

Arcelik A.Ş.

2017

Financial Results

January 30, 2018

2017 Q4 Summary

- Despite the weak domestic market, revenues boosted by seasonality of international sales and weak TRY.
- Deterioration in gross margin mainly due to lower share of domestic sales
- Mixed performance in Europe: W. Europe had lower growth, E. Europe was still robust
- Price adjustments in domestic market partly offsetting the negative impact of TRY depreciation in 4Q17
- Stable EUR/USD parity on a QoQ basis
- Improvement in working capital after the end of SCT incentive
- In line with recovery in WC, net leverage declined to 2.45x

Net Sales
TRY 5.7 bln.

**EBITDA
Margin**
7.5%

WC / Sales
30.3%

Leverage
2.45X

2017 Q4 Sales Performance

Key Factors Impacting Revenues



Currency Impact

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



Spin-off Impact

Higher domestic sales due to inclusion of SCT and bandrole (for CE) impact through consolidation of Turkish sales company



International Growth*

Slower growth in Western Europe, further acceleration in Eastern Europe, robust performance in South Africa and political turmoil affecting demand in ME



End of SCT Cut

Sluggish domestic demand after the SCT-break ended by the end of September 2017

*Based on January-December 2017 retail sales data

2017 Q4 Margin Performance

Key Factors Impacting Margins



Pricing

Price hikes in domestic market
(Limited impact as the hike is valid since Dec' 1)



Raw Material Cost

Longer term positioning in steel market at the end of 2Q still mitigated increasing prices, plastics were a bit higher but open cell market eased further



TRY Depreciation

Further depreciation of TRY against USD in 4Q17
(8% QoQ – 15% YoY)



Sales Mix

Higher margin domestic sales remained weak after the end of SCT cut while international sales were seasonally strong
(Int'l Sales/Total - 9M: %59 – 4Q: %67)



OPEX

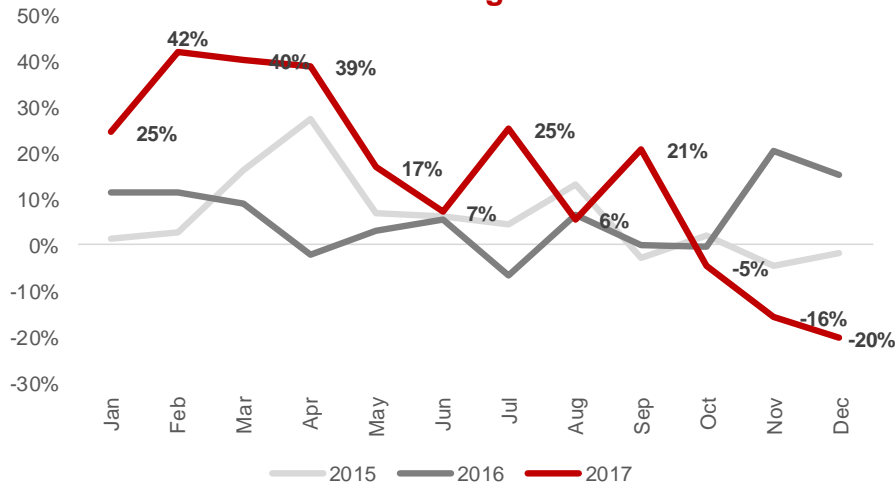
Higher share of int'l sales elevated logistics and guarantee costs during the quarter

2017 Q4 Performance - Turkey

Market

- Weak sell-in demand after the end of SCT break, bringing 2017 annual growth to 14%. (9M: +23% - 4Q: -13%). However, retail demand was more positive.
- Similar negative trend in A/C market after a robust 9-M period. (9M: +37% – 4Q: -26%)
- Retail demand for TV continued to be negative in Q4 (-10%)

**Turkish MDA6 Total Market
YoY Change**



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

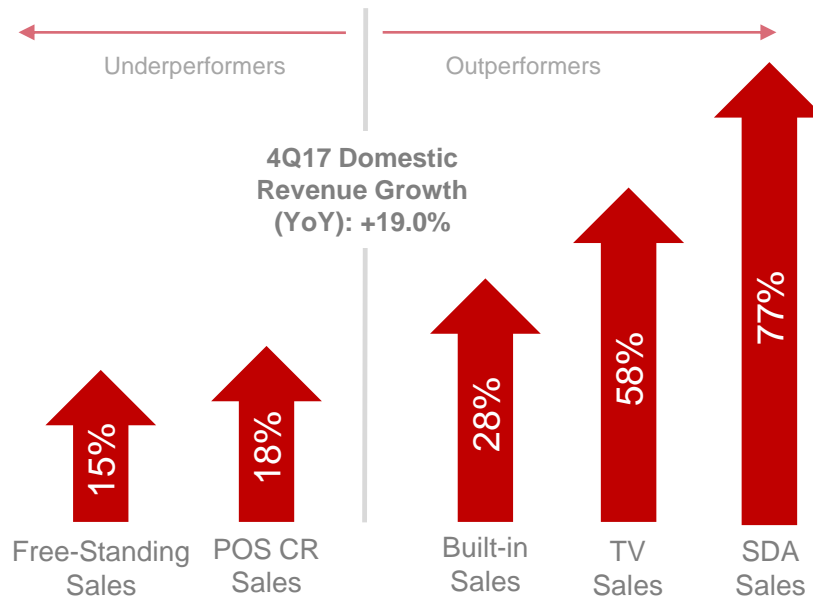
('000 Units)	4Q17	4Q16	YoY
Refrigerator	388	487	-20%
Freezer	46	58	-21%
Washing M.	518	555	-7%
Dryer	45	38	20%
Dishwasher	357	423	-16%
Oven	240	278	-14%
Total	1,594	1,839	-13%

• MDA and A/C figures are based on BESD data.
TV figures are based on retail panel of a market research company.

