Arçelik A.Ş. Third Quarter 2021 Financial Results Conference Call

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***Conductors*:**

Mr. Polat Sen, Chief Financial Officer

Mr. Ozkan Cimen, Finance & Enterprise Risk Director

&

Mr. Alper Gür, IR & Capital Markets Manager

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: www.choruscall.com

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator. Welcome and thank you for joining the Arçelik conference call and Live Webcast to present and discuss the Q3 2021 Financial Results.

At this time, I would like to turn the conference over to Mr. Polat Sen, Chief Financial Officer, Mr. Ozkan Cimen, Finance & Enterprise Risk Director & Mr. Alper Gür, Investor Relations & Capital Markets Compliance Manager.

Mr. Sen, you may now proceed.

SEN P: Thank you very much. Good afternoon, ladies and gentlemen. Welcome to our Third Quarter 2021 Results Webcast. Before going into the details, I'd like to take the opportunity to thank all of our employees for their dedication and hard work during this year.

I'll start with Slide 2. Let me give you the highlights of the third quarter. Our consolidated net sales was 18.1 billion Turkish Lira, in this challenging quarter registering 52% year-on-year, and 25% quarter-on-quarter growth, while the growth was 29% year-on-year and 6% quarter-on-quarter organically.

As expected, the demand across regions started to normalize within the quarter, and raw material costs continued to increase. Despite falling demand and cost inflation, we have been able to post better EBITDA margin of 10.4% compared to the previous quarter on comparable basis excluding the impact of acquired operations of Hitachi and Whirlpool Manisa factory.

On a consolidated basis, including the impact of our recent acquisitions, EBITDA margin has stayed flat at 9.8%. The resilient profitability was the result of operational efficiency, the price increases in the market and the positive mix impact. Our OPEX to sales ratio in third quarter came down by 194 basis points to 21.2%, compared to the last quarter. On comparable basis, the ratio was down by 90 basis points to 22.1%.

Enjoying the positive impact of acquisitions and improvement in net working capital items, our net working capital to sales ratio was decreased to 26.1% from 26.8% in the second quarter of the year. As of July, we have started to buy back our shares, since we do not believe that Arcelik's market capitalization does not reflect its actual operating performance.

As of September end, we have acquired 26.6 million shares in total, corresponding to 3.9% of the equity with weighted average price of 32.12 Turkish Liras.

Our leverage was 2 times in this quarter, including the share buyback impact of 0.12 times, still around the safe zone. Our recent acquisitions is included in the leverage calculation with 3 months operation; therefore, the leverage is negatively impacted with an annualized EBITDA contribution of our recent acquisitions. The leverage would also be positively impacted again 0.12 times as well.

So, you will see 2 times, but comparable basis it is 0.12 and 0.12 totally, 0.24 times less than that.

Let's move on to the other slide. On our revenue on a consolidated basis has increased 52% as I have just explained to 18.1 billion Turkish Lira in the third quarter of the year. Thanks to the additional units mainly from recent acquisitions and price increases and strong euro/dollar against Turkish Lira. The growth was 29% year-on-year, like-for-like basis.

As I was mentioning, the raw material costs continued to increase in this quarter as well. In addition to lower capacity utilization, strong U.S., dollar and euro, and relatively lower profitability of our recent acquisitions resulted around 200 basis points contraction in gross profit margin on a quarterly basis. Like-for-like basis, again, our gross margin was 29.8%, reflecting the limited contraction compared to second quarter '21.

Within the period of July to September, we saw an increasing trends in gross margin and particularly in September, our margin was above 30%. On the right-hand side, you can see our EBITDA margin, the operational efficiencies that we have created in this quarter helped us to deliver 10.4% EBITDA margin, 62 basis points higher compared to the second quarter, again on like-for-like basis.

On a consolidated basis, including the impact of recent acquisitions, the margin was 9.8 which is flattish to second quarter, as the dilutive impact of acquired risk were not as high as Arçelik.

