

# Arçelik

## 2016 12-Month Financial Results

# 2016 Q4 Key Developments

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- Strong sales in domestic MDA market both in sell-in and sell-out
- Slowing growth in European MDA market at retail level
- First signs of growth in S. African market in comparison with the same period of 2015
- Negative impact of increasing steel and panel prices on gross and EBITDA margin
- Finalization of the acquisition process of Dawlance, the leading appliance company in Pakistan
- Decreasing cash and increasing leverage following the acquisition
- Spinning off Turkish operations under the roof of Arçelik Marketing Company (December 30)
- Hitting the target of working capital over sales ratio
- Depreciation of TRY
- Strengthening USD in global markets

# 2016 Q4 Sales Performance

## Key factors impacting revenues

### Turkish Market

Strong sales in domestic MDA market both in sell-in (+11% in Q4) and sell-out (+7% in Q4)

### POS Cash Register

Negative effect of the deadline extension for merchants with turnover up to 150 K TL until the end of 2017 (Sales value down 30% in Q4)

### International Growth

Slowing end-consumer demand in West Europe, around 20% unit market shrinkage in December in the UK

### FX Impact

Depreciating TRY against EUR and GBP

### Consolidation of Dawlance

Despite the fact that Q4 is not a strong quarter (as majority of sales is in refrigeration), consolidation of Dawlance has positively affected quarter sales by 2%

# 2016 Q4 Margins

## Key factors impacting margins

### Raw Material Costs

Increasing sheet metal and large size panel prices

### FX Impact

- Negative impact of USD and EUR based raw material prices, following TRY devaluation
- Devaluation of EUR and GBP against USD
- Devaluation in EGP

### POS Cash Register

Service fee of almost 400.000 units of POS cash registers on the field, contributing to the topline and more to the profit

### Sales & Marketing Expenses

Though still higher compared to 2016 Q3, decreasing share of sales & marketing expenses compared to the same period of 2015

### Project Expenses

Costs related with getting the consent of bond-holders within the process of partial spin-off of Turkish operations, and with Dawlance acquisition (TRY 22 million)

# 2016 12-Month Market Performance - Turkey

## Market

- Growth in MDA and air conditioner markets
  - Despite flat sales in Q3, a yearly unit growth of %5,4 in MDA market
  - Thanks to the high performance in first half, a growing A/C market around 9%
- Shrinking TV market (around 7%), where chains and import brands selling through these chains lost power.

\* MDA and A/C figures are based on BESD data.  
The data for TV is based on retail panel.

## Arçelik A.Ş.

- Above market-average growth in all major product groups (MDA, TV, A/C)
  - Outperforming unit growth (~%6) in MDA market
  - Highest unit market share gain in TV market (Unit market share above 28%)
  - Above 20% increase in unit sales for A/C
  - POS cash register sales increasing 6% in unit terms, compared to 2015

\* Based on company sell-in  
unit sales.

# 2016 12-Month Market Performance - International

## Market

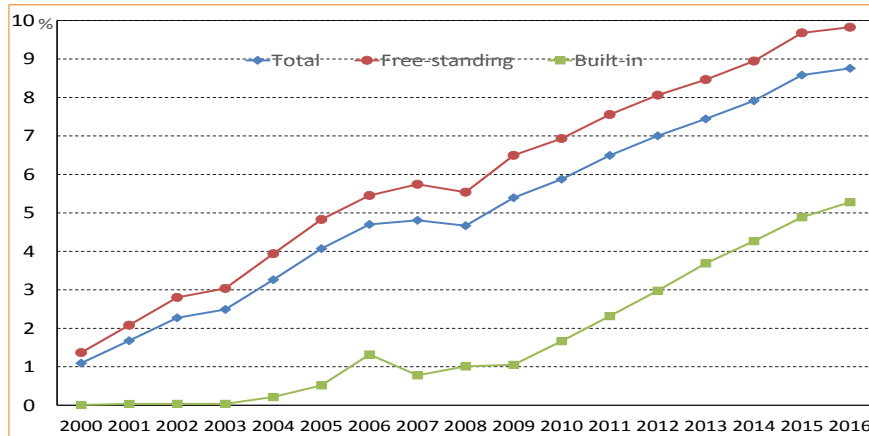
- Despite the slowdown in second half, a cumulative unit growth of 3,5% in Europe (West Europe: 3,2% – East Europe: %4,8)
  - UK has recorded the highest unit growth in West Europe despite the slowdown in Q4
  - Around 25% unit growth in Romania, supported by the VAT incentive
  - Positive growth in Russia and Ukraine, which were negative in 2015
- A decreasing S. African market (down 5%) in 2016, following the 2% decline in 2015