2017 Q4 Performance - Turkey

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- Sales performance in MDA6 in line with the market average during the quarter (Market: -13% YoY, Arcelik -14% YoY)
- In TV segment, performance was similar to market while the focus is to improve the mix
- POS Cash Register unit sales slightly improved in 4Q17 (+6% YoY)

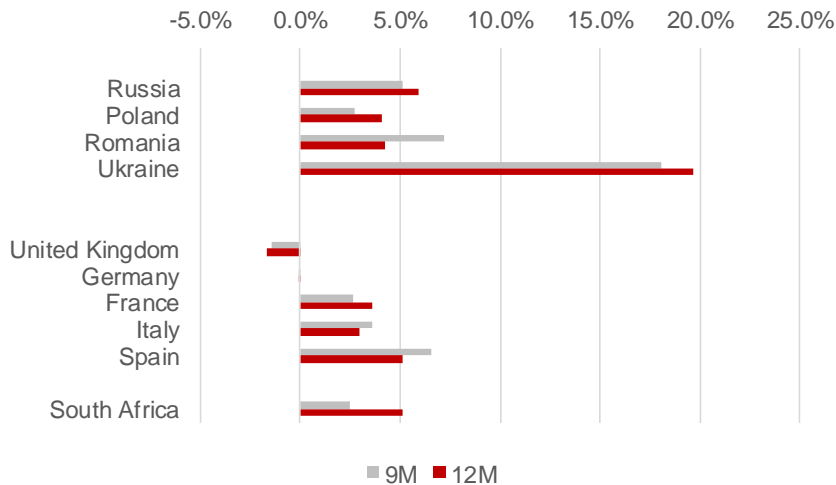


2017 Q4 Performance - International

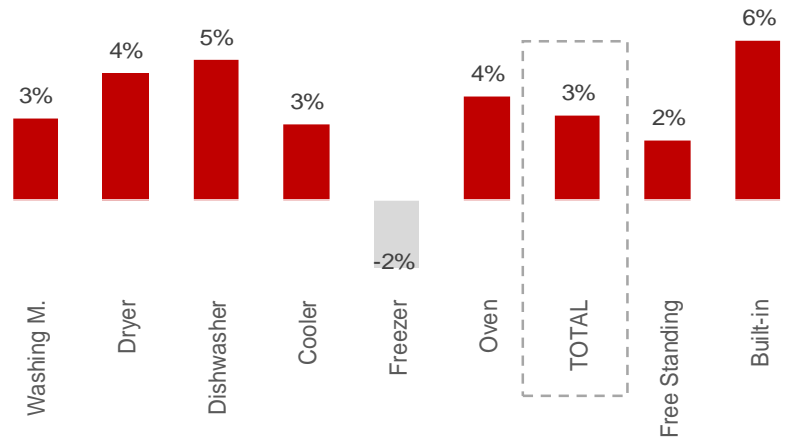
Market

- W. Europe ended a sluggish year, E. Europe remained robust
 - UK was slower, Germany remained flat, France advanced further, Spain & Italy decelerated in 4Q17
 - Strong growth goes on in E. Europe in general, Poland was robust in particular, Romania lost some momentum.
 - Higher growth in built-in segment all across the region
- S. Africa recorded a strong turn-around since mid-year, 4Q17 added further pace

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



European Market Unit Growth by Product Type (11M17) (%)



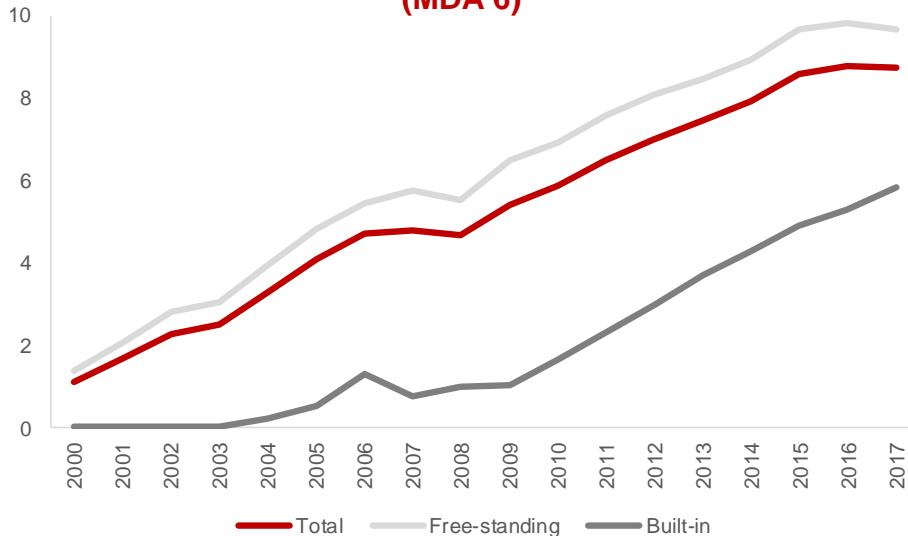
Figures are based on retail panel of a market research company.

2017 Q4 Performance – International : Europe

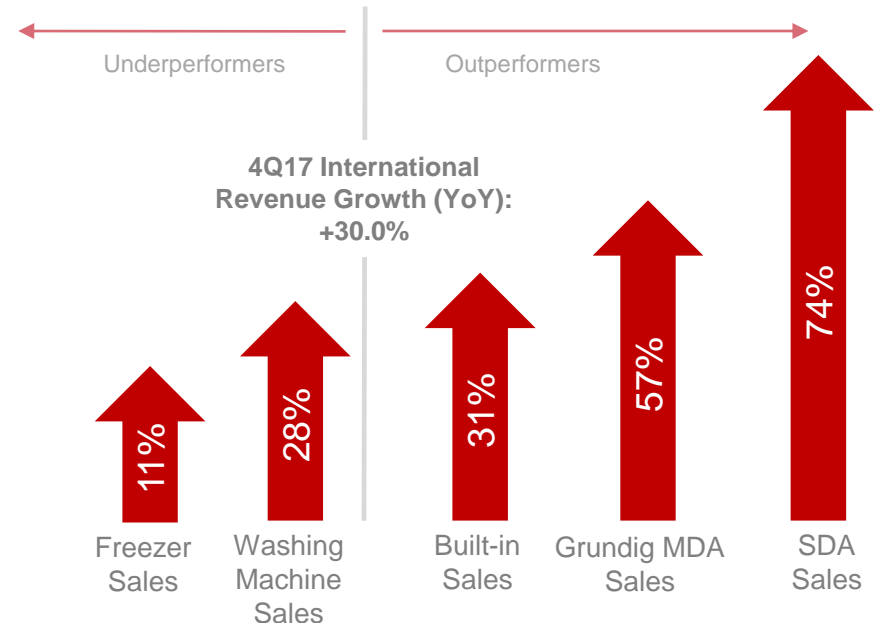
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- Arçelik Group continued to capture back market share in Q4 and closed the year flat YoY.
- In line with its growth strategy, the Group continued to strengthen its position in built-in and premium segments.
- Significant growth was also achieved in SDA (74% in Q4), another strategic category.

