**Arçelik A.Ş. First Quarter 2021 Financial Results Conference Call**

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***Conductors*:**

**Mr. Polat Sen, Chief Financial Officer**

**Mr. Ozkan Cimen, Finance & Enterprise Risk Director**

**&**

**Mrs. Pınar Şahinci, Treasury Manager**

Conference Call Conducted by Chorus Call Hellas


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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly your Chorus Call operator. Welcome and thank you for joining the Arçelik A.Ş conference call and Live Webcast to present and discuss the Q1 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 & Mrs. Pınar Şahinci, Treasury Manager.

Mr. Sen, you may now proceed.

SEN P: Alright, thank you very much. Welcome to our Quarter 1 Earnings Call, so I'll start with the quarter highlights. As you may have seen, we have a robust top line growth of 67% with almost 13 billion Turkish lira revenue. There is… we can say that there is a very strong demand in almost all of the markets that we are operating in.

The gross margin is still very high, on year-on-year terms, it has increased a lot. On quarter-on- quarter, it is slightly lower, mainly due to the higher raw material prices, but we have been able to offset the effects of this with cost management and pricing.

There is some improvement in OPEX to net sales ratio, both quarterly and yearly basis, and that also leads to a very good EBITDA margin of 14.6% and the working capital has increased, mainly due to the higher sales impact in the receivables and inventory levels, and also the free cash flow, so our leverage also increased to 1.42 times of our EBITDA.

The main factors that… has affected our sales and margin is… I'll start with the revenue growth, a solid, unique growth both in Turkey and international markets which I'm going to explain a little bit further in the coming slides. And I have stated the strong euro against Turkish lira which also helped in Turkish lira increase in our revenue.

On the gross margin side, gross margin is 34.5% which is almost 300 basis points higher than last year. Compared to quarter 4, it's 1.4% less and the capacity utilization is very high, one of the main reasons of this strong gross margin is the capacity utilization and again strong euro against U.S. dollar also helped our profitability, especially in the exports. Thus, the negative effect is the upward trend in the raw material prices quarter-on-quarter.

On the EBITDA margin side, we are at 14.6%. The OPEX to sales ratio has gone down to 22.7% and there is…the savings are still continuing on the OPEX side and the strong revenue growth also helped a lot to maintain the high margin.

When we look at the quarter 1 performance of Turkey, firstly the market, you can see on the MDA-6 side, market has grown by 40% and the air conditioners market has grown by 43%. The TV market is strengthened by 17%, Arçelik has outperformed the market with its sell out and have been able to record 48% higher than last year on MDA-6, 57% with the air conditioners and minus 2% with Television which… all of them are as I told higher than the market average.

When we look at the International markets on quarter 1, you can see on the left side that we have I mean almost all of the markets that we are operating in is growing, except Germany and Spain, but other…all of the other markets have really recorded a very high growth. In some of the markets there is also base effect of COVID because of the lockdowns last year, but we can say that it's a very, very strong growth in all of the markets.

On the West Europe side, the volume growth is mainly led by on our side, I mean for us, France and Italy, while Germany has been adversely affected by lockdowns. On the Bangladesh and Pakistan, the year has started very, very effectively.

In Pakistan, the currency appreciation also supported some and on South Africa, there is very strong recovery versus the last year's double-digit growth in volumes, and… but I have said that there is a low base due to lockdown in March last year in South Africa.

When we look at our performance… our international performance in quarter 1, Europe has grown… I mean

West Europe has grown by 19% and East Europe has grown by almost 17%, a strong double-digit top line growth in all of the markets and in euro terms. In UK in GBP terms, we have recorded the highest quarter 1 revenue ever. Our market share has increased slightly in both West and East European markets in the first 2 months period. The price index has also improved in the UK and Spain, thanks to price increases.

On the Africa side, we have been able to grow almost by 42% in euro terms and 37%-unit growth. We have slightly gained market share in South Africa despite the price increases, and device export units to sub–Saharan Africa countries, has grown by almost 55% in quarter 1 on a yearly basis.

On Asia Pacific, the growth is 46%, the contribution is getting higher and higher in Asia Pacific and we have more than doubled the revenue in Pakistan, in Pakistan rupee terms supported by the new launches and recovering consumer demand despite the third wave of COVID-19, together of course, with the low base effect. Positive contribution from all the products except TV and also a low base effect led to a strong top line growth of 23% in Bangladesh, in Bangladesh taka terms, again with a low base effect of COVID.