I'll move on with the domestic market. In the third quarter '21, Turkish MDA6 market was down by 11% in unit terms, as it was expected due to the strong base of the last year.

Our performances were slightly better than the market, yet we posted 9% contraction in unit terms on a yearly basis. Besides cycling a strong growth, a year ago, consumer appetite was not high due to the inflationary macroeconomic environment and natural disasters experienced in our country.

On a cumulative basis, Turkish MDA6 market was up by 12% in 9 months '21, while Arçelik's volume has increased by 18% on a yearly basis. Thus, we have maintained our strong leadership position in the Turkish market. AC markets grew by 25% year-on-year on the third quarter, and our AC sales have increased by 18%. TV markets continued to shrink, after second quarter as well.

I'll move on to the European market. In Western Europe, we saw contraction at varying degree in almost all the countries in both July and August, mainly due to the high base of last year. We have seen the highest contraction in UK, as countries still having supply chain disruptions and driver shortages which causes lag in delivery.

In Eastern Europe, Ukraine, Romania, Poland and Russia continued to grow, yet the growth was decelerated compared to the previous quarter.

The share of European markets… I am moving to the other slide, the share of European markets in our total sales was 43%

in third quarter of ’21, of which 30% was coming from Western Europe and 13% was coming from Eastern Europe. As demand was weakening in Western European markets, Arçelik took benefits of having acquiring Whirlpool Manisa factory.

The additional units provided by their acquisition together with the price increases led revenue to be increased by 20% quarter-on-quarter and 25% year-on-year in euro terms. With strong third quarter performance, Beko has strengthened its market leadership position in U.K., as of 9 months '21 results, while Arçelik Group was gaining slight market share in France, Spain, and Italy.

In the Eastern Europe, Arçelik benefited from relatively good demand and increase its top line by high teens percentage in…on quarterly basis. With Beko and Arçelik brand, Arçelik Group maintained its strong leadership position in Romania, in this quarter as well.

Our price index in Russia has been increased in July and August, while we were able to gain slight market share in Ukraine with improved price index.

When you look at Africa and APAC, cycling is quite strong base with lower units sold, South Africa revenue was contracted to buy mid-to-high single-digit percentage in third quarter on a yearly basis in euro terms. On a quarterly basis, despite diluting issues in the country, if I was able to increase its sales, both in domestic and export markets, and also increase its top line by double-digit.

Just like in most of our operating geographies, our strong leadership was maintained in South Africa as well by even gaining market share in the first 9 months of '21. In line with our strategy, APAC sales is now getting more share in our total sales with Arçelik Hitachi contribution, Arçelik Hitachi shares in total APAC region sales was 60%, while its share was 11% on a consolidated basis.

Despite the fourth wave of COVID-19 and continued inflationary environment our sales in Pakistan was 25% higher in both PKR and euro terms on a yearly basis. Thanks to the continued high demand and price increases, having been impacted mainly by the government-imposed restrictions, our sales in Bangladesh contracted by 26% on a yearly basis in Bangladesh taka terms.

When you look at the raw materials, in this quarter average metal price index was flat compared to the previous quarters as copper, aluminum and electric sheet metal price negatively impacted from electric crisis that we are facing with.

On the contrary, average plastic prices came down from third quarter, from historic high levels compared to the last quarter, mainly due to the supply surplus normalization period, and eased force majeures.

We now see that the average raw material prices in fourth quarter are parallel with third quarter and expect it to be parallel in first quarter as well in '22. Yet, this energy crisis that the world has been facing with so far is going to have a negative impact on some of the raw material prices.

Going forward, although the uncertainties are still there, we expect the average raw material prices to be lower in '22 compared to '21.

So, I'm going to leave the stage to Özkan to move on from here.

ÇIMEN O: Thank you. I will continue with the sales breakdown. In Q3, 3Q sales grew by 31.6% year-on-year organically. On the other side, our international sales grew by 2.7%, of which 4.4% was organic growth. 22.6% is FX impact, 35.6%, which is actually 2.8 billion TL is coming from the acquisitions. We are benefiting from diversified operating geographies. On the right-hand side, you can see our regular revenue breakdown.