Beko Unit Market Share in Europe (%) (MDA 6)



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



2017 Q4 Performance – International : Asia & Africa

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S. Africa & Sub-Sahara

- Defy, which also manages sales in Sub-Sahara, increased its sales in line with the market
- In addition to existing assembly lines in Sudan, a new one was launched by our distributor in Ethiopia to increase market penetration

ASEAN

- In line with expanding distribution, ASEAN region sales reached ~USD 100 mn in 2017
- Refrigerator production in Thailand exceeded 250K units, 2018 expectation is ~400K units

**Cooling –
Unit Market
Share (Dec. '17)**

Country	Share
Thailand	0.9%
Malaysia	1.2%
Vietnam	1.7%

**Cooling –
Weighted
Distribution
(Dec. '17)**

Country	Penetration
Thailand	27%
Malaysia	21%
Vietnam	47%

Pakistan

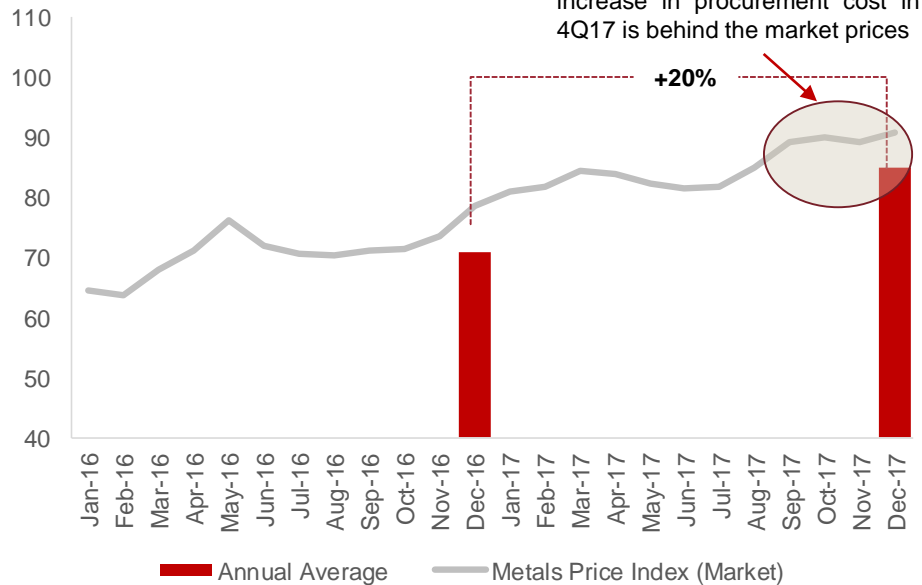
- With strong sales in Q4, Dawlance reached annual sales of TRY 912 mn revenue in 2017, indicating ~25% YoY growth.

India

- JV agreement with Voltas has been completed and the board has been appointed. Trade operations is planned to start by mid-2018.

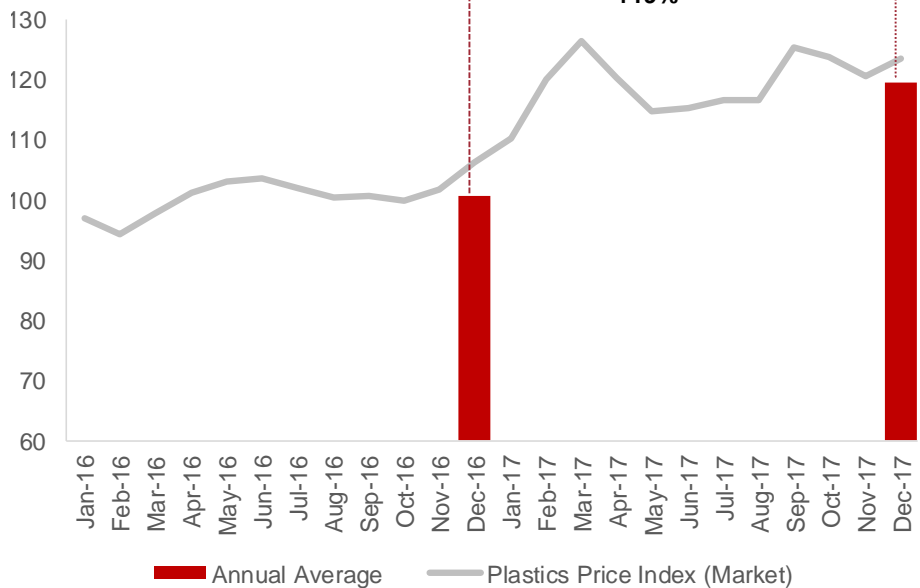
Trends in Raw Material Prices

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

3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
71	74	82	83	85	90

Plastic Prices Index Quarterly Average - Market

3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
101	103	119	117	119	123

2017 Q4 Other Developments

Arçelik A.Ş. developed *BeyondCare®*, a mobile ECG monitoring system that allows remote monitoring of vital signs such as heart rhythm, respiration, activity and body temperature.



Arçelik A.Ş. named winner for 'Best Contribution to Corporate Responsibility' in 2017 European CIPS Management Awards.

Arçelik A.Ş. was identified as a global leader in corporate sustainability and has been awarded a position on this year's A List for climate and water by CDP, the non-profit global environmental disclosure platform.



The first SKD assembly plant was opened in Ethiopia, which consists of two assembly lines that will assemble refrigerators, chest freezers, cookers and built-in oven products.