When we look at the raw material trend which was quite negative in the quarter 1, you can see below there that the metal price index, it is the market price and not

Arçelik prices. The market price index from Q4 to Q1 on the metal side has almost… it goes up from 90 to 108. On the plastic prices, it went up from 109 to 138, which are very high increases than we have seen some of this effect in quarter 1, but we have been able to offset this with our price increase in many of the markets, and also the cost effectiveness that we have been able to produce with high-capacity utilization ratios. But of course, there's… it looks like there is more to come in quarter 2 and further, so we are also making our plans accordingly for the coming quarters.

So, I am going to pass the word to Özkan to continue from here.

ÇIMEN Ö: Good evening, so I would like to mention about the sales breakdown. When we look at the Turkey sales, from 2.8 billion to 4.7 billion with an increase of 69% and international sales have increased by 66% from 5 billion to 8.3 billion. And compared with last year's first quarter, we don't see a change in Turkey sales. It's almost the same with 36% of Turkey sales.

The Western and Eastern Europe sales have declined due to the fact that Africa, Pakistan, Bangladesh and all or Middle East shares of sales have gone up compared to last year. Pakistan and Bangladesh continue to grow and recover as in the last quarter; also, Africa was strong and also supported with the sub-Saharan export in Africa region.

We move to the next slide. You can see the breakdown of growth, 67% of total growth coming from almost similar rates from domestic and international growth and the currency impact in international sales is 36% which leaves us 30% organic growth in international market.

I'll move with the income statement. And in the last quarter, we have €13 billion sales, which is slightly less than last quarter actually, due to the seasonality impacts. We had high gross profit of around 34% to 35%, which is 5.15% lower than last quarter, and mainly impacted by the material increases that are in the cost. And compared to last year, we have a strong gross profit margin, which is around 300 basis points higher, mainly due to prices increases throughout 2020, as well as the strong euro/dollar currency, which helped to improve our margin.

And when it comes to EBIT line, we don't see similar impact, because the OPEX was lower compared to last quarter, therefore, we had similar EBIT margin as in the last quarter of 12%. And again, in the EBITDA level, we reached to 14.6%, almost the same as in the last quarter, which is 5 points higher than last year, including the one-off income.

In the bottom line, we have achieved 1.1 billion TL, which is 8.5% of sales as net income, which is the same level in last quarter. But around 800 million TL higher than last year's first quarter.

I will continue with the cash and financial debt position. We have 18.2 million…billion. TL equivalent debt portfolio. And we have 10.2 billion TL cash, which is mainly in U.S. dollar and euro currencies. And we'll look at the breakdown of the long and short debt portfolio, 11 billion is short and 8 billion is long debt.

And a… if you look at the debt maturity profile, most of the portfolio is due in 2021, it's mainly to the bond that is due in September of €350 million. And we also have TL based loans for working capital needs of domestic market. We are evaluating the options of either a long-term loan or euro bonds depending on the market rates. We are getting prepared whenever we feel the best rate in the market and best condition, so we are considering issuing bonds or getting a long-term loan.

If you look at our cash flow breakdown. As you will see, we had a beginning balance of 12 billion and the ending balance is 10 billion, so 2 billion TL cash-out. And when you look at the cash-out items, the CAPEX level is almost the same level as last year, if we exclude the currency impact. And we have paid out 1.5 billion dividend and in the other line, around 400 million, mostly coming from the interest payments of the borrowings. Those were partially financed with the additional bank borrowing of

1.3 billion. And in the net operational cash flow, you'll see minus 1.7, which I will mention in the coming slides.

If you look at the detail of the free cash flow, we had a strong EBIT of 1.9 billion, but the receivables and inventory levels have increased compared to last quarter. As you will recall, we had the lowest working capital to sales ratio in the last quarter with a rate of 20.5%. And we have mentioned that our inventory levels were at minimum, so those were not sustainable levels, and we were expecting an increase in the inventory levels to support our growth.

And in addition to the increase in the inventories, due to the increase of sales in domestic markets, the receivables have also gone up. At the right corner, you'll see the impact of FX in our receivables and inventory for around 3% of the increase of working capital to sales is coming from the FX impact from receivable and FX impact of inventory. And we… as I said, this has impacted our working capital negatively, and in the end, we have a free cash flow 2 billion TL. But I would like to mention that we do not expect further increases in the inventory levels, because we have decided to get prepared to the markets and produce the inventory to to… for selected product groups. Therefore, we do not expect further deterioration in our working capital in the coming quarters.

