

Arcelik A.Ş.

2017 3 Month
Financial Results

April 24, 2017

2017 Q1 Summary

- Accelerated growth in domestic MDA market due to SCT cut
- Low single-digit growth in European MDA market at retail level
- Pressure from rising steel, plastic and large panel prices on profit margins
- Consolidation of higher margin Dawlance operations
- Improvement in opex-to-sales ratio stemming from increasing scale
- Seasonal rise in WC/Sales ratio due to increasing share of Turkey sales.
- Increasing net debt to finance working capital need
- Depreciation of TRY against hard currency and other EM currencies

Net Sales
TRY 4.6 bln.

**EBITDA
Margin**
10.5%

Leverage
2.1X

WC / Sales
32%

2017 Q1 Sales Performance

Key Factors Impacting Revenues



SCT Cut in Turkey

Spike in both sell-in and sell-out sales after the removal of SCT on white goods until the end of September.



POS Cash Register

Weak demand as the deadline was extended until the end of 2017



International Growth*

Slowing demand in Western Europe, continuation of decline in South Africa, flat market in Russia.



Currency Impact

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



Dawlance Consolidation

Consolidation of Pakistan based Dawlance

** Based on January-February 2017 retail sales data*

2017 Q1 Margin Performance

Key Factors Impacting Margins



Raw Material Cost

Cost increase in steel, plastic derivatives and large size panels (49-55 inches)



Currency Impact

Strong USD against both hard currencies (€, £) and main market currencies (PLN, ZAR, RUB, RON)



Incentives

Loss of income arising from the change in Turquality incentive program



OPEX

110bps improvement in opex-to-sales ratio as opex grew slower than net sales



Dawlance Consolidation

High margin Pakistani operations



Price Adjustments

Price adjustments in major markets (Turkey, UK)

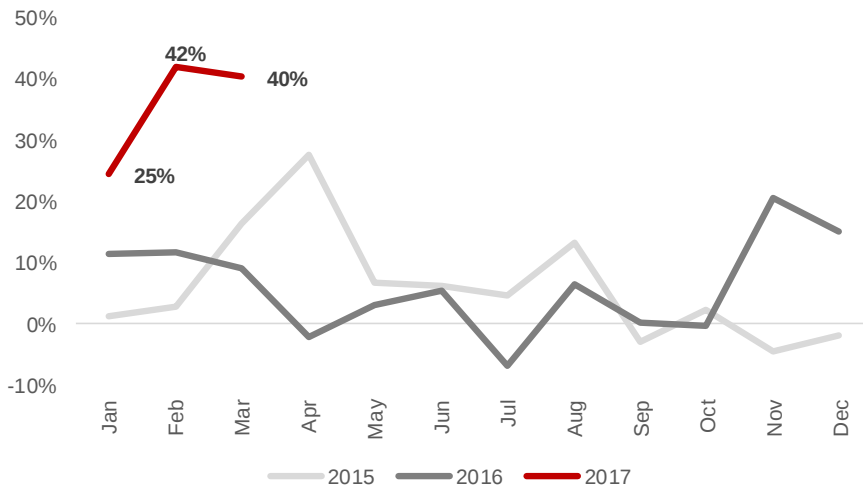
2017 Q1 Performance - Turkey

Market

- Substantial growth in MDA market, largely a pull-forward demand, boosted by SCT cut
- A relatively lower growth (9%) in A/C market
- Flat TV market* in 2M17 (-0,5%), where import brands' market share slightly declined