## Arçelik A.Ş.

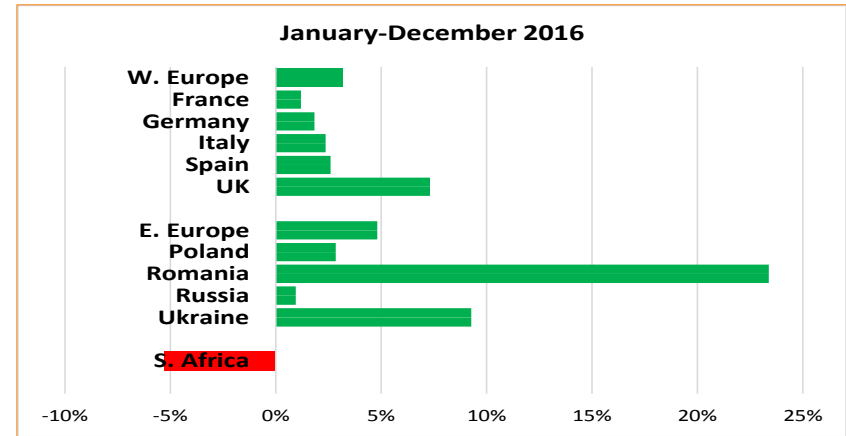
- Arçelik Group continuing to strengthen its position in international markets
  - Beko continues to lead the European MDA free-standing segment
  - Beko is among the the Top 3 Winners in terms of market share gain in built-in segment
    - Around 10% increase in built-in sales, Beko becomes the leader in B/I in the UK
  - Around 50% increase in Grundig MDA sales, targeting the premium segment
  - Undisputed market leading positions with local brands such as Defy and Arctic
  - Thai refrigerator plant, which became operational in 2016 Q1, reached a production volume around 100.000 units

# 2016 12-Month Market Figures

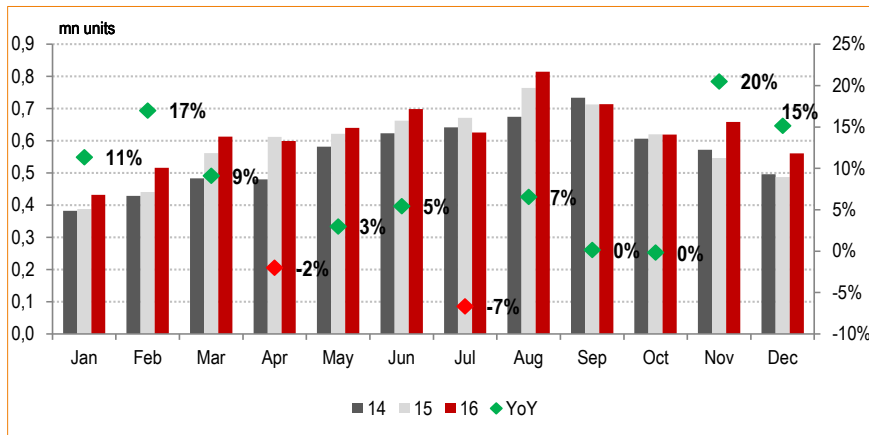
**Beko Unit Market Share in Europe (%)  
(MDA 6)**