The share of 13 total sales has gone down by 4.5%, compared to the same period of last year, and by on quarterly basis. As our recent acquisitions, enhanced our diversification.

I will continue with the financials. Here you can see our detailed financials those figures include the impact of our acquisitions, as mentioned in the highlighted section, thanks to the contribution of recent acquisition and price increases, we have strong revenue growth of 52% on a yearly basis, and 25% on a quarterly basis, excluding the contribution of acquisitions yearly growth was 29%. While quarterly growth was 6%, with the revenue of 18 billion TL in Q3, we have reached 45.6 billion TL in the year-to-date figures.

Our consolidated growth margin was 28.2% in Q2…Q3, reflecting the further increases in the raw material costs, and the dilutive impact of the acquisitions. On a comparable basis, gross margin was 29.8%.

Despite lower gross margin in Q3, compared to the previous quarter, we have been able to sustain our EBITDA margin of 9.8% through operational efficiency, without the impact of acquisitions, we have delivered EBITDA margin of 10.4%. EBITDA of 1.8 billion TL is almost the same as last quarter.

In year-to-date figures we have reached 11.2% EBITDA margin, which is in line with our guidance. And thanks to the strong operational profit, we will see our consolidated net income of 716 million TL in Q3, which is higher than last quarter, and our net profit margin is 3.8%... 3.9% on a consolidated basis, while flattish on a comparable basis. In year-to-date figures net profit is 5.1 billion TL, which is 5.2% of revenue and almost 50% higher than last year.

I will continue with net debt slides, our leverage was 2 times in the third quarter, sales flat compared to last quarter, we have been able to manage to sustain the ratio at quite healthy levels. Despite cash out of the acquisition and having EBITDA contribution, only for one quarter and cash out of buyback. When the value of the shares acquired by the end of September is added to the net debt calculation, the leverage will be a 1.83. And if we consider the impact of an innovation impact of EBITDA, it will be 1.7 to 6 times.

On the right-hand side, you can see our loan and bond portfolio with 21 billion Turkish Lira equivalent, which is…where 35% of the portfolio is Turkish Lira loans. As you know, we are financing our Turkish business working capital needs in Turkish Lira loans, starting from the first quarter of this year. As the market rates have gone up, our effective interest rates have been higher.

But as of September, the effective rate for the loan of Turkish Lira is 17.2%, still lower than the average market borrowing rate. We have paid our €360 million Eurobond in September, therefore, our debt has decreased compared to the second quarter.

Next slide, you'll see a breakdown of working capital, CAPEX, and free cash flow. In this strong quarter we have generated positive free cash flow of 43 million Turkish lira, net working capital to sales ratio has improved from 26.8% to 26.1%. Stronger EBITDA together with an improved net working capital to sales and flattish CAPEX to sales ratio has helped to boost the positive free cash flow.
On cumulative basis as of September our free cash flow was negative at 3 billion Turkish lira. However, in the coming quarter, we expect to create better free cash flow compared to the previous quarter.

Now, I will leave the floor to Polat for the guidance.

ŞEN P: Thank you very much, Özkan. We have decided to make slight adjustments to our revenue guidance compared to the second quarter while keeping all other items the same. Based on our most recent forecast, we increased our turkey sales growth expectation from 30% to 35%, and our consolidated sales growth expectation from 50% to 55%, please kindly be informed that almost half of our 35% international sales growth guidance is the revenue contribution of our recent acquisitions. As we are getting closer to the year end, we are quite confident to achieve our guidance in all lines.

Thank you very much for listening to us. We are expecting your questions.

Q&A

OPERATOR: The first question is from a line of Lanka Sashank with Bank of America. Please go ahead.