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

**Turkish MDA6 Total Market
YoY Change**



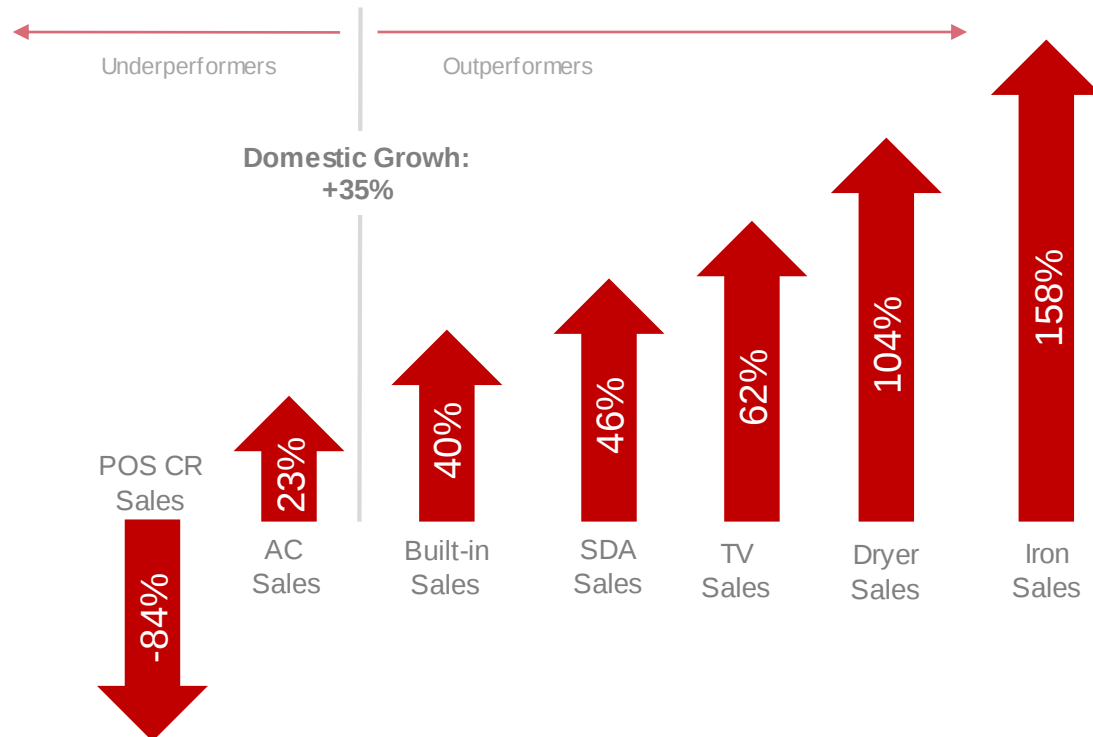
**Turkish Market by Product Type
(MDA 6)**

('000 Units)	1Q17	1Q16	YoY
Refrigerator	468	410	14%
Freezer	247	81	204%
Washing M.	608	472	29%
Dryer	37	27	35%
Dishwasher	486	371	31%
Oven	253	176	44%
Total	2,099	1,538	36%

2017 Q1 Performance - Turkey

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- Above market-average unit growth (+43% vs. 36%) in MDA-6 market
- ~9% growth in unit sales for A/C products, similar to the market
- Flat TV market share YoY around 25%*
- Weak POS cash register demand due to base effect and legal deadline extension; however, continuing revenue contribution from service fee



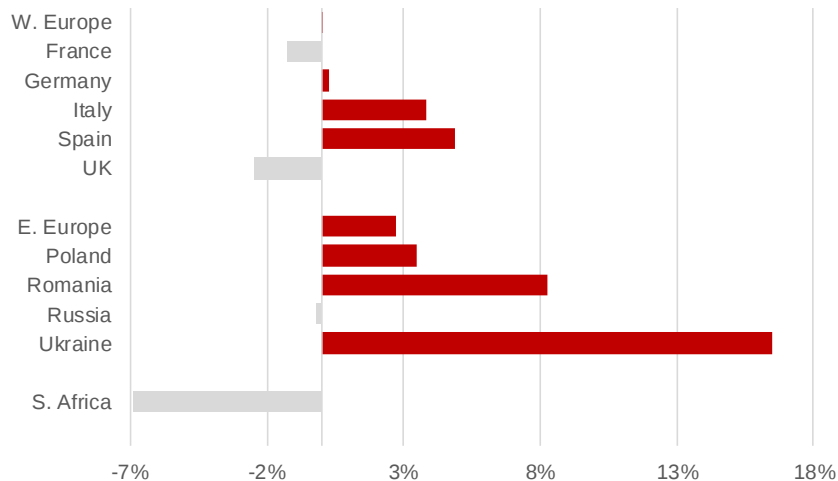
* The data for TV is based on retail panel.

2017 Q1 Performance - International

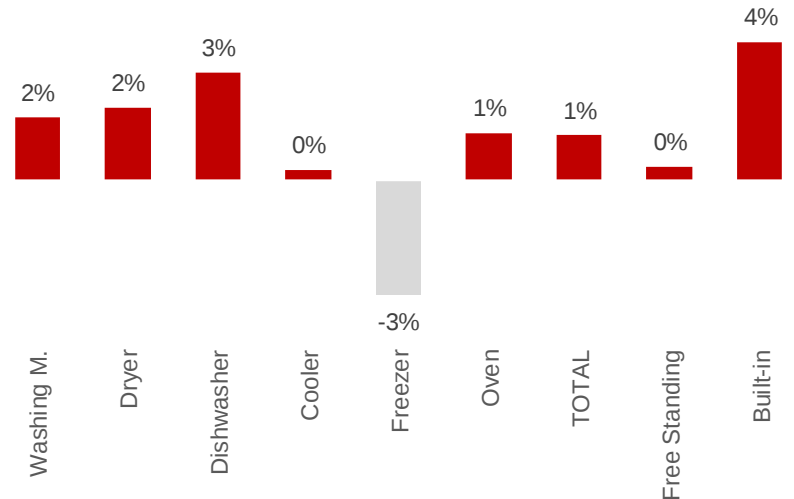
Market

- Strong growth in Italy and Spain mitigated by the declining UK and French markets
- Significant performance in Eastern Europe, except for Russia
- Increasing share of private labels in European market (esp. in FS segment)
- A dismal S. African market, down 7% YoY, in 2M17