**Market Unit Growth in Europe  
(MDA 6)**



**Turkish MDA6 Total Market – Monthly Sell-in Figures  
(MDA 6)**



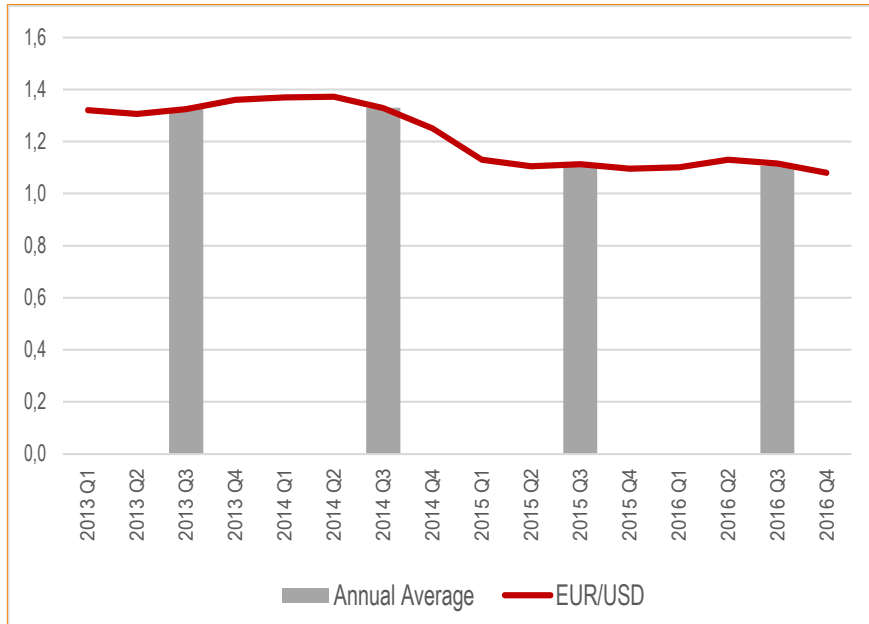
**Turkish Market by Product Group  
(MDA6)**

| 000 Units    | 12M 2016     | 12M 2015     | Change    |
|--------------|--------------|--------------|-----------|
| Refrigerator | 2.040        | 1.976        | 3%        |
| Freezer      | 648          | 571          | 14%       |
| Washing M.   | 2.122        | 2.026        | 5%        |
| Dryer        | 93           | 82           | 13%       |
| Dishwasher   | 1.573        | 1.483        | 6%        |
| Cooker       | 995          | 951          | 5%        |
| <b>Total</b> | <b>7.470</b> | <b>7.090</b> | <b>5%</b> |

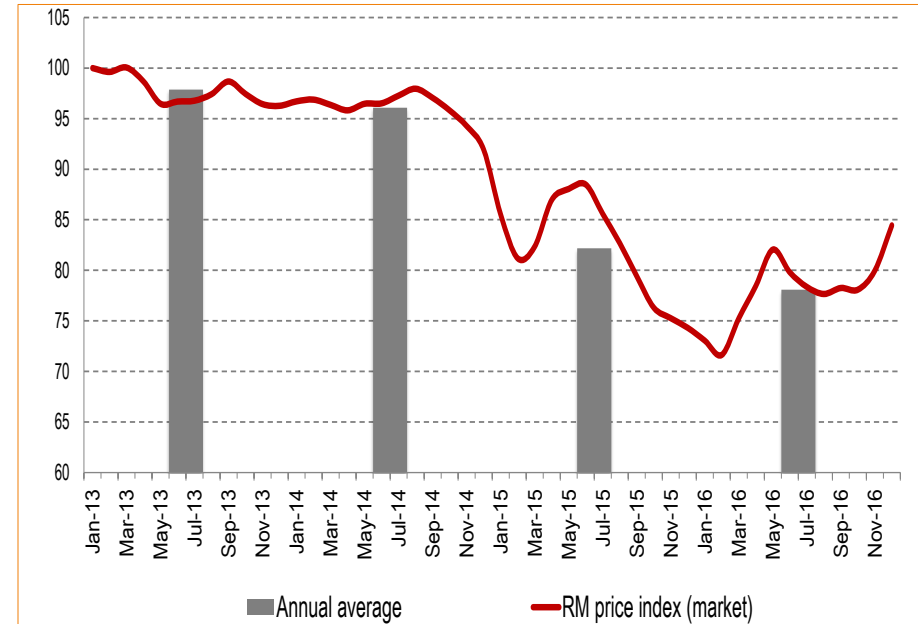
# Trends in Parity and Raw Material Index