So, I will give the floor to Polat for 2021 guidance.

SEN P: With those strong results of quarter 1, there was a need for a change in the guidance… an upward change. On the revenue side, we decided to increase our guidance for Turkey to 25%... around 25% growth for Turkey. On the international side in FX terms, we are expecting more than 10% growth. It could be higher than that, we tried to make sure that the numbers are going to be not too ambitious, but we can easily say that we are going to be outperformed over 10% growth for international markets on the FX side. On consolidated Turkish lira terms, we are expecting more than 30% growth in the overall year.

On the profitability side, mainly, I mean, we have recorded 14.6% of EBITDA margin in the first quarter. But we can see that the increases in the raw material prices looks that it's going to continue, especially in quarter 2 and quarter 3. So, our margins are going to be affected from this one. So, our expectation for the whole year… for the EBITA margin, it’s going to be 12%. This is the increase we guided in the beginning of the year at 11%. Now we have increased almost by 1% on the EBITDA margin side.

On the working capital to sales ratio, there is no change. We are keeping our 25% as Özkan just explained. We moved up to 27% in the first quarter. But our expectation is that our receivables are going to come down a little bit in the coming quarters. We do not expect a big change in the inventory levels. So, the working capital to sales ratio is expected to be around 25%, which is in healthy level for Arçelik.

On the CAPEX side, there is no change as well. We are going to keep our guidance of the… in the beginning of the year, which was €220 million. So, this is all from our side of the presentation. We are ready for the Q&A session, right now. So, we can move on to that part.

Q&A

OPERATOR: The first question is from the line of Demirtas Cemal with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation and congratulations for the very good results. My first question is about Arçelik in second quarter, there was impressive performance in both domestic and international sides. To what extent do you expect this trend to continue in the second quarter, lower inventory levels and the sell-in and sell-out rates. How much prepared are you to the current trends, especially in the international side? What are the expectations?

And other questions about the microchip issue. Does it have any effects on your products in the white goods side and the consumer electronics so far, how you managed this situation. And how long do you think it will take to normal levels, and how do you compare yourself with your peers, information on local peers in terms of procurement capabilities? Thank you.

SEN P: Cemal, thank you very much for the question. I'll start with the first question that you asked. Yes, the performance on both domestic and international was really very, very strong in the first quarter. And we are almost finished in April now, and we can see that our order books are closed right now, and we are going to be able to use our factories with high-capacity utilization until the end of quarter 2 as well. And right now, we do not have any information which would make us think otherwise for quarter 3. So, it seems like the demand will stay strong and as you said at the end of the year, our inventory levels were not at healthy levels.

Now, we have increased our inventory level a little bit, but the sales are increasing at the same time. But when we look at the sellout performance versus inventory levels, we are better than the quarter 4. So, we are ready for quarter 2 very, very strongly, and the sellout looks like we will go.

We are very closely following the situation in the country because in some of the countries the vaccination is complete, like Israel, in some other countries, the normal life is… normalization is coming up like U.K. So, we are trying to watch the trend in those countries, so that we can understand how our sellout is going to be affected from the changing environment of COVID, so that we can get ourselves ready for that.

So right now, we haven't seen any negatives. We don't have any negative expectations for sellout, as well, for at least quarter 2, that is something that I can say very surely. For quarter 3, of course, things change very quickly, but right now we do not have any data that we can say otherwise.

On the chip issue side, yes, as all the industries, we have been affected as well. It's not clear as the automotive industry and… but I have to say that we have to, we are changing designs, we are trying to come up with solutions which… how we can really get rid of the problem of the chip shortage. Till now, we haven't been affected at Arçelik in any of our factories, our factories did not stop because of chip shortage.

But the situation is really tough, and I can't say from today that it's not going to happen in the second or third quarters, it may happen because the shortage is still there, and we may be affected, but even there will be some effects, some stoppage, due to chip shortage. I don't think that this is going to be very severe for Arçelik, it will be very local and very small, which could be considered as negligible, right now. So, we do not really see a huge problem for Arçelik, but it may be a problem locally in some of our products. Thank you.