Market Unit Growth in Major Markets (2M17) (%) (MDA 6)



European Market Growth by Product Type (2M17) (%)

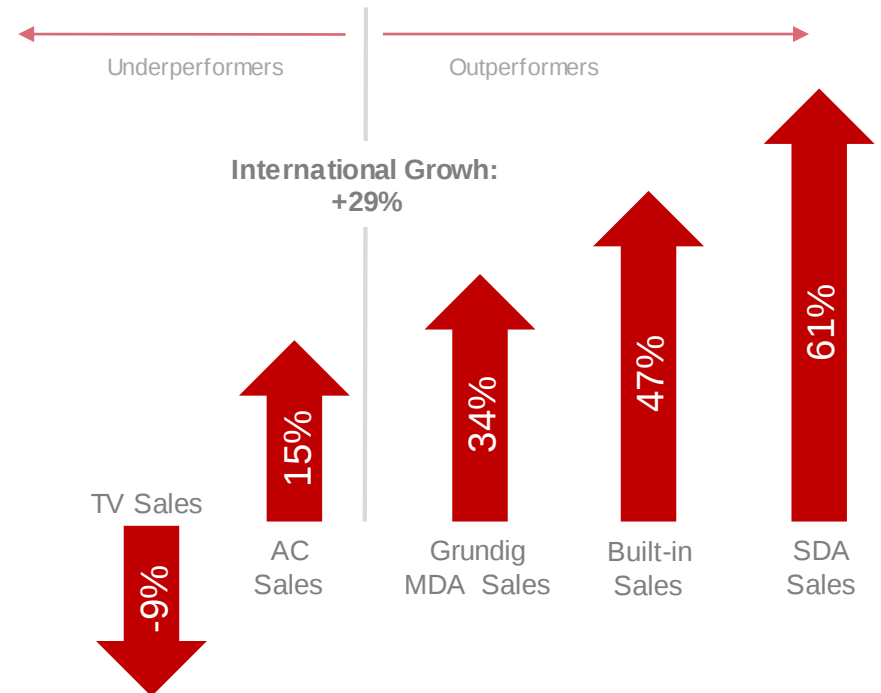
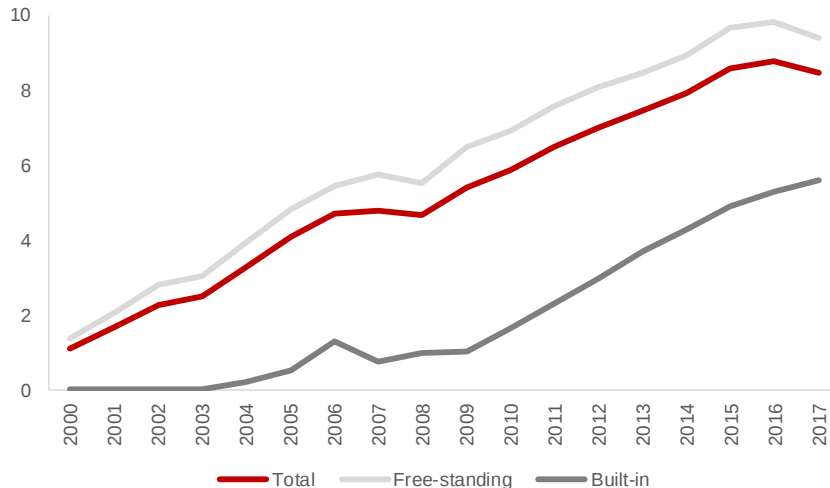


2017 Q1 Performance - International

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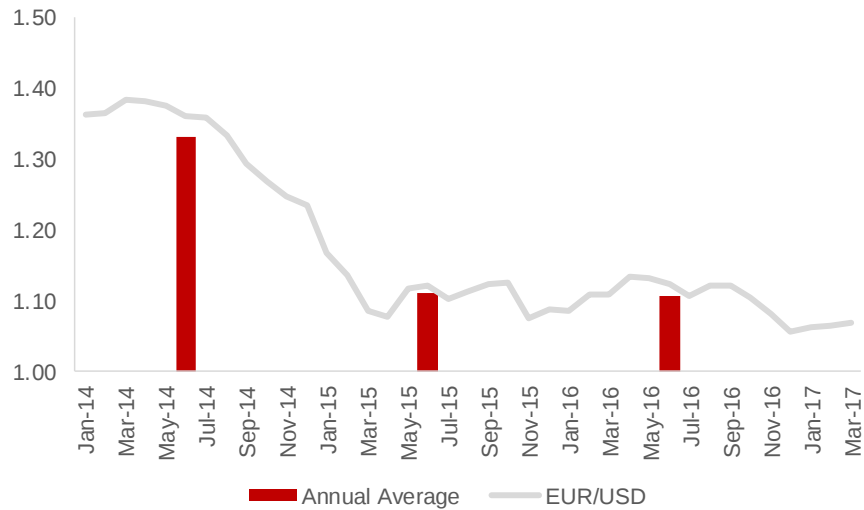
- Arçelik Group continuing to strengthen its position in international markets
 - Growth curve flattening for Beko in FS segment in European market
 - Beko; among the the Top 3 Winners in terms of market share gain in built-in segment
 - Decreasing TV sales due to focus on profitable sales
 - Slow start to the year in Air-Conditioner business