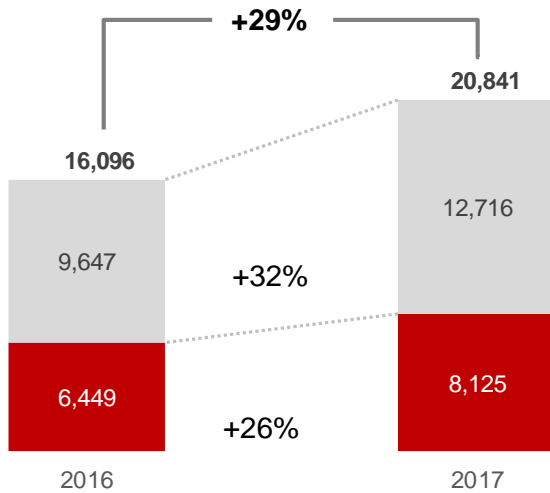
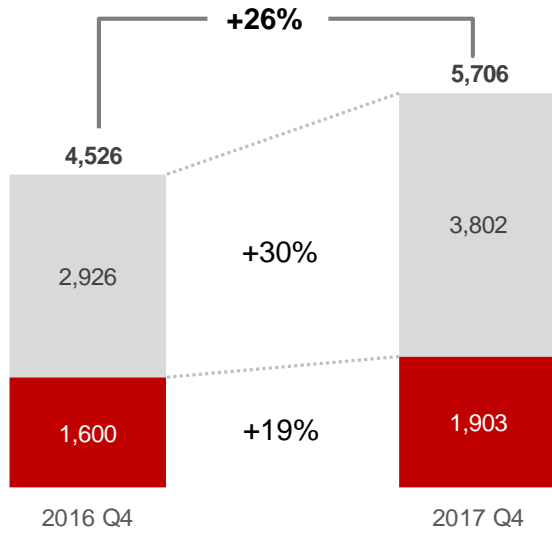
Arctic has been awarded as one of Top 3 most powerful Romanian brands by the BIZ Magazine, one of the most prestigious publications in the country.



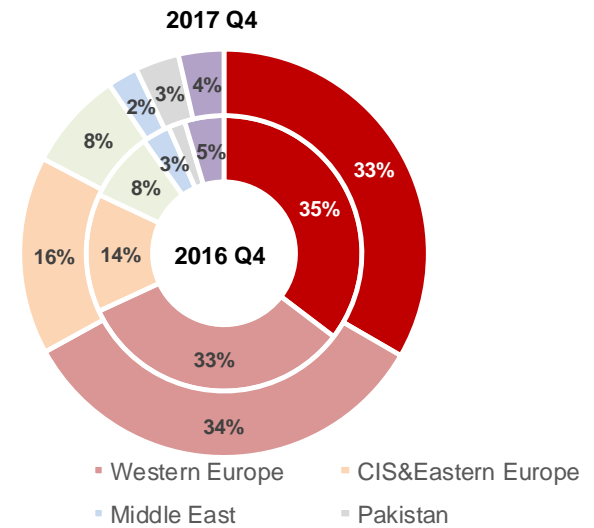
Grundig made the global launch of «Respect Food» initiative on World Food Day (October 16).