SASHANK L: Yes, thank you. Good afternoon and good evening, everyone. And thank you for the opportunity to ask questions. So,my question is related to the raw material prices, especially in the plastics market.
I think in the last few weeks, we've seen prices go up pretty significantly due to the Chinese dual control policy that we are seeing. I just wanted to understand how your raw material contracts right now over the… over this quarter as well as Q1 next year and how should we be looking at the trajectory? I know you said, it's going to be flat Q-on-Q, but just wanted to get a more 6-month kind of a view here. Thank you.

ŞEN P: Thank you very much. To be honest, you know, we are…we have been going through a lot of crisis this year, you know, first the chipset crisis, then the logistics crisis, now we are facing the energy crisis, and all those are affecting every single raw material item in a different way.

So, especially with this energy crisis, we are mainly affected with the price pressure from…for example, aluminum is affected a lot in our industry, they are using lots of electricity to melt for the smelters, and then also copper is affected. That is something that we expected, the electricity prices is going to be affecting and also glass manufacturers are affected that we are using in a washing machines and refrigerators and ovens as well.

So, those are the prices that we expect to be a little bit under pressure in terms of increase, but with the other raw materials like cold-rolled steel, you know, polystyrene et cetera, we do not see that high increase in terms of pressure, price pressure.

So, for quarter 4, I have to talk average to average because as I told, you know, every single raw material is moving in a different way. But in average-to-average comparison quarter 4 is going to be very similar to quarter 3 and we expect the same trend to continue in quarter 1 as well.

So, in 6-months perspective, we do not really expect a huge change in raw material prices. That is the expectation, and we already are living in Q4 and we have… we are starting to discuss for Q1 as well. So, we have some information about it.

But after that, you know, starting from quarter 2, we expect a decrease actually, which is going to make 2022 average raw material prices less than 2021 average raw material prices all in all. Thank you.

SASHANK L: Thank you, very clear.

OPERATOR: The next question is from a line of Demirtaş Cemal with ATA Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My question is about the contribution of Hitachi and Whirlpool. Could you further elaborate in detail what portion of that was from Hitachi and what portion of that was from Whirlpool?

And could you give some color for the rest of the year and for the following year from that business? Thank you.

ŞEN P: Cemal, just to understand your question better, which part of P&L or balance sheet you're asking about? Is it the profitability or where?

DEMIRTAS C: First, from the revenue side, I see some numbers from the, you know, the footnotes to some numbers for, you know, for Hitachi around 2 billion something, but I want to understand the revenue contribution in the third quarter. That's my question.

And if you give some, you know, color on the EBITDA side, it still be more than welcome, you know, for the following quarters, because we were making some estimates based on, you know, the… some rough estimates, euro estimate, euro based, and it's a little bit lower than what I thought, so I want to understand, you know, what could be the trend for the following year. Thank you.

ŞEN P: Yes. In terms of sales, Hitachi's contribution was around 2 billion, a little bit over 2 billion Turkish liras and Manisa factory was around 750, a little bit over 750 million Turkish lira. So, when we look at the EBITDA, as we've tried to explain, without those larger contributions of those companies it's 10.4.

With the contribution of those companies, it's 9.8. We do not… I do not have the numbers with me right now one-by-one. But it's obviously clear that Hitachi and Manisa factories are the… in terms of EBITDA it is lower, but in total average it's 6.8% for the acquisition's EBITDA.

In the coming months, our expectation from those acquisitions or let's say in the coming year, we are expecting some synergies to kick in. So, we expect a upside potential in 2022 for the acquisitions that we have made this year.

It is really not easy to say, because of this volatile raw material, you know, issues that we have there living in, but definitely easily we have been working in these companies right now for 3 months, and we see a lot of synergy opportunities especially in the raw materials and you know on the supplier side, and also we see a lot of synergies, especially in the APAC region that we can utilize some of other capabilities and their capabilities. So, I can say that it is going to be higher than this year definitely.

DEMIRTAS C: You know, as expected right, U.S. dollar, euro or euro base?