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

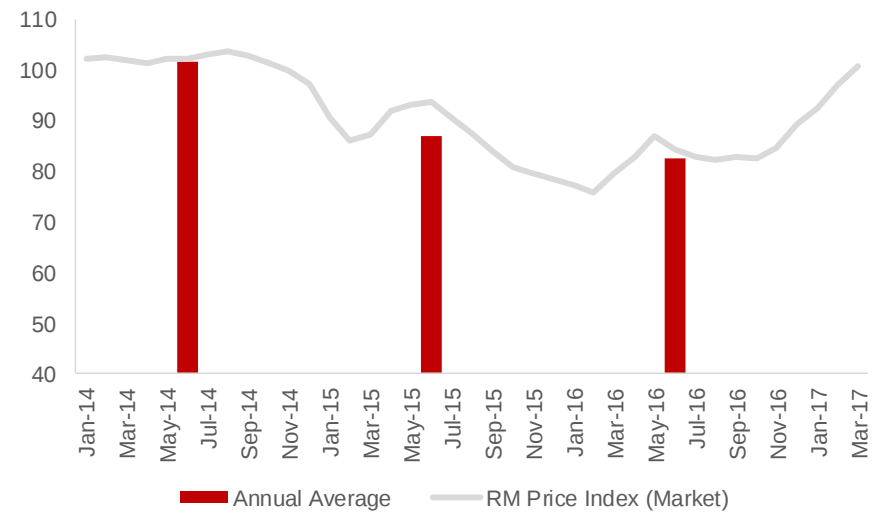


Trends in Parity and Raw Material Index

EUR/USD Development



Raw Material Index * - Market Price



* Raw material price index for appliances category

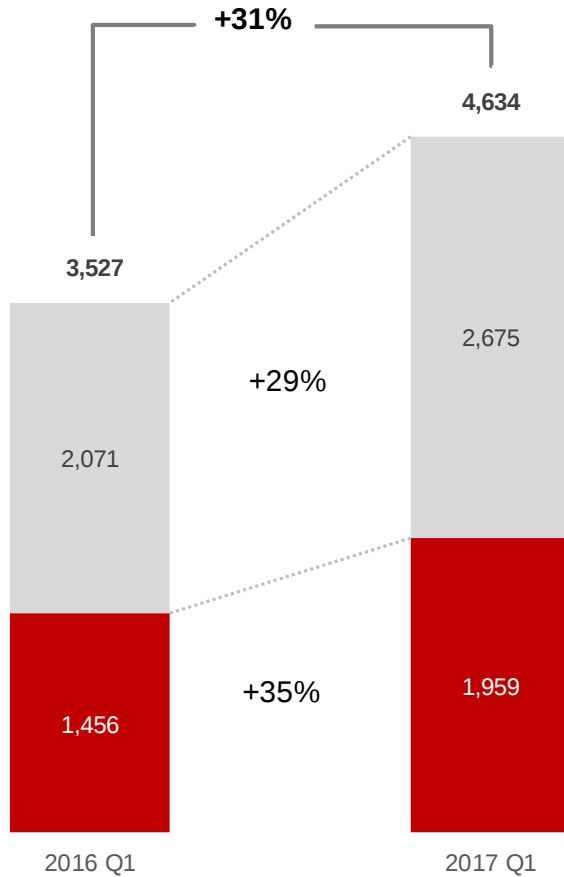
2017 Q1 Other Developments

- Arçelik has become the main sponsor of Turkish National Football Team.
- Eskişehir Refrigerator Plant received «TPM World Clas Award» by the Japan Institute of Plant Maintenance, the highest award in this area.
- Grundig has been named CES (Consumer Electronics Show) 2017 Innovation Awards Honoree for VUX (Virtual User eXperience).