Sales Performance

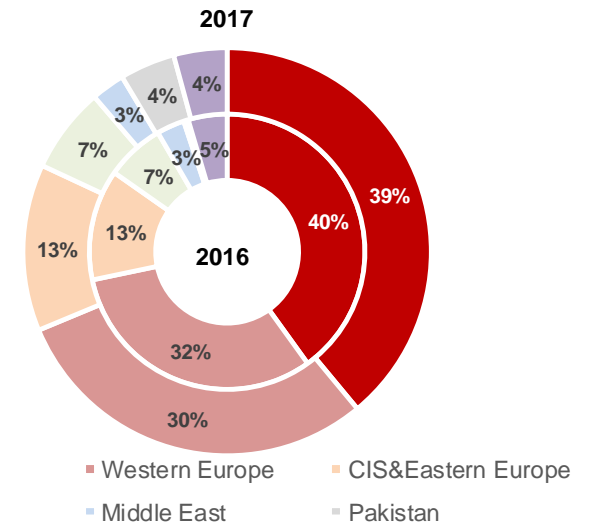
Sales by Region



■ Turkey ■ International

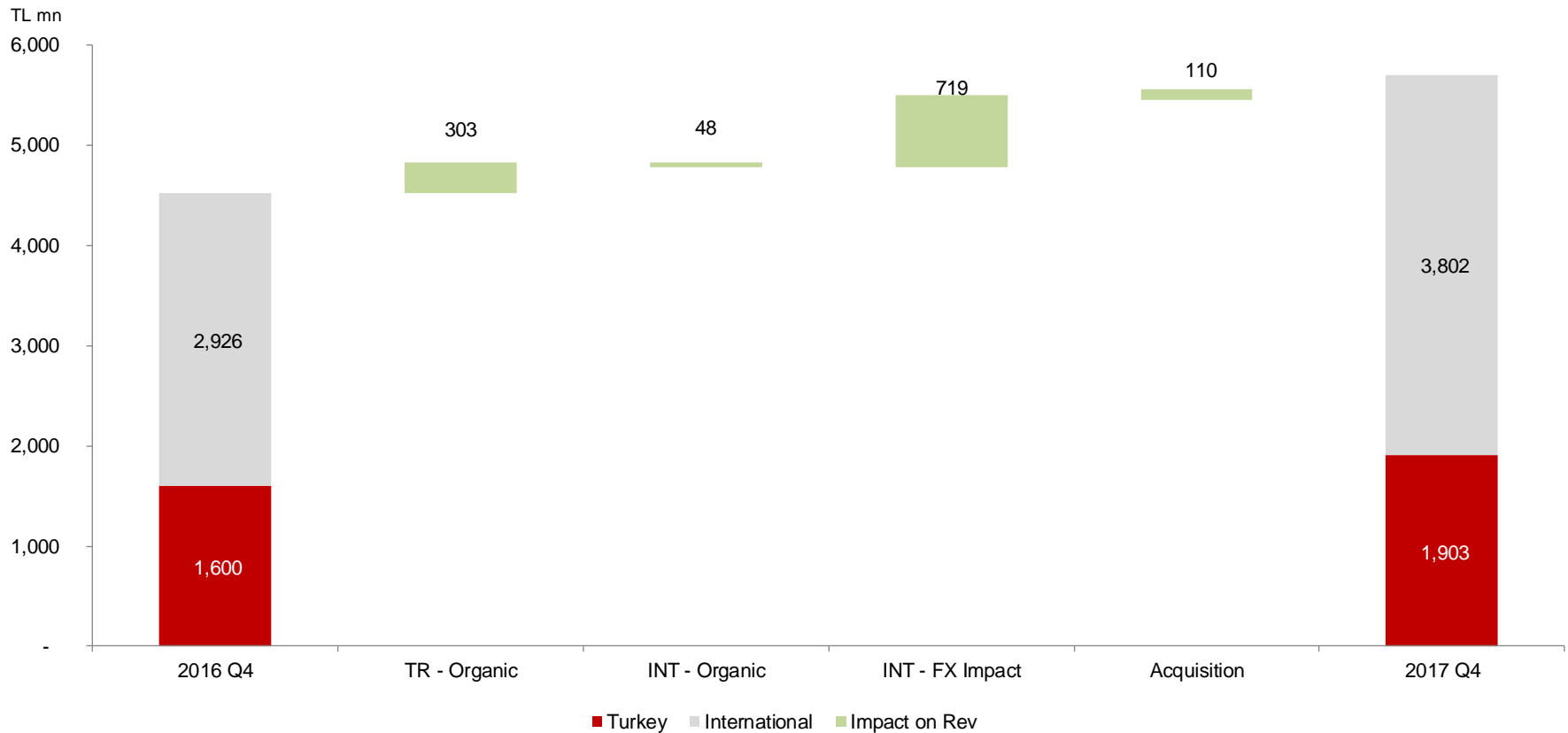


■ Turkey ■ Western Europe ■ CIS&Eastern Europe
 ■ Africa ■ Middle East ■ Pakistan
 ■ Other



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

Sales Bridge