DEMIRTAS C: Thank you. And just a follow-up related to your tax rate, you see, you have around 15% effective tax rate in first quarter. And there's a case of some increase in corporate tax in Turkey, it's not, I guess it's not approved yet, or just became official or not, I don't know for the time being, but what are your expectations in that side? Do you expect some increase or… because of your… some incentives, you are likely to keep your effective tax around current level for the rest of the year? Thank you.

SEN P: The profitability is very high. So, we are going to get affected from this change, and according to our calculation for the year-end, we expect our tax rate to be affected around 300 basis points. So, of course, this is just a kind of a calculation with a lot of assumptions, but it should be more or less what we can expect from this new regulation in Turkey. Thank you.

DEMIRTAS C: Thank you.

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

KILICKIRAN H: Hello. Thank you for the presentation. I have three questions. The first one is about your pricing. You mentioned about continued strength in demand in all markets. I mean, would it mean that you may be able to pass some of these expected raw material cost increase to your prices in all markets or you don't see any upside in the pricing at the moment, after all these price increases so far happened.

And the second question is, you achieved a very low OPEX over sales ratio after the savings. I mean, is this new normal that we should be reflecting in our model. I mean, something around 22% to 23% of sales going forward. And the third question is about India, we didn't talk about this for a very long time, is it, I mean, is it something becoming sizable after the launch of the business. Any update on this one, please? Thank you.

SEN P: Hanzade, for the pricing, yes, we have increased some prices, some of the prices in some of the countries, but we continue our effort, and it seems like, not seems like, our plan is to increase prices where we can in order to offset the effects of this raw material price increases, so that is a kind of a must for all the competitors, because this is the situation for everybody, and you have seen the raw material trend, which I've shown in the presentation. So, this looks like a must and we will continue doing that until the trends will change to the other direction. So, that is our expectation.

On the OPEX to sales side yes, there is a decrease, but quarter one has been a… it's not a time that we are spending too much, I have to say. But our expectation is to keep the OPEX to sales ratio lower than the years before. I can't tell you an exact number for your model, but what I can say is, it should be less than the previous years, that is our expectation as well, because to be honest, the COVID situation is really helping the savings on the OPEX side.

On… India; India has started the operations, and they have… they are really selling whatever they can produce right now. It's a very, very strong market for us, and we are now working on how we can really increase our sales in India more. To be honest, we are very happy about the results, and we have been fulfilling all the capacity that we have.

So, it seems like the capacity is not going to be enough for us in the coming years. So, we are working on plan with our partner there. How we can increase the capacity, and how we can also invest in other products. So, India is going well. That's what I can say right now.

KILICKIRAN H: Thank you very much Polat Sen.

OPERATOR: The next question is from the line of Lanka Sashank with Bank of America Merrill Lynch. Please go ahead.

LANKA S: Yes, thank you for the presentation and the opportunity to ask question. I just have one question on your working capital to sales guidance. If I look at Q1, I think it was around 27% and you have mentioned an increase in inventories and receivables. Just wanted to understand your full-year guidance is around 25%, so I just wanted to understand the direction from here, because it does seem like you are guiding for working capital to sales ratio could be lower than 25% for the rest 3-quarters. I am assuming the sales do keep increasing in total. I just want to see how you are going get that number. Thank you.

ÇIMEN Ö: I will take this. So, as you said, we had an increase of working capital from 20% to 27%. However, that 20% level… the level of inventory was very low, and we expect the normal level of inventory to be higher that will take off around 25%, and then we kept the period end exchange rate compared to last year. The main impact is coming is from the currency impact which is a temporary impact that's what we estimate.

So, we don't expect further increases in the inventory level. So that will take us around 25%. And in addition to that, we expect the receivable days to normalize, because in Q1 we have longer-term sales which impacted our receivable value. So, we… in Q2 expect them to turn into normal which will take us again to 25%. So, we think that 25% is the sustainable level as in our guidance.

LANKA S: Okay. Thank you. That's clear.

SEN P: I would like to add something to that answer, actually… and we have already seen that in the beginning of year, and we were guiding for the whole year that we were at 20% level at Q4, but we guided the year at 25%. So, we continue doing that. Actually, we did not change anything.

So, the cash flow is not kind of a surprise to us. So that was something that expected. So, in the coming quarter, you can simply say that it is a seasonality effect for… and some, let's say, special issues for this year, which is low base effects of the Q4, especially on the inventory side. So that is in a nutshell the situation on the net operating capital side.

