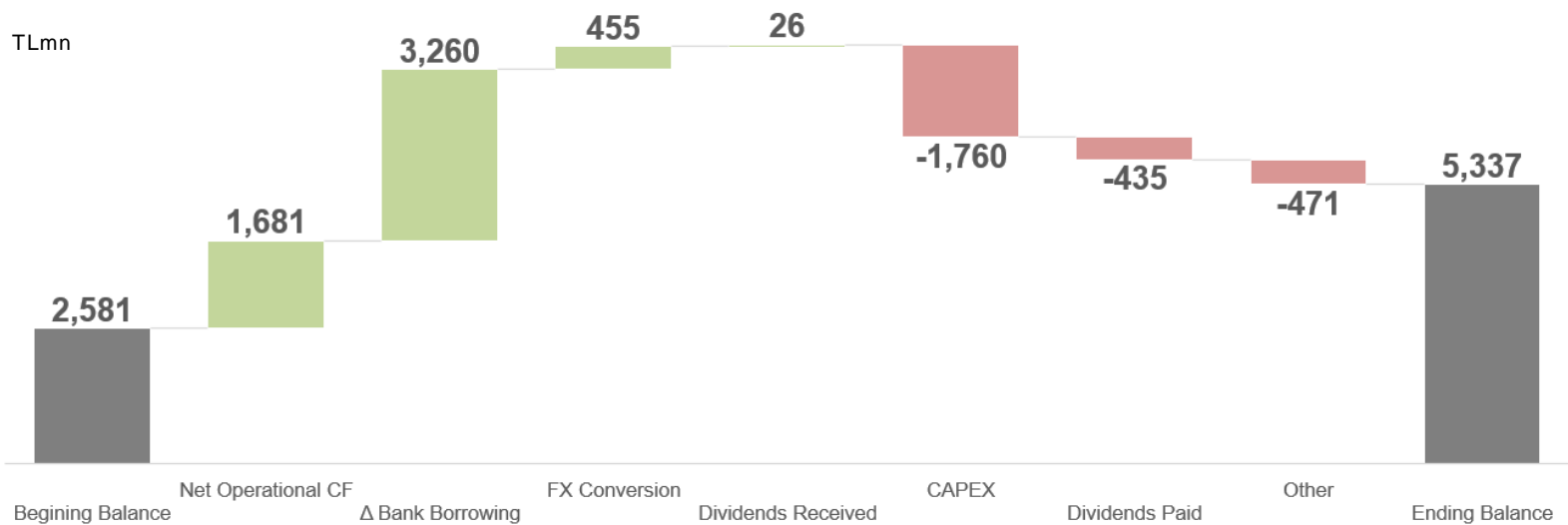
- The primary strategy is on balance sheet hedging mainly through cash, receivables, payables and financial liabilities, and the remaining part is hedged through financial derivatives.

- 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.

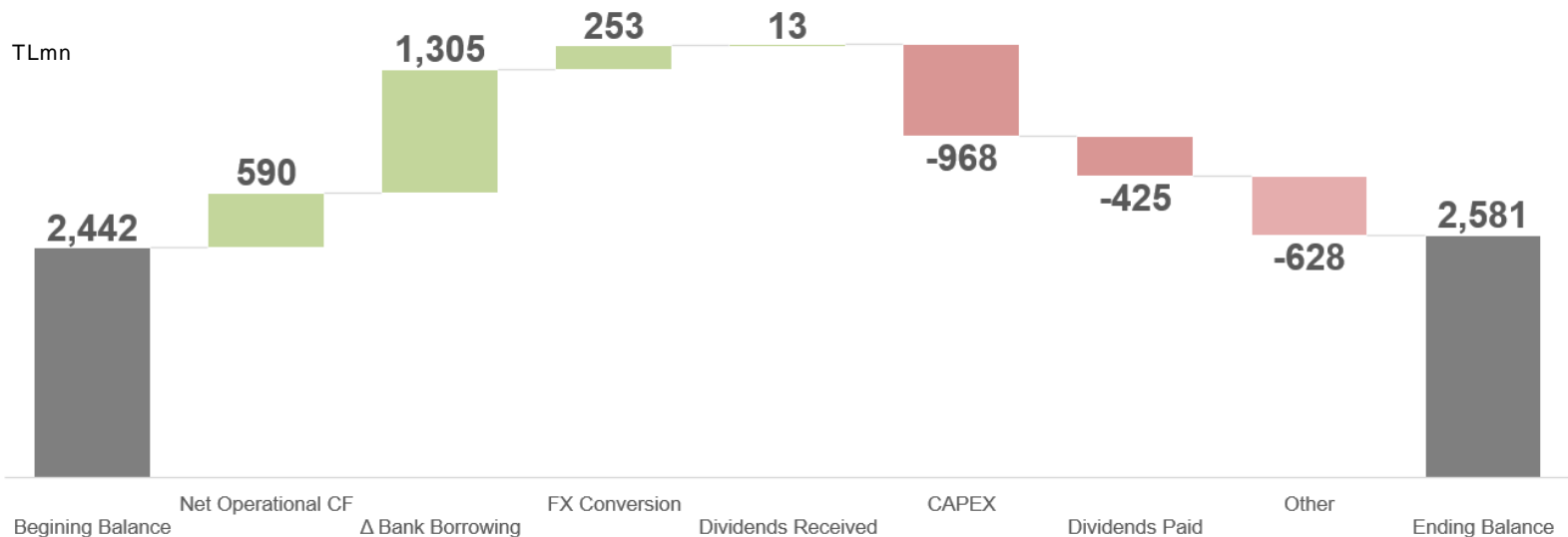


Cash Flow

2018



2017



2019 Expectations

2019 Expectations

MARKET

**White goods
market volume
growth**

Global: ~ +2% sales volume

ARÇELİK A.Ş.

Revenue Growth

Around 25% in TRY

**EBITDA Margin
(2019)****

Around 10,5%

EBITDA (2019)**

TRY 3,3-3,7 bln.

**Long-Term
EBITDA margin****

Around 11%

The Group is in the process of assessing the impact of TFRS 16, which is expected to be accretive to EBITDA margin in 2019.

* 6 main products, in compliance with WGMA data.

**EBITDA margin calculations are inline with the methodology used in calculation of historical values, and does not include any impact from TFRS 16 implementation

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