ÇIMEN O: Sorry, I didn't get the question, sorry.

DEMIRTAS C: Okay, you know, and euro, U.S. dollar base you mean, right?

ÇIMEN O: What is euro or U.S. dollar?

DEMIRTAS C: Yes, you know, the levels you mean like you know in terms of the size, should be based in U.S. dollar or just the euro?

ÇIMEN O: The ones that I have explained 2 billion and 760 was Turkish liras actually in total. In euro terms, we are talking about for Hitachi it's around 200… more than €200 million more or less, and for Manisa there are €75 million for the 3 months.

DEMIRTAS C: Thank you. And as a follow up, I see there is some minority interest which is higher in this quarter, around 65 million. What is it related to when we come to the net income, right like the… when we… because we subtract that number minority, I see higher number 65 million in third quarter? And I see higher EBIT depreciation by the way. Could we assume that depreciation will remain at current levels, or should we expect some increase in quarterly depreciation for the following quarters?

ÇIMEN O: Cemal, the minority impact is actually related to the Hitachi acquisition because there are some minorities in the… underneath our JV. So, I will provide you more detail after the call for that variants, but it is related to Hitachi.

SEN P: And the… depreciation side actually, the difference could be related to the acquisitions again, but let us check and get back to you on that one as well. We should be… if it is related to the acquisitions, I think we should be expecting this level of depreciation from now on.

DEMIRTAS C: Okay, because I see around 460 million TL depreciation for the third quarter and it's about 380 million, 8 million higher depreciation so that's why I asked. Thank you.

SEN P: Thank you.

OPERATOR: The next question is from the line of Kılıçkıran Hanzade with JP Morgan. Please go ahead.

KILIÇKIRAN H: Hi, thank you, Polat and Özkan. I have 3 questions. The first one is regarding the demand outlook. So how do you see the current market trend both in Turkey and in international markets? And maybe particularly for Turkish market, do you believe that you may be able to pass the FX impact to retail prices without hurting the demand?

And second question is about the cost pressure. I mean, there are many different views around the cost inflation for the industry actually. And I try to understand what type of scenario do you reflect to your cost assumption so that you see a decline on your material costs in the fourth quarter. And recently, there was some sort of mix well, regarding the shortage of magnesium which may impact Aluminum. So, is this something that could affect your industry? I think China is supplying the magnesium. So, there is some sort of shortage there.

And the third question is about your EBITDA margin guidance. You are very close to our guidance at the moment. Do you see any sort of risk in the fourth quarter for the full year, because I think 4Q is traditionally a lower quarter from a margin perspective? Thank you.

SEN P: Correct. Thank you. I will started with the demand outlook; we have just started our budgeting process for 2022 and the understanding for 2022 in terms of demand both for let's say European market and the Turkish market looks alright. We are expecting growth in the European market, that is what I can say.

But in Turkey because of the strong growth and basis of this year, we think that the growth should be limited. I think it should be… in terms of unit, it should be around low single digits in Turkey. That is our expectation.

And in terms of FX affect in Turkish market, yes, we are really trying to adjust our prices in order to keep our profitability. And is it affecting the demand? Yes, it is, we have started to see that the demand is affected. That's why we are a little bit, let's say, more cautious about giving high growth for next year…for the domestic market in terms of unit.

But in other markets, we are expecting growth including Europe, Pakistan, Bangladesh and South Africa which are our bigger piece market, and also, we are expecting some growth in APAC region. We are expecting growth in the Hitachi side as well.

In terms of cost assumption, you talked about the shortage of magnesium which is affecting aluminum. Yes, we are constantly, you know, following up any issue that may come up let me say, but right now, we do not see anything, you know, high alert situation in any of the raw materials that we are using. It is still manageable, and we do not really expect kind of, stoppage in production or something like that in the coming quarters, because of those shortages in the market.

Because, it is not only about aluminum I have to say, we are also experiencing the same in the… for example, electrical steel that we are buying, as well. But all of them are still manageable. That's what I can say.