2017 Q4	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	19.0%	0.0%	0.0%	19.0%
International Growth	1.6%	24.6%	3.8%	30.0%
Total Growth	7.8%	15.9%	2.4%	26.1%

Financial Performance

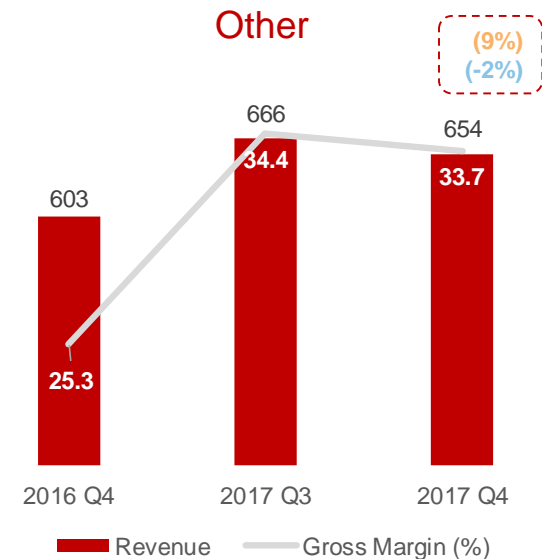
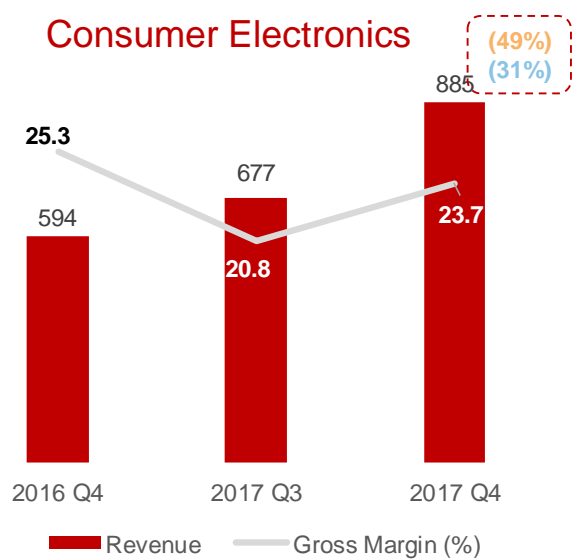
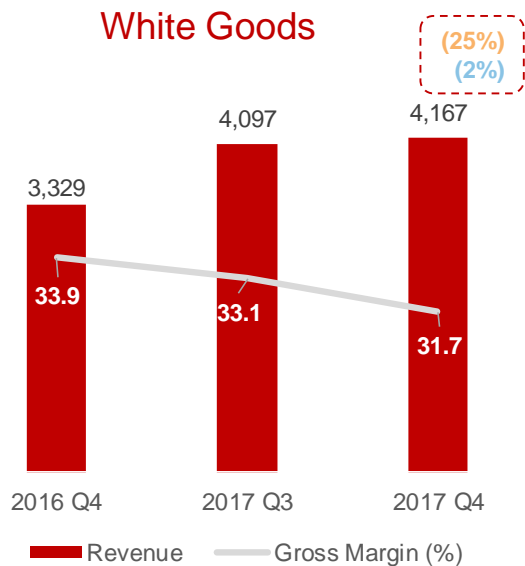
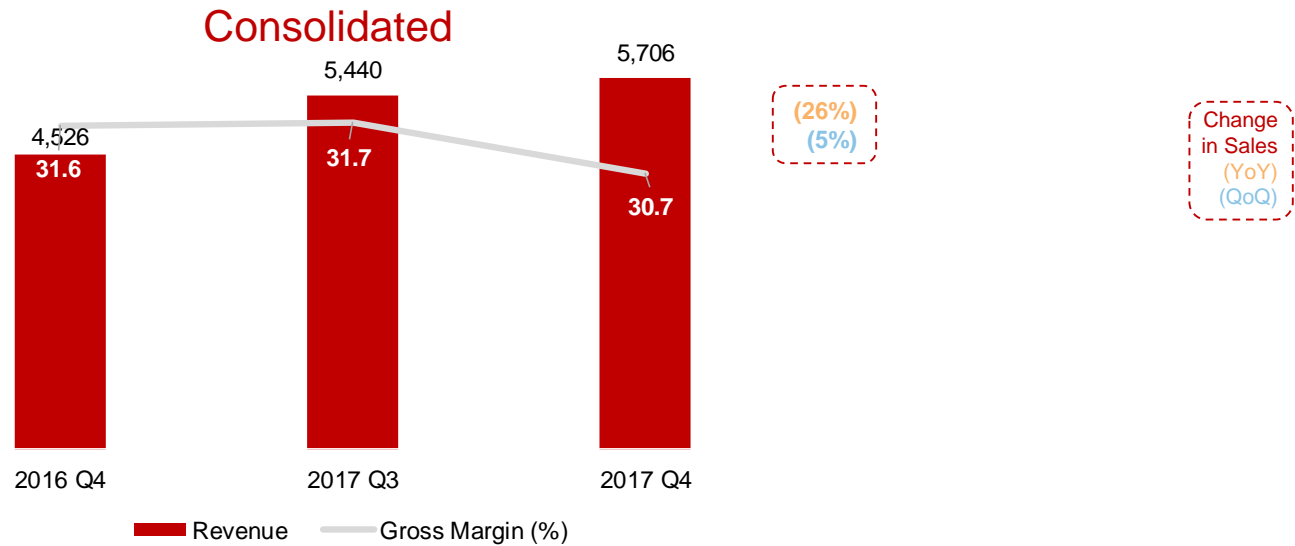
Income Statement