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**

## EUR/USD Development



## Raw material Market Price Index\*



\* Raw material price index for appliances category

# 2016 Q4 Other Developments:

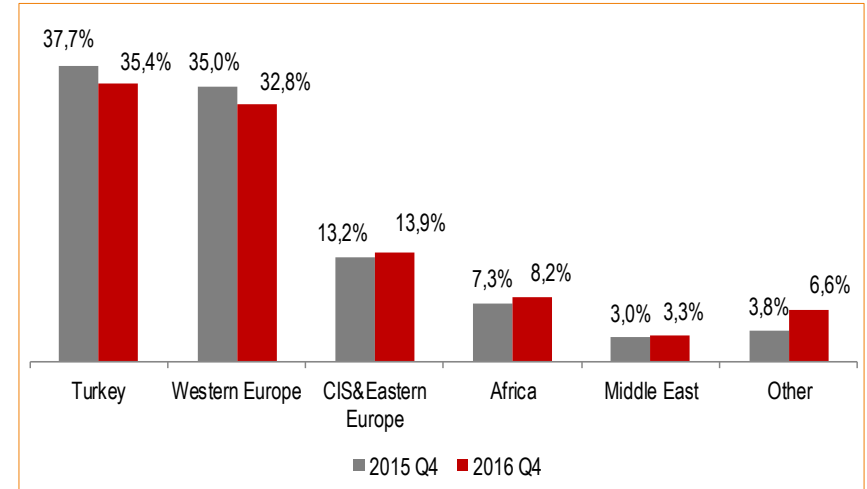
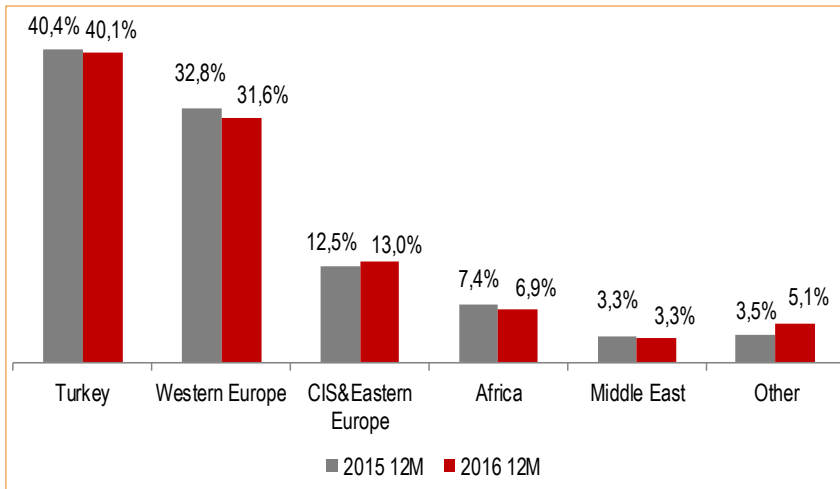
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- All closing conditions has been satisfied regarding the acquisition of production and sales companies operating in Pakistan under Dawlance brand and the share transfer has been completed on November 2, 2016.
- Following regulatory approvals and upon final General Assembly approval, a new company named "Arçelik Pazarlama A.Ş" has been established to manage domestic operations with lean and focused management strategies in line with Group's international operations.
- JV Agreement with LG was renewed to be effective until end-2023. In addition to existing product portfolio, Arcelik-LG will produce commercial air conditioning products.
- At Turkish Innovation Week which was held by the Turkish Exporters Assembly in December 2016 , Arçelik A.Ş. was granted "R&D Leadership" award.
- Arçelik has been awarded the title of most popular brand in Turkey in the white goods category based on the results of the research "Turkey's Lovemarks".