LANKA S: Thank you.

OPERATOR: The next question is from the line of Kurbay Berna with BGC Partners. Please go ahead.

KURBAY B: Good evening and thank you for the presentation. I have a few questions. The first one is about the revenue growth guidance for Turkey. You have raised that to around 25% and in the first quarter, revenue growth in Turkey is around 69% and you already mentioned that on the white goods side, your shipment to the dealers was around 48%. What kind of market and pricing do you expect in the remainder of the year, because the guidance at least on the white goods side implies revenue growth in the teens for the remainder of the year? So, I was wondering what the… whether what we saw in the first quarter was basically shipping inventory to the dealers and retail demand, whether it was strong or perhaps not as strong. That's my first question.

My second question is on the net debt to EBITDA figure, 1.4 as of the first quarter. Should we expect that to be around these levels in the reminder of the year or maybe slightly lower, perhaps as working capital normalizes?

And my final question is about CapEx. You've mentioned… you have been mentioning that the capacity utilization rate is very high and actually helping to reduce production cost to some extent. Do you see the need for major CAPEX at any of the plants in the, maybe, next 2, 3 years? Thank you.

SEN P: Alright. I will answer the first and third questions, and Özkan will answer the net debt part. On the revenue growth, a guidance of 30, yes, we guided for 25%, but as you correctly pointed out, our sell out… our sell in was stronger than sell out in the quarter one.

So, as I told, you know, at the end of Q4, our inventory levels were not healthy, and it was the same in the channel as well for our dealers as well. So, they didn't have any inventory. So, some of these sales… some of this increase of the CT, 9% whatever has been due to filling the inventory levels to a healthier position, let me say.

So, our expectation for the coming months, and I have to say that Q1 of last year was not as strong quarter 1 in Turkey, and quarter 3 and quarter 4 especially were very,

very strong. So, we also have thought about this and when we were guiding 25%, we were thinking about high base effect of Q3 and Q4 and the also the Q1 was a bit… the growth was mainly due to inventory level, let's say… getting the inventory level to a healthy situation for both dealers and ourselves.

So, 25% looks like a sensible guidance to us, which I think that personally, you know, as Arçelik we try to guide the numbers that we really feel that we are comfortable with. So, I see upside potential more than downside potential on this growth guidance that we have given today.

On the CAPEX side, yes, capacity utilizations are high, but we really have to see how much of this demand is going to be sticking before we really make a huge decisions on capacity increases. So, in almost all the factories and all the products, we are looking at the situation very closely, but right now, the capacities that we have looks like they are enough for 2021.

So, the capacity… the CAPEX requirement that we have guided looks like it is going to be enough for that, but for the next years, we really have to see the demand level of the COVID before we can say that we are going to investing any capacity increases in any of our factories.

ÇIMEN Ö: For the net debt to EBITDA level, it has increased to 1.4 from the level of 1 last year, mainly impacted from the dividend payment, as well as the working capital change. So, throughout the year, we expect similar rates which might be 0.1% lower or higher. So, we think that 1.4 level is the level that we can keep throughout the year, unless there is no change for acquisition option or as you know, we are about to acquire the company. So, the level will depend on the timing of the acquisition as well.

KURBAY B: Thank you very much. And just… because you mentioned that can you also give us a quick update on the Hitachi situations?

SEN P: Yes. Actually, we are still working on the closing requirement. We are trying to fulfill them. So, we are in line with our partners… partners to be together. So according to our plan, our expectation is to get this done until the end of this Quarter 2. And all the closing adjustments and all the closing requirements will be fulfilled by them. We don't really see an important, let's say, bump throughout the road. So, it seems like things are continuing according to plan, that's what I can say.

KURBAY B: Thank you very much. And your guidance doesn't include Hitachi again, correct?

SEN P: Yes, definitely.

KURBAY B: Thanks very much.

OPERATOR: The next question is from one of our webcast participants Gupta Anuj with Goldman Sachs.

"How much 48% increase in TR MDA market is matched by a… consumer demand. Looking at WC, it's seems we have loaded huge inventory to dealer network?"

SEN P: No, there is no huge inventory loaded to network. Again, I am going to explain once again the inventory issue. At the end of Quarter 4, 2020, the inventory levels were almost nothing, almost close to nothing in the dealer side. So, what we have done is, we had to put this inventory to their warehouses again. So that they can healthily sell. So, I don't really see a kind of, you know, push and artificial kind of increase in the inventories. This is the level that should be actually. So, this is what we have seen on the dealer side. So out of this 48% yet some of the sellout is less than that.