TL mn	2017 Q4	2016 Q4	2017 Q3	Δ% YoY	Δ% QoQ	2017	2016	Δ% YoY
Revenue	5,706	4,526	5,440	26	5	20,841	16,096	29
Gross Profit	1,749	1,432	1,725	22	1	6,506	5,340	22
<i>margin</i>	30.7	31.6	31.7			31.2	33.2	
EBIT *	282	301	409	-6	-31	1,406	1,331	6
<i>margin</i>	4.9	6.7	7.5			6.7	8.3	
Profit Before Tax	112	108	258	4	-57	821	1,202	-32
<i>margin</i>	2.0	2.4	4.8			3.9	7.5	
Net Income**	90	230	258	-61	-65	845	1,304	-35
<i>margin</i>	1.6	5.1	4.7			4.1	8.1	
EBITDA*	427	423	546	1	-22	1,954	1,769	10
<i>margin</i>	7.5	9.3	10.0			9.4	11.0	

* 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

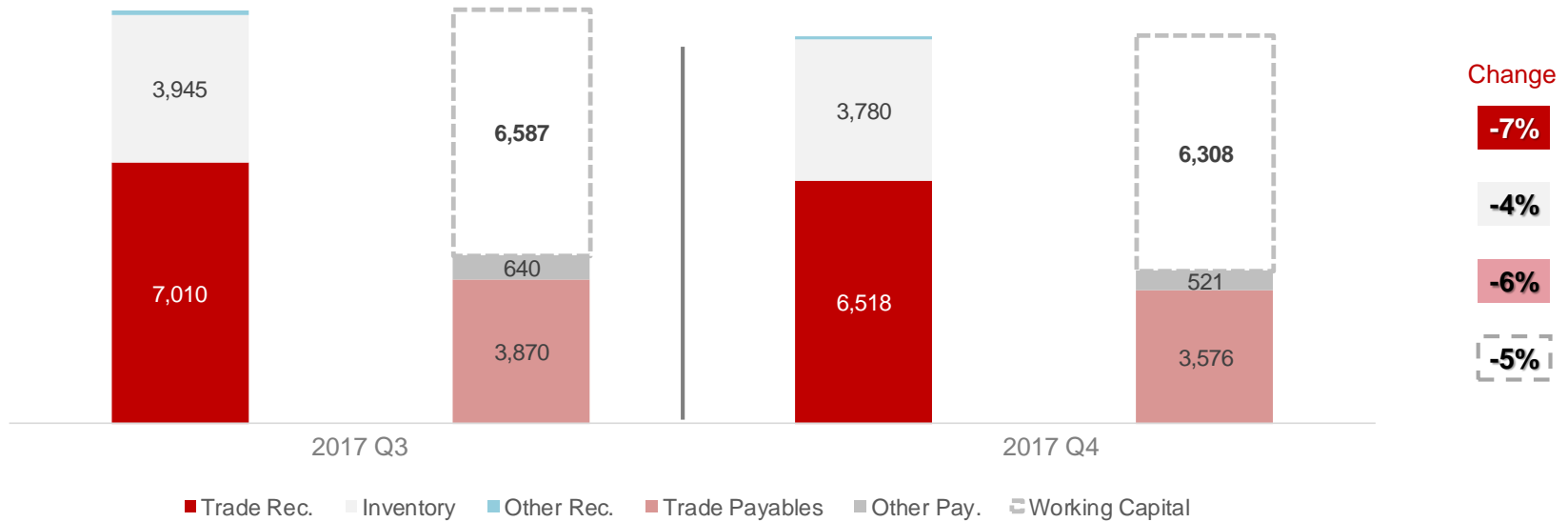


Balance Sheet

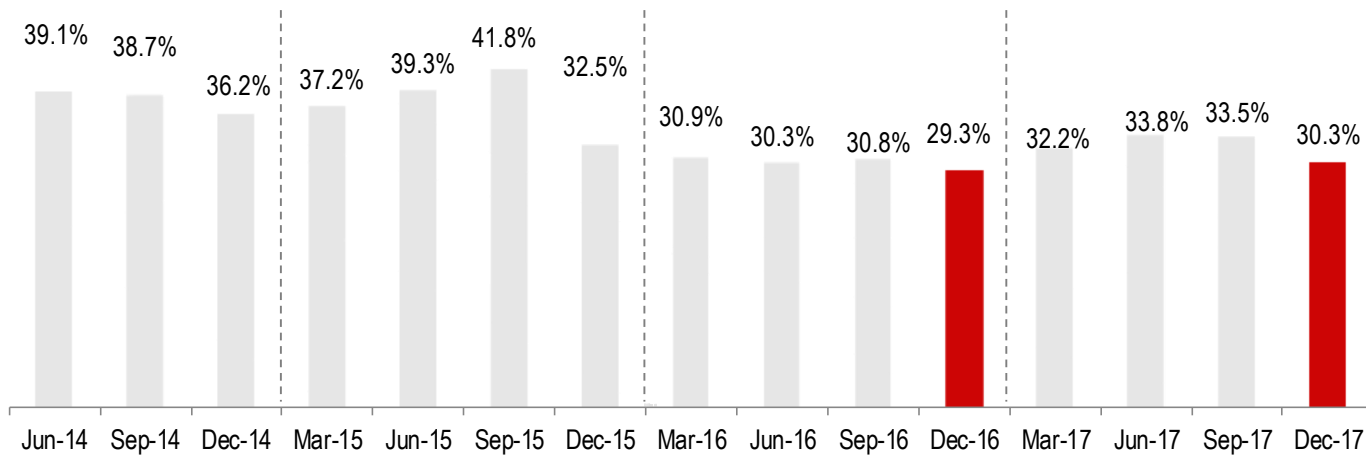
TL mn	31.12.2017	31.12.2016		31.12.2017	31.12.2016
Current Assets	13,610	10,974	Current Liabilities	8,403	6,606
Cash and Cash Equivalents	2,582	2,442	ST Bank Borrowings	3,262	2,251
Trade Receivables	6,518	5,295	Trade Payables	3,576	3,086
Inventories	3,780	2,762	Provisions	431	412
Other	730	475	Other	1,135	857
Non-current Assets	6,827	5,935	Non-current Liabilities	5,118	4,299
Property, Plant and Equipment	3,265	2,762	LT Bank Borrowings	4,114	3,407
Intangible Assets	2,578	2,304	Other	1,004	892
Financial Investments	285	239			
Other	699	630	Equity	6,915	6,005
Total Assets	20,436	16,909	Total Liabilities	20,436	16,909

	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Net Financial Debt/Equity	0.69	0.54	0.70	0.72
Total Liabilities/Total Assets	0.66	0.64	0.66	0.65

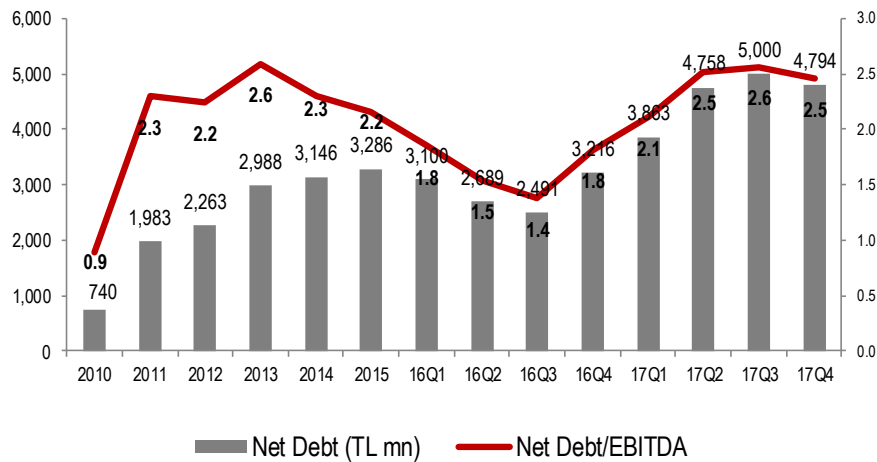
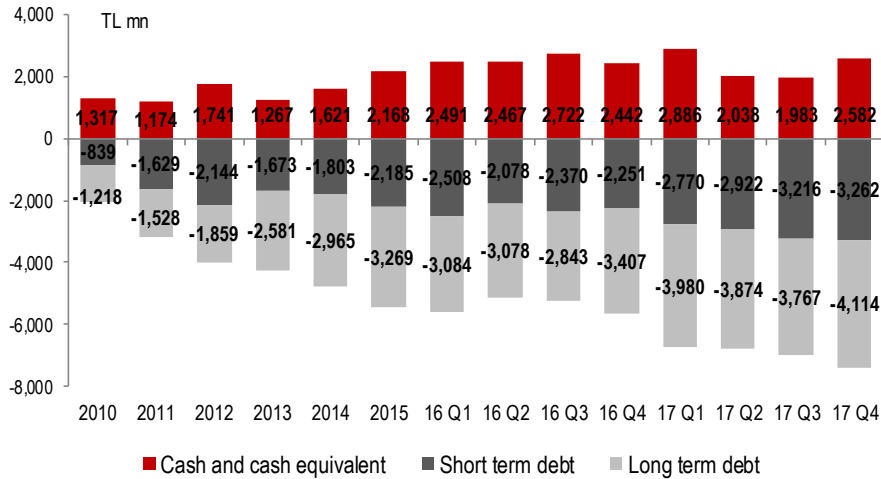
Working Capital



Working Capital / Sales



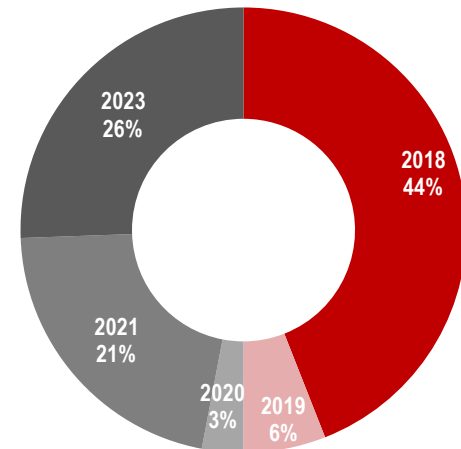
Debt Profile



Debt profile (as of Dec 31 2017)