# Sales Performance

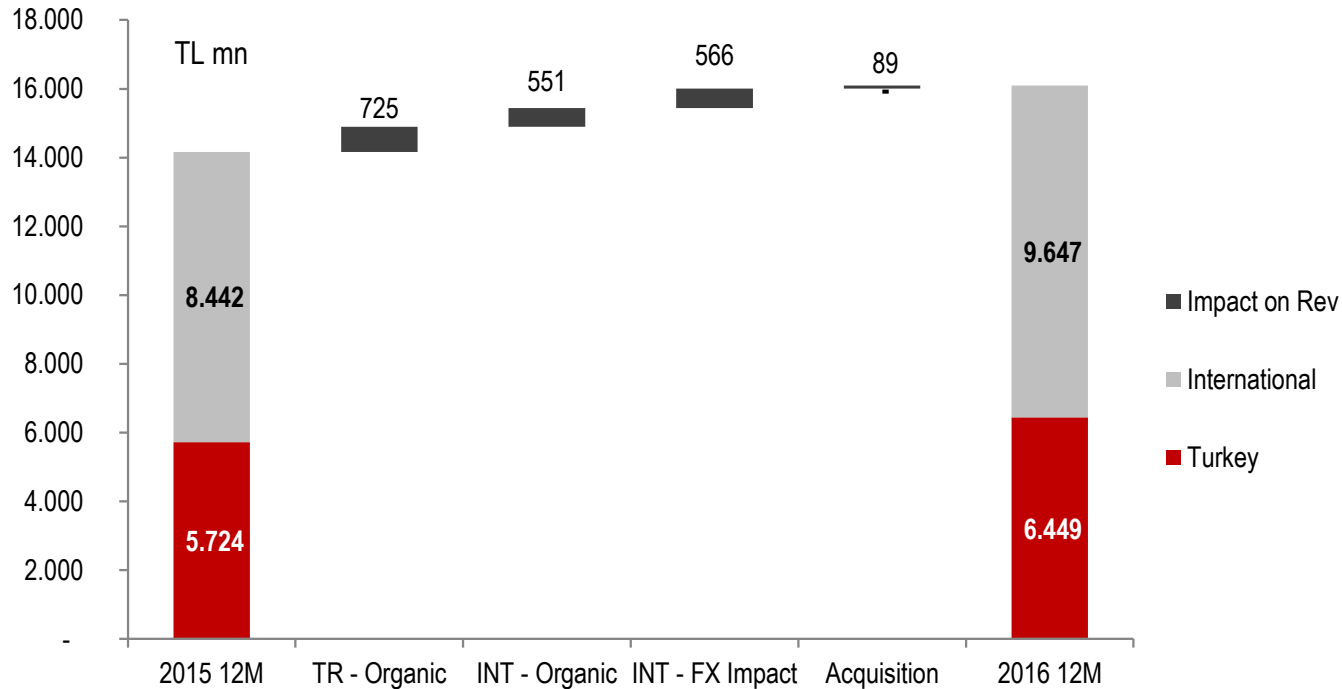
# Sales by Region

| TL mn         | 2016 Q4 | 2015 Q4 | 2016 Q3 | Δ%<br>YoY | Δ%<br>QoQ | 2016   | 2015   | Δ%<br>YoY |
|---------------|---------|---------|---------|-----------|-----------|--------|--------|-----------|
| Total Revenue | 4.526   | 4.067   | 4.083   | 11        | 11        | 16.096 | 14.166 | 14        |
| Turkey        | 1.600   | 1.533   | 1.669   | 4         | -4        | 6.449  | 5.724  | 13        |
| International | 2.926   | 2.534   | 2.414   | 15        | 21        | 9.647  | 8.442  | 14        |



# Sales Bridge

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**



| 2016 12M             | Organic     | Currency Effect | Acquisition | TOTAL        |
|----------------------|-------------|-----------------|-------------|--------------|
| Domestic Growth      | 12,7%       | -               | -           | 12,7%        |
| International Growth | 6,5%        | 6,7%            | 1,1%        | 14,3%        |
| <b>Total Growth</b>  | <b>9,0%</b> | <b>4,0%</b>     | <b>0,6%</b> | <b>13,6%</b> |

# Financial Performance

# Income Statement

| TL mn             | 2016 Q4 | 2015 Q4 | 2016 Q3 | Δ%<br>YoY | Δ%<br>QoQ | 2016   | 2015   | Δ%<br>YoY |
|-------------------|---------|---------|---------|-----------|-----------|--------|--------|-----------|
| Revenue           | 4.526   | 4.067   | 4.083   | 11        | 11        | 16.096 | 14.166 | 14        |
| Gross Profit      | 1.432   | 1.322   | 1.361   | 8         | 5         | 5.340  | 4.536  | 18        |
| margin            | 31,6    | 32,5    | 33,3    |           |           | 33,2   | 32,0   |           |
| EBIT *            | 301     | 371     | 375     | -19       | -20       | 1.331  | 1.157  | 15        |
| margin            | 6,7     | 9,1     | 9,2     |           |           | 8,3    | 8,2    |           |
| Profit Before Tax | 108     | 243     | 283     | -55       | -62       | 1.202  | 785    | 53        |
| margin            | 2,4     | 6,0     | 6,9     |           |           | 7,5    | 5,5    |           |
| Net Income**      | 230     | 212     | 264     | 9         | -13       | 1.304  | 893    | 46        |
| margin            | 5,1     | 5,2     | 6,5     |           |           | 8,1    | 6,3    |           |
| EBITDA*           | 423     | 465     | 484     | -9        | -13       | 1.769  | 1.527  | 16        |
| margin            | 9,3     | 11,4    | 11,9    |           |           | 11,0   | 10,8   |           |