But what I can say is, we are at a better situation right now, because not having the inventory in the warehouse of our dealers is costing us market share at the end of the day. So that is…that is not something that we want. And we have taken the necessary precautions in order not to face this problem. That is what I can say.

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

DEMIRTAS C: Thank you. My question is about revenue breakdown in terms of white goods, consumer electronics, and other. We see impressive growth in the white goods and others, but limited growth in the consumer electronics around 18% in Turkish Lira? It looks like it is a weak number; do you see any specific reason behind that? Or you know, is that something temporary or for the rest of the year. Do you expect a recovery in the consumer electronic size? As far as, I know, that part is more affected from the chip issue globally. What are the reasons behind in your perspective? Thank you.

SEN P: Yes. In the presentation I have showed especially in Turkey the market growth of the TV business in Turkey. The market has shrunk by 17% compared to last year first quarter. So, the main reason is that actually the… the market is shrinking. We have… our sales has decreased by only 2% in terms of units in Turkey. And the situation is not extremely so different in the other countries that we operate a lot of TV which is Germany, the market actually wasn't growing there as well. So, it's a market condition rather than anything else.

So, the chip issue has not been a problem for us in the TV business till now, but the market is shrinking. In the coming quarters, of course, we should be aware that as European Championship coming up. So, there may be some increase in the Quarter 2, so we are trying to get ready for this especially on the sellout and sell inside. So, Quarter 2 expectation is a growth rather than shrinkage for TV business. And you know consumer electronics is most of the number is for TV for us. So, this is the situation on the consumer electronics side.

DEMIRTAS C: And another question about the raw material costs. You see the prices increase with significant level for HRT around 1,000 right now, and it's about 500 last year. And for the rest of the year, how do you make your procurement for instance that might be the strong price…the HR spreads might continue until September or beyond. What are your expectations you need to make some price increases, and it's depends on the volumes demand side?

So, you know, that was a major concern about you know, the Arçelik that was overshadowed with the strong performance of the company. I just wonder, do you have any calculation on that…assuming that prices will stabilize at current levels or a little bit lower, that could be the impact on your margins. I think, these are all included in your margin guidance or just any guesstimate?

SEN P: Yes. I just told you that actually, yes, you have answered the question actually, our guidance is 12% EBITDA margin guidance is really capturing all of this.

On the raw material side, our expectation for Quarter 2, in all the prices of Quarter 2 and it increases, and we know that it's going to increase. It is going to be… we don't expect change on upward trend in Quarter 3 as well, but it is going to slowdown… the pace will slow down for the increase. But, starting from quarter four, our expectation is the raw material prices to stabilize. So, we have taken into accounts all of these changes for raw materials, at the same time we are planning some price increases in some of the markets that we operated, and most of markets that we operated. And the 12% EBITDA guidance is capturing all of these assumptions, that I have just explained.

DEMIRTAS C: Thank you. Thank you very much.

OPERATOR: We have a follow up question from the line of Kurbay Berna with BGC Partners. Please go ahead.

KURBAY B: Thank you for taking my question. Just wanted to clarify something you mentioned earlier about impact of the increase in the corporate tax rate. You said there would be around 300 basis points impact, if I understood correctly? Is this the impact you would observe on the net profit or is this your effective tax rate was around 18% last year? Does that mean that it's going to up to 21% this year? Thank you.

SEN P: It is the effective tax rate.

KURBAY B: Okay. And that 300-basis point is versus last year or…?

SEN P: No, not last year. But I am saying is, if, I mean, this year's tax rate is going to be…maybe different than last year, mainly due to, you know the profit distribution around the countries. So, I do not know right now…from now what will be the effective tax rate of today. But this change is going to be affecting us around 300 basis point in terms of effective tax rate. If it is going to be 15% this year, it has to be 18, if it's going to be 18%, it's going to be 21 that's what I tried to tell actually.

KURBAY B: Okay. Thank you very much.

SEN P: Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Sen for any closing comments. Thank you.

SEN P: Right. Thank you very much for everybody for sparing their evening to Arçelik. So, if you have any further questions our investor relations team is happy to answer tomorrow or from tonight. Thank you very much for joining the call.