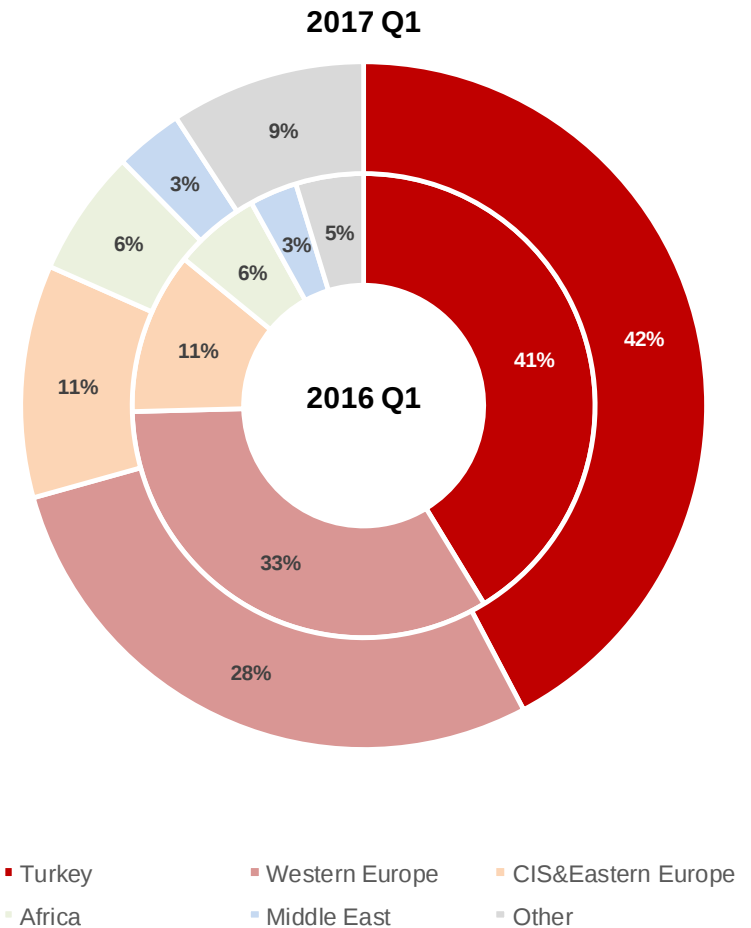


Sales Performance

Sales by Region

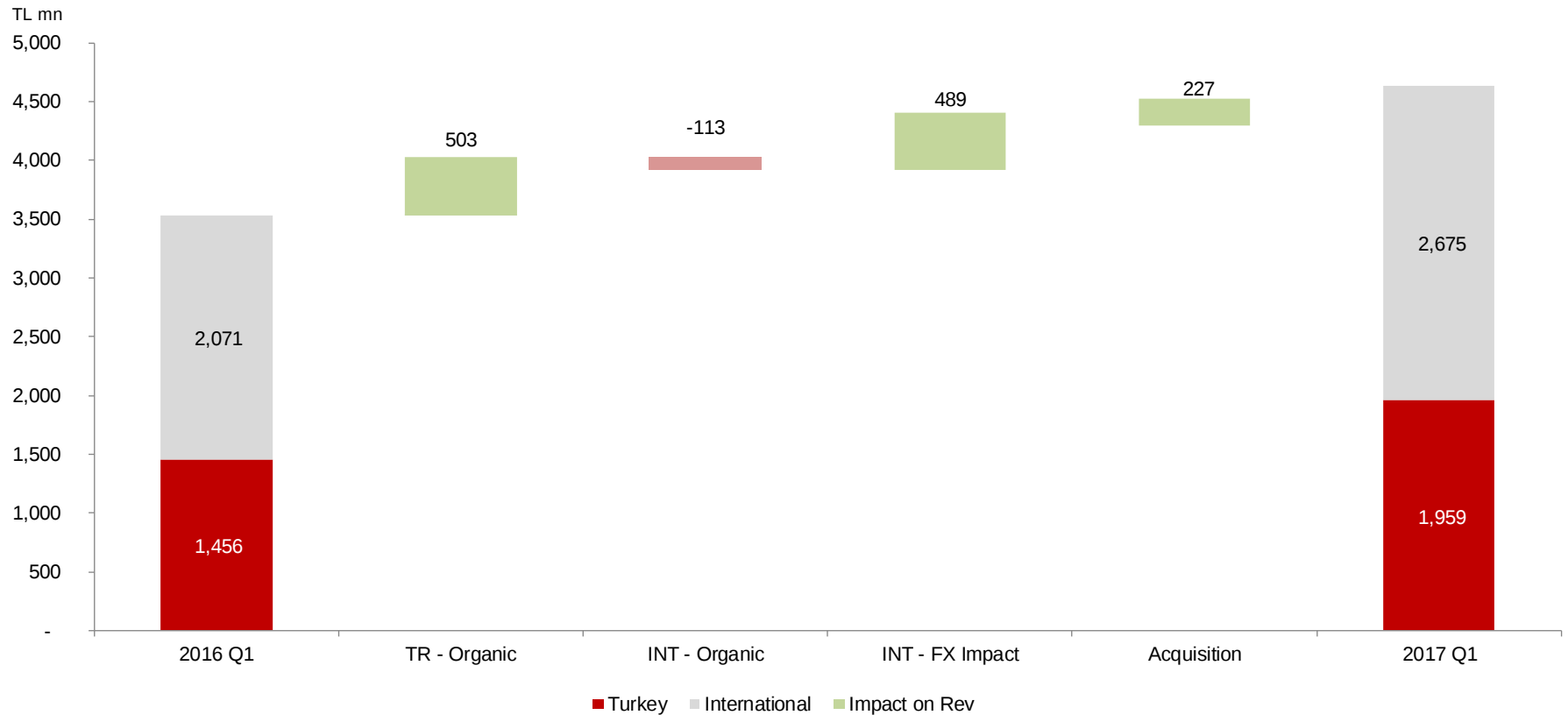


■ Turkey ■ International



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

Sales Bridge



2017 Q1	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	34.5%	0.0%	0.0%	34.5%
International Growth	-5.4%	23.6%	11.0%	29.2%
Total Growth	11.1%	13.9%	6.4%	31.4%

Financial Performance

Income Statement

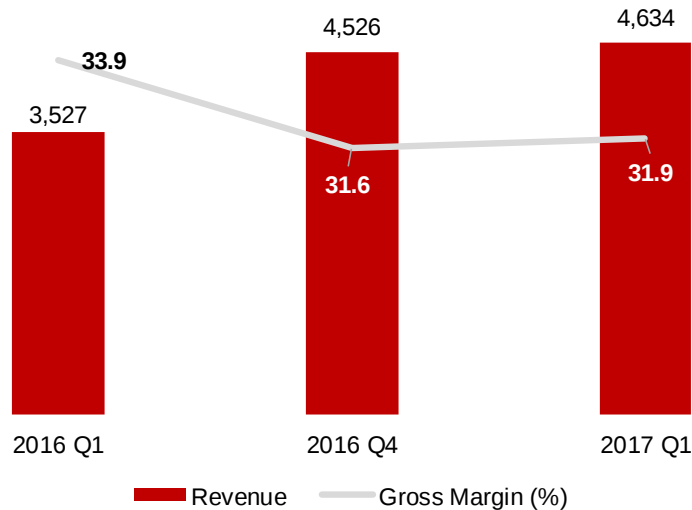
TL mn	2017 Q1	2016 Q1	2016 Q4	Δ% YoY	Δ% QoQ	2016	2015	Δ% YoY
Revenue	4,634	3,527	4,526	31	2	16,096	14,166	14
Gross Profit	1,478	1,194	1,432	24	3	5,340	4,536	18
margin	31.9	33.9	31.6			33.2	32.0	
EBIT *	354	323	301	9	17	1,331	1,157	15
margin	7.6	9.2	6.7			8.3	8.2	
Profit Before Tax	237	154	108	53	118	1,202	785	53
margin	5.1	4.4	2.4			7.5	5.5	
Net Income**	241	157	230	54	5	1,304	893	46
margin	5.2	4.4	5.1			8.1	6.3	
EBITDA*	485	421	423	15	15	1,769	1,527	16
margin	10.5	11.9	9.3			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.