\* 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

| TL mn                       | 2016 Q4 | 2015 Q4 | 2016 Q3 | Δ%<br>YoY | Δ%<br>QoQ | 2016   | 2015   | Δ%<br>YoY |
|-----------------------------|---------|---------|---------|-----------|-----------|--------|--------|-----------|
| <b>Consolidated</b>         |         |         |         |           |           |        |        |           |
| Revenue                     | 4.526   | 4.067   | 4.083   | 11        | 11        | 16.096 | 14.166 | 14        |
| Gross Profit                | 1.432   | 1.322   | 1.361   | 8         | 5         | 5.340  | 4.536  | 18        |
| Gross Profit %              | 31,6    | 32,5    | 33,3    |           |           | 33,2   | 32,0   |           |
| <b>White Goods</b>          |         |         |         |           |           |        |        |           |
| Revenue                     | 3.368   | 2.915   | 3.130   | 16        | 8         | 11.707 | 10.299 | 14        |
| Gross Profit                | 1.099   | 1.024   | 1.079   | 7         | 2         | 4.138  | 3.578  | 16        |
| Gross Profit %              | 32,6    | 35,1    | 34,5    |           |           | 35,3   | 34,7   |           |
| <b>Consumer Electronics</b> |         |         |         |           |           |        |        |           |
| Revenue                     | 634     | 649     | 528     | -2        | 20        | 2.266  | 1.966  | 15        |
| Gross Profit                | 191     | 157     | 151     | 22        | 26        | 633    | 433    | 46        |
| Gross Profit %              | 30,2    | 24,2    | 28,7    |           |           | 27,9   | 22,0   |           |
| <b>Other</b>                |         |         |         |           |           |        |        |           |
| Revenue                     | 525     | 503     | 426     | 4         | 23        | 2.123  | 1.901  | 12        |
| Gross Profit                | 141     | 142     | 130     | 0         | 8         | 568    | 524    | 8         |
| Gross Profit %              | 27,0    | 28,2    | 30,6    |           |           | 26,8   | 27,6   |           |

# Balance Sheet

| TL mn                         | 31.12.2016 | 31.12.2015 |                         | 31.12.2016 | 31.12.2015 |
|-------------------------------|------------|------------|-------------------------|------------|------------|
| Current Assets                | 10.986     | 9.406      | Current Liabilities     | 6.606      | 5.236      |
| Cash and Cash Equivalents     | 2.442      | 2.168      | ST Bank Borrowings      | 2.251      | 2.185      |
| Trade Receivables             | 5.295      | 4.791      | Trade Payables          | 3.086      | 2.090      |
| Inventories                   | 2.762      | 2.140      | Provisions              | 412        | 335        |
| Other                         | 487        | 308        | Other                   | 857        | 627        |
| Non-current Assets            | 5.924      | 4.332      | Non-current Liabilities | 4.299      | 3.826      |
| Property, Plant and Equipment | 2.750      | 2.056      | LT Bank Borrowings      | 3.407      | 3.269      |
| Intangible Assets             | 2.304      | 1.171      | Other                   | 892        | 557        |
| Financial Investments         | 239        | 749        |                         |            |            |
| Other                         | 630        | 357        | Equity                  | 6.005      | 4.676      |
| Total Assets                  | 16.909     | 13.739     | Total Liabilities       | 16.909     | 13.739     |