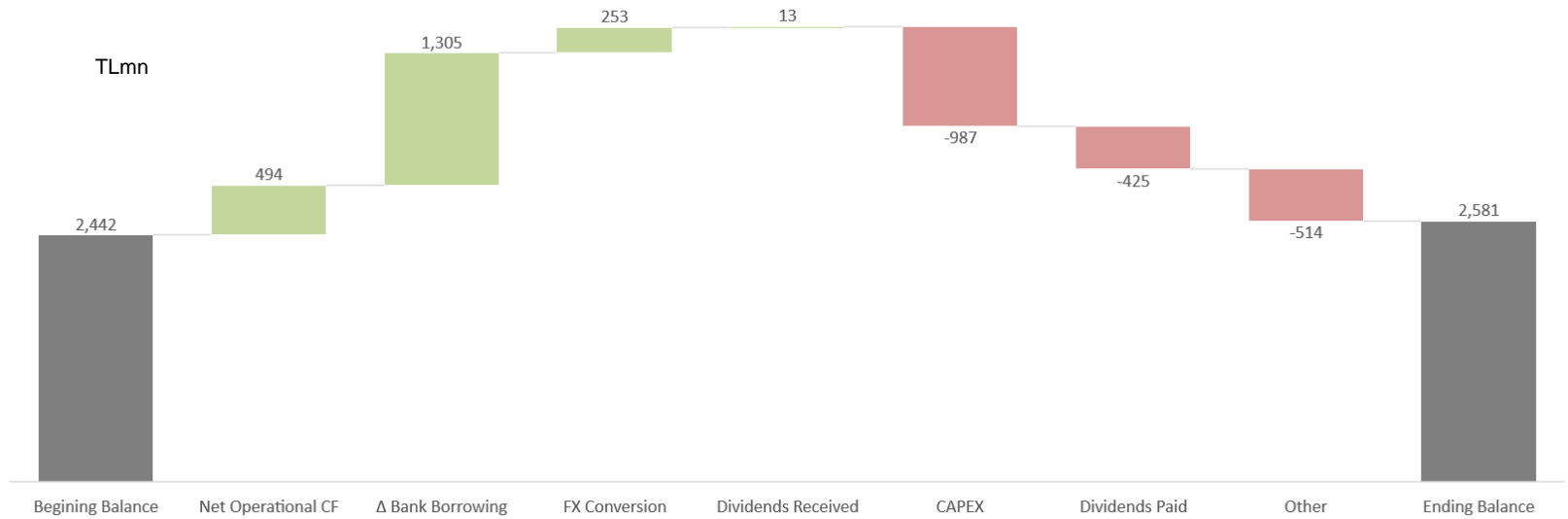
	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	13.0%	2,789	2,789
EUR	1.4%	117	527
ZAR	9.4%	810	248
CNY	4.4%	24	14
GBP	1.1%	7	34
USD	2.2%	0.0	0.1
PKR	6.4%	7,969	270
SEK	0.5%	0.6	0.3
Total Bank Borrowings			3,884
USD	5.1%	504	1,902
EUR	4.0%	352	1,590
Total Eurobond			3,492
Total			7,376

Debt maturity profile

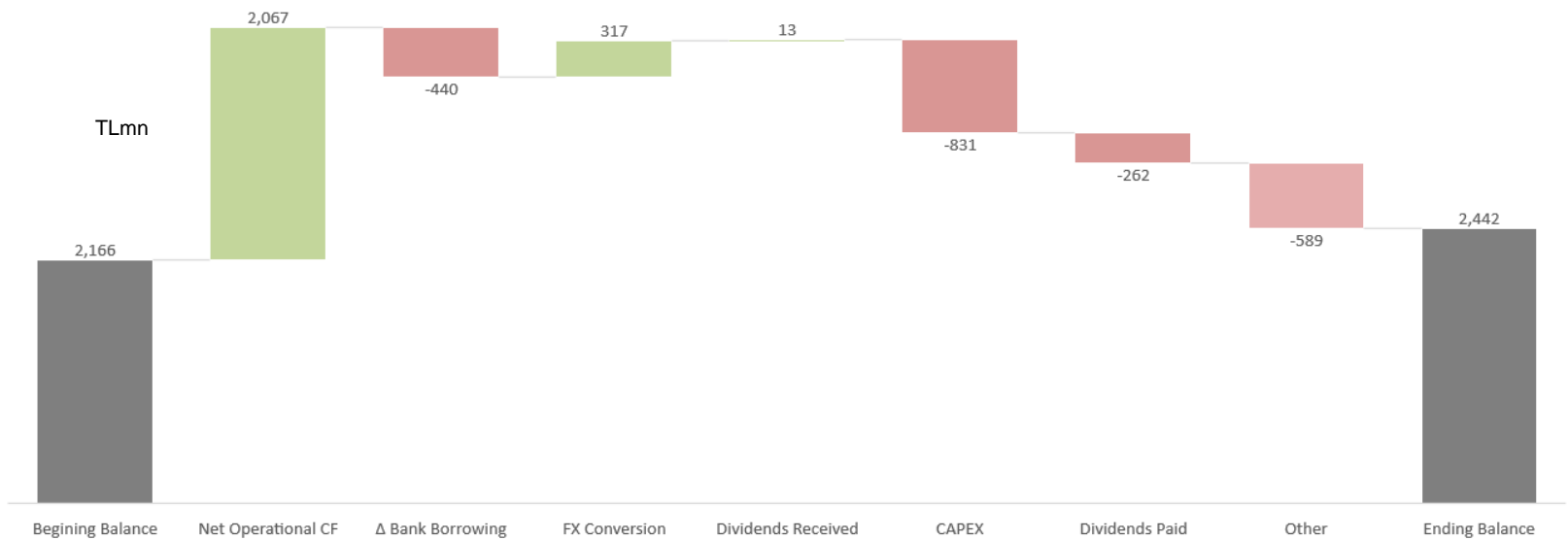


Cash Flow

2017



2016



2018 Expectations

2018 Expectations

White goods market volume growth	Turkey* : Flat Sales Volume International : c.2%
Market Share	Stable or higher market share in key regions
Revenue Growth	Around 20% in TRY
EBITDA Margin (2018)**	Around 10%
Long-Term EBITDA margin**	Around 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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