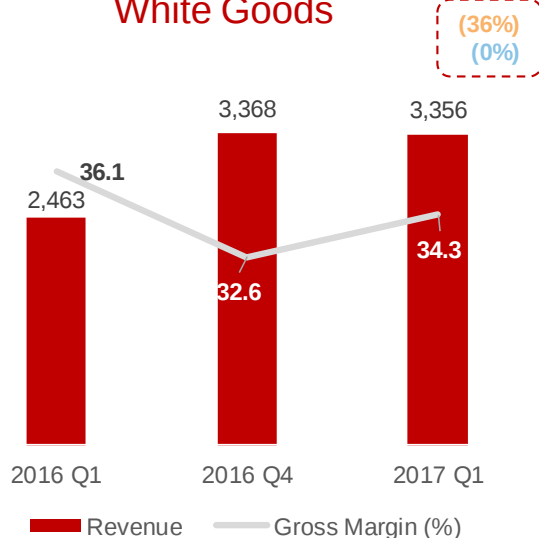
** Net income before minority

Revenue and Gross Profit by Segment

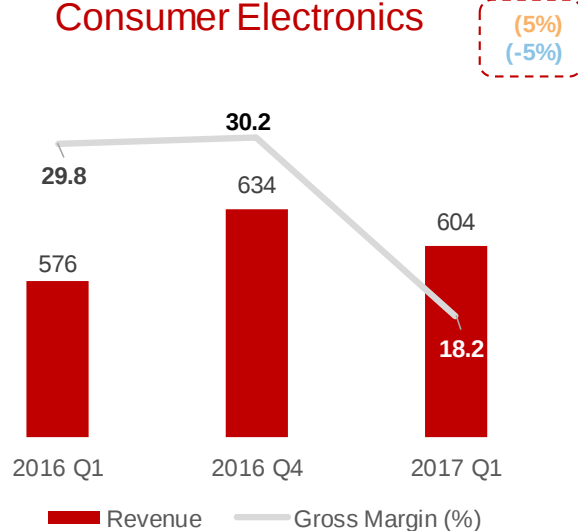
Consolidated



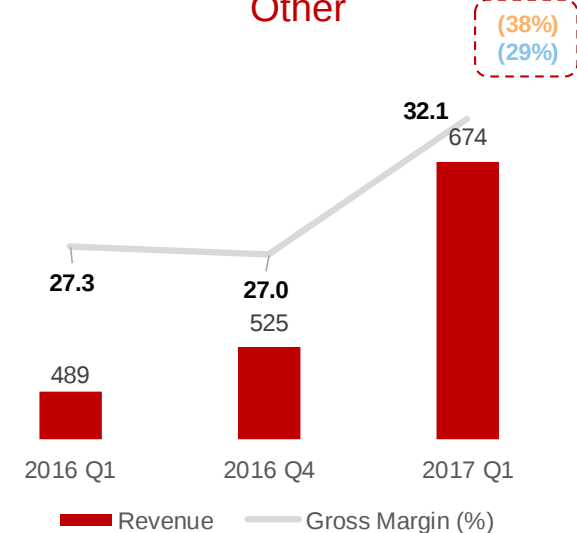
White Goods



Consumer Electronics



Other

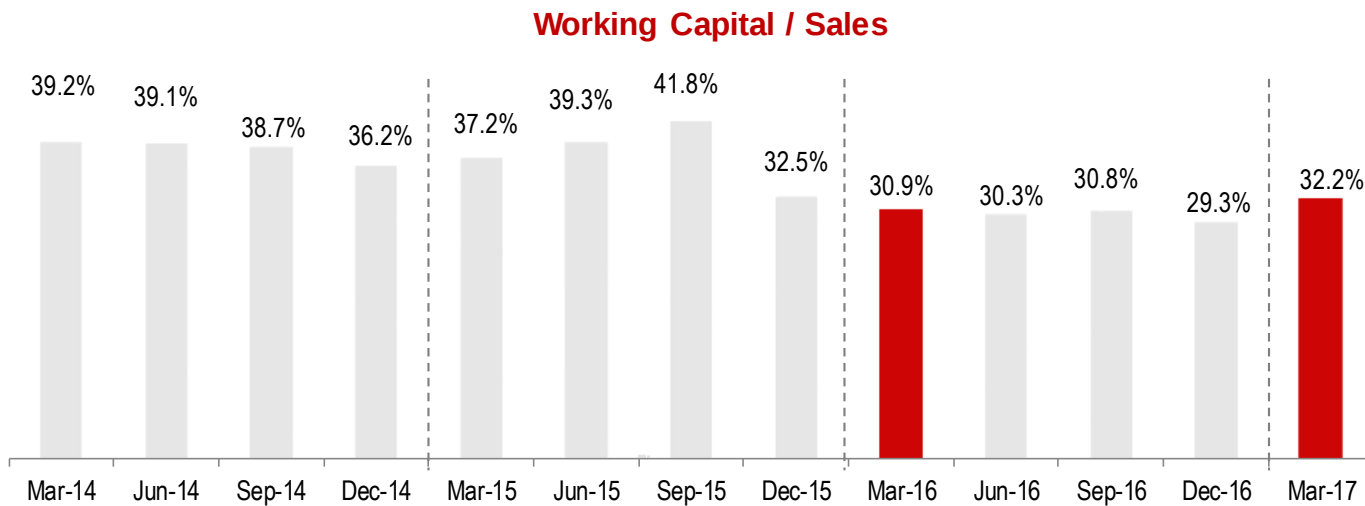
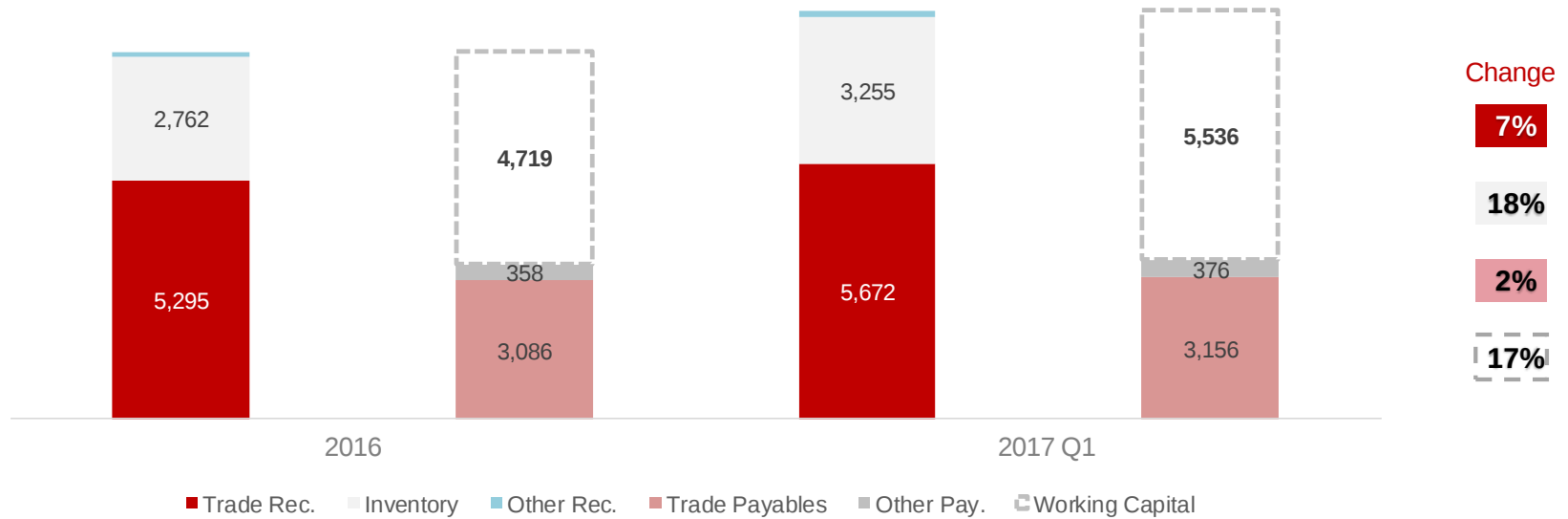