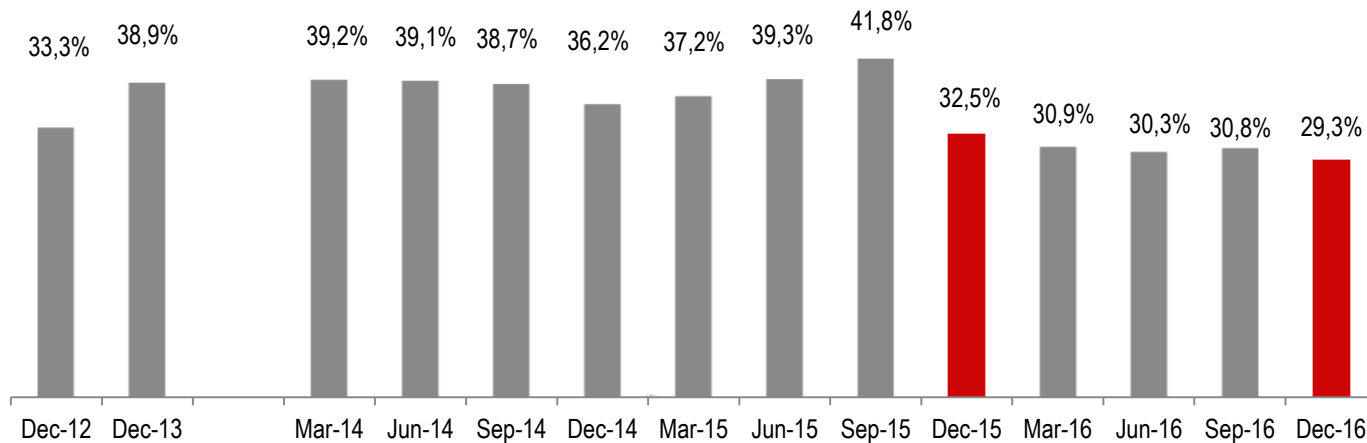
|                                | 31.12.2016 | 31.12.2015 | 31.12.2014 | 31.12.2013 |
|--------------------------------|------------|------------|------------|------------|
| Net Financial Debt/Equity      | 0,54       | 0,70       | 0,72       | 0,72       |
| Total Liabilities/Total Assets | 0,64       | 0,66       | 0,65       | 0,64       |

# Working Capital

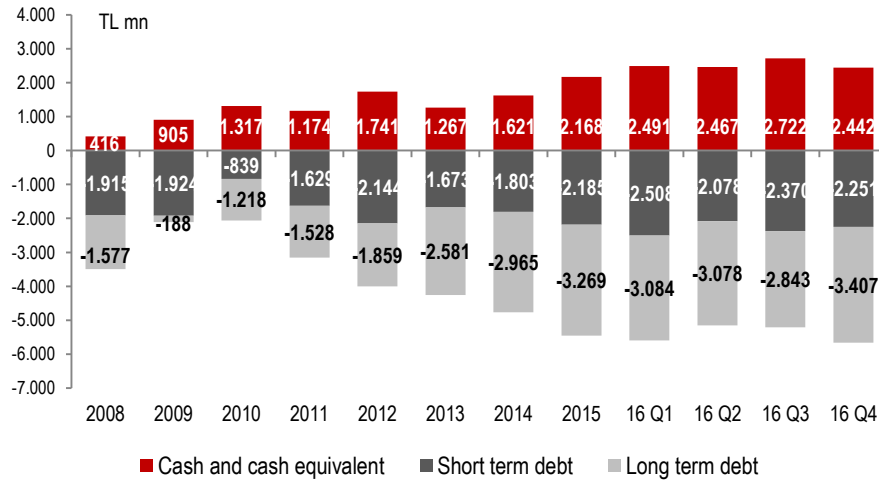
| TL mn             | FX Basis | TL Basis | 31.12.2016 |                        | FX Basis     | TL Basis     | Total        |
|-------------------|----------|----------|------------|------------------------|--------------|--------------|--------------|
| ST Trade Rec.     | 2.381    | 2.914    | 5.295      | ST Trade Payables      | 1.402        | 1.684        | 3.086        |
| Other Receivables | 48       | 58       | 106        | Other Payables         | 313          | 44           | 358          |
| Inventory         | 1.649    | 1.113    | 2.762      | <b>Working Capital</b> | <b>2.363</b> | <b>2.357</b> | <b>4.719</b> |

| TL mn             | FX Basis | TL Basis | 31.12.2015 |                        | FX Basis     | TL Basis     | Total        |
|-------------------|----------|----------|------------|------------------------|--------------|--------------|--------------|
| ST Trade Rec.     | 2.038    | 2.753    | 4.791      | ST Trade Payables      | 798          | 1.292        | 2.090        |
| Other Receivables | 29       | 33       | 62         | Other Payables         | 248          | 44           | 292          |
| Inventory         | 1.035    | 1.105    | 2.140      | <b>Working Capital</b> | <b>2.057</b> | <b>2.554</b> | <b>4.611</b> |