On the EBITDA margin guidance side, it is important for you to understand that in the second quarter, we had a sharp decline in EBITDA and our gross profitability April was better but May and June, it started declining. We stopped the decline in July and August, so it was very flattish till May and June, July and August, especially in September, we have been able to increase our gross profitability again with the measures that we have taken in price, in promotion, in mixes, et cetera.

So right now, we have changed the let's say, the direction of the growth acceleration. So, we are expecting better margins especially in October, and in November and December, of course, December is a half month, so the margin is going to decrease. We are counting into that. That's why we think that November and October is not going to be harsh as April to August period. So, our expectation is fourth quarter to be in line with our expectations and that's why we didn't change the guidance for the year end on EBITDA.

KILIÇKIRAN H: Thank you, Polat. It's very clear.

SEN P: Thank you.

OPERATOR: The next question is a follow-up question from the line of Demirtas Cemal with ATA Invest. Please go ahead.

DEMIRTAS C: I have 3 more questions. The first one is about the financial expense side. I see the numbers for interest expense, we were expecting a little bit higher. I see that there's a normalization in the interest expense side. That's my first question.

So, for the following years assuming what's your assumptions for the interest rate and the potential impact on here, and normally I get the numbers from your details. I didn't have that this time, but did you have any FX gain in this quarters or FX loss that's related to all financial and FX side.

The other question is about the Competition Board's investigation, what was it about? And you have made any comment on that for what reason it was in the agenda.

And the third question was about the tax side, effective tax rate was 7% in third quarter, could we assume this low effective tax to continue for the first quarter? Thank you… and for the following year any color? Thank you.

SEN P: I'll answer the question on Competition Board investigation, and I'll hand over to Özkan to answer the other question. The Competition Board investigation is a general investigation that the Competition Board decided to go, and they have been… they have… according to their claim, they have made the investigation and send us what they have found.

And now, we are… they expected a kind of defense from us and are trying to understand what are the position and we are trying to explain. We do not think that we are in a position as of today to be able to make a judgement on whether that is going to be an important thing or not.

But right now, we are thinking that that is something that we should be able to explain to them, but it will take time because there is a bureaucratic investigation at the end of today, there are some phases that we have to go through.

And whenever we have enough information or something that would really, we understand, if we understand that there is a impact on our financials, we are going to be sharing with the public.

ÇIMEN O: I will continue with the interest financial expense side. In Q3, we have a financial expense of around 500 million TL, actually this is mainly impacted… actually it got increased compared to the previous quarter because of the Turkish borrowings in our portfolio has increased.

As I mentioned, we had some low-rate loans in our portfolio where we need to roll and have high rates interest loans, and the average is around 17%. And most of the interest is fixed rate.

So therefore, we do not expect much increase in next year, in the coming year. But due to lower rates, renewable with higher rates, we expect around 100 basis points increase for the Turkish lira side of our portfolio.

And regarding your question on the FX gain and loss, this quarter, we have a loss of 57 million Turkish lira, but in year-to-date figures, it's almost zero FX gain or loss, so we don't have any loss in year-to-date figures. Why is it so if you ask, because our side of exposure affects the side of our… by our sales, right?

In terms of where we had a long exposure, we announced FX gains due to swap differentials. This has changed after the acquisition cash outs. So, our net U.S. dollar provisions turned out to be short and we executed dollar Turkish lira buy side forward deals in order to hedge our position. And this shift ended up with FX loss due to again swap differentials, but it's time there is a loss in this quarter.

And in the coming months actually we do not expect a higher loss, it would be close to breakeven because our US dollar position is not as high in terms of short, it will be close to breakeven in the coming quarter.

For the tax side, as you said, our effective tax rate has come down in last quarter and in this quarter as well. The main reason behind it is our incentives that we have in Turkey and also investment incentives which increases our deferred tax assets. As we are, I mean, an investing company, our CAPEX is increasing therefore with deferred tax assets in relation to that CAPEX expands, it’s also increasing.