## Working Capital / Sales

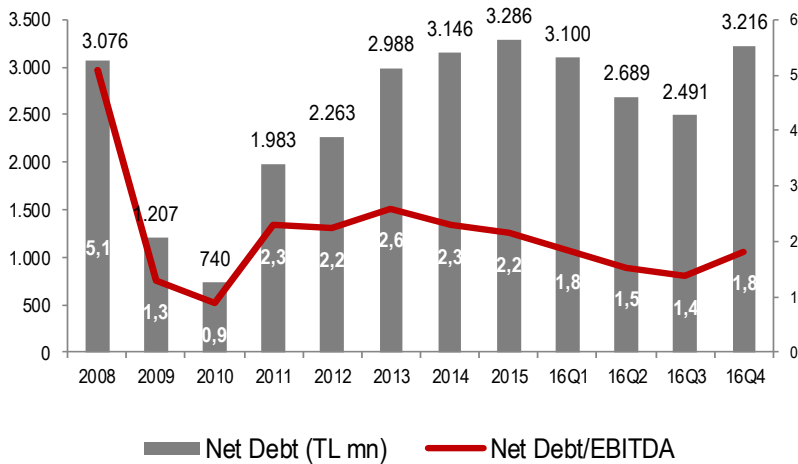


# Debt Profile

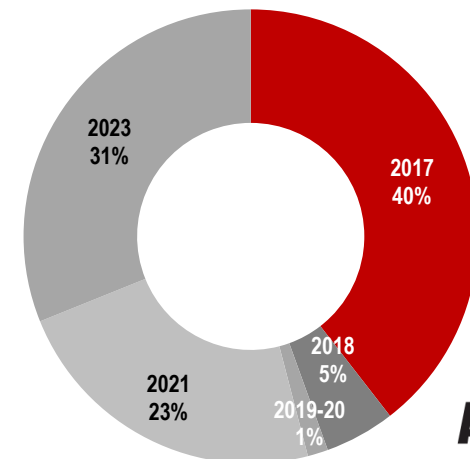


Debt profile (as of Dec 31 2016)

|                              | Effective Interest Rate p.a. (%) | mn Original Currency | TL mn Equivalent |
|------------------------------|----------------------------------|----------------------|------------------|
| TRY                          | 10,7%                            | 1.540                | 1.540            |
| EUR                          | 1,7%                             | 151                  | 559              |
| ZAR                          | 9,9%                             | 750                  | 193              |
| RUB                          | 8,9%                             | 475                  | 27               |
| CNY                          | 4,4%                             | 110                  | 55               |
| GBP                          | 1,0%                             | 5                    | 23               |
| USD                          | 1,4%                             | 0                    | 2                |
| PKR                          | 6,3%                             | 5.432                | 182              |
| <b>Total Bank Borrowings</b> |                                  |                      | <b>2.581</b>     |
| USD                          | 5,1%                             | 504                  | 1.773            |
| EUR                          | 4,0%                             | 352                  | 1.304            |
| <b>Total Eurobond</b>        |                                  |                      | <b>3.077</b>     |
| <b>Total</b>                 |                                  |                      | <b>5.658</b>     |



Debt maturity profile



# Cash Flow

| TL mn                                 | 2016 12M | 2015 12M |
|---------------------------------------|----------|----------|
| Beginning Balance                     | 2.166    | 1.621    |
| Net Operational Cash Flow             | 2.067    | 1.723    |
| CapEx                                 | -831     | -640     |
| Acquisition of subsidiary             | -746     | -1       |
| Acquisition of minority interest      | 0        | -282     |
| Fixed Asset Sales                     | 7        | 19       |
| Financial Asset Sales                 | 559      | 0        |
| Dividend Paid                         | -262     | -350     |
| Dividends Received                    | 13       | 24       |
| Changes in Bank Borrowings            | -440     | 230      |
| Other Financial & Investing Activites | -409     | -330     |
| Differences due to FX Conversion      | 317      | 153      |
| Changes in Cash                       | 275      | 546      |
| Ending Balance                        | 2.442    | 2.166    |

# 2017 Expectations

# 2017 Expectations

|                                         |                                              |
|-----------------------------------------|----------------------------------------------|
| <b>White goods market volume growth</b> | Turkey* : c.3%<br>International : c.2%       |
| <b>Market Share</b>                     | Stable or higher market share in key regions |
| <b>Revenue Growth</b>                   | >20% in TRY                                  |
| <b>EBITDA Margin (2017)**</b>           | c.11%                                        |
| <b>Long-Term EBITDA margin**</b>        | c.11%                                        |

\*6 main products, in compliance with WGMA data.

\*\*EBITDA margin calculations are inline with the methodology used in calculation of historical values

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