Coming from the Turkey operations effective tax rate impact, we have a lower effective tax rate in Q3. However, we do not expect a further decrease in the coming quarter, it will be close to the average rates in year-to-date figures.

DEMIRTAS C: Thank you. And one last question about the Hitachi side, when I looked at the details as you mentioned, you recorded around 2 billion Turkish lira revenue from Hitachi, and the net income impact was around 122 million Turkish lira as I see from these figures, and I see that the net margin of Hitachi was around 6% in the second quarter, in third quarter and full years it was 7.8 in that Hitachi, and the EBITDA should be lower, but I understand that, that from other contribution from the, you know, Hitachi side which has higher… that maybe we have a higher net margin in that business.

Could you give some, you know, just the indication about that for the following quarters, you know, it's a more detailed question maybe but I see that the net margin is higher for that Hitachi side?

ÇIMEN O: Let me give you clear, Cemal, Hitachi is a net cash positive company. So, they do not have any financial expenses rather they have financial income, so, working capital is positive there and also the net cash position is positive there, that is the main reason actually why EBIT, between the EBIT, the EBIT margin is around as you said, its around 6.2% and the profit after tax is around 6.4%, so it's more or less the same because there is no financial expense basically.

DEMIRTAS C: Okay, thank you. Thank you very much, Ozkan.

OPERATOR: The next question is a follow-up question from the line of Sashank Lanka with Bank of America. Please go ahead.

LANKA S: Yes, thank you. Sorry, if you already covered this, but I just wanted to understand what's driving the guidance increase for Turkey revenues is it being driven by volumes or is this more pricing driven?

POLAT SEN: It's mainly price increases that we have, because of the Turkish lira depreciation we had to adjust the prices and that is affecting the last quarter 3 and quarter 4, revenue to be higher. So, that's why we needed to revise the Turkish domestic markets increase in sales.

LANKA S: Okay. Thank you.

OPERATOR: We do have a follow-up question from the line of Demirtas Cemal ATA Investment. Please go ahead.

DEMIRTAS C: Apparently, lately… I see more commercials related to some campaigns just organized by you know Arcelik and Beko in local media, are they also, you know, normal, you know, beginning of the plans or do we see… are we seeing additional promotion activities in the fourth quarter? Thank you.

SEN P: Promotional activities and advertising campaign, we always do as you know we are one-off most active companies in this market. I do not really… we do not have any specific strategy to increase our advertising spending in the last quarter.

But, of course, in order to increase especially increase the mix, et cetera they are making some campaigns accordingly and they are trying to make people hear about that, but I don't think that it is a… it's a negligible increase if there is an increase, there are… I am not aware of any strategies, especially strategy on increasing the advertising in Turkey.

DEMIRTAS C: Thank you.

OPERATOR: We have a follow-up question from Kilickiran Hanzade with JP Morgan. Please go ahead.

KILICKIRAN H: Hi, Polat, I have a question about your share buyback program, you already get to around 5% of the capital now I think according to my calculation. So, what is the room here, will we continue on this or its now almost completed?

SEN P: Yes, we are close to 5%, not yet there. We think that still the Arcelik valuation as of today, as a company who is making almost 75% of our… of its sales with hard currency mainly. or let's say outside Turkey. I think that the hit that we have taken in terms of market that in US dollar terms is something that we think it's not fair, and that's why we will keep on continuing the program.

As you know we have announced that we are going to buy up to 10% and as long as we see this situation, we are going to keep on buying or, you know, realizing our share buyback program, that is the intention.

KILICKIRAN H: Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions nor any webcast questions at this time. I will now pass the floor to Mr. Sen, for any closing comments. Thank you.

SEN P: Right. I would like to thank everyone who has participated in the call at this late time in Turkey. Thank you very much. If you have any further questions, please contact our Investors Relation department, so that we can help you understand the numbers better. Thanks. Good evening.