Balance Sheet

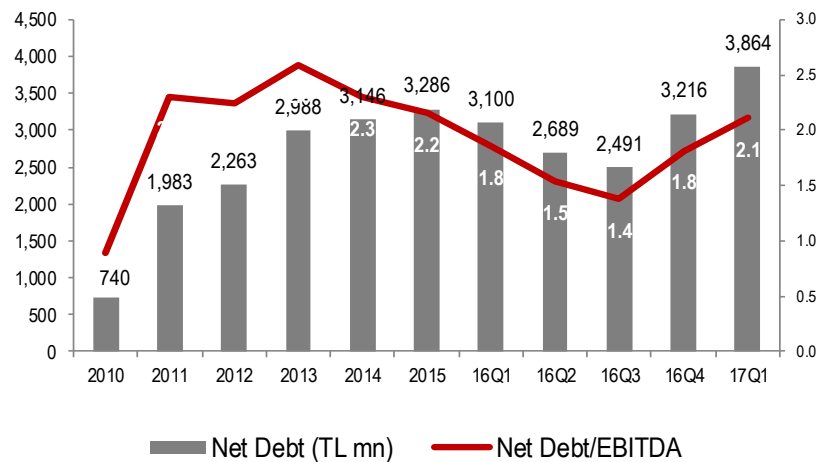
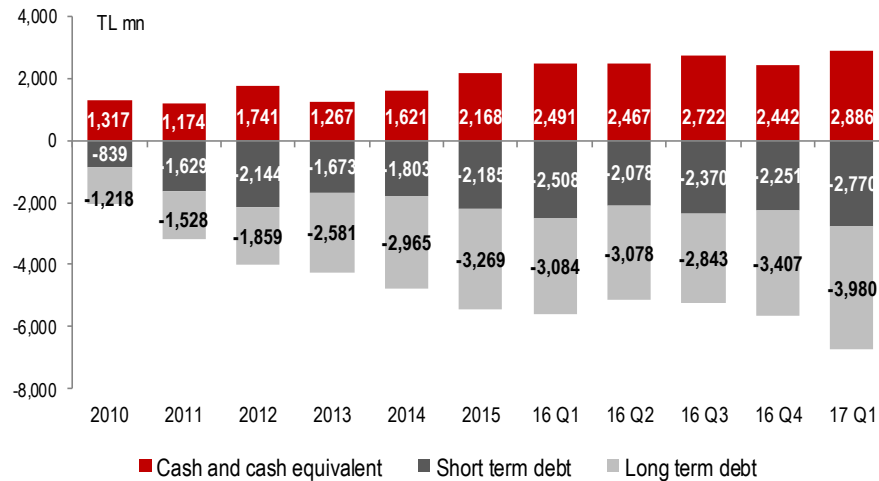
TL mn	31.03.2017	31.12.2016		31.03.2017	31.12.2016
Current Assets	12,406	10,986	Current Liabilities	7,613	6,606
Cash and Cash Equivalents	2,886	2,442	ST Bank Borrowings	2,771	2,251
Trade Receivables	5,672	5,295	Trade Payables	3,156	3,086
Inventories	3,255	2,762	Provisions	425	412
Other	592	487	Other	1,261	857
Non-current Assets	6,173	5,924	Non-current Liabilities	4,915	4,299
Property, Plant and Equipment	2,801	2,750	LT Bank Borrowings	3,980	3,407
Intangible Assets	2,428	2,304	Other	935	892
Financial Investments	239	239			
Other	706	630	Equity	6,052	6,005
Total Assets	18,579	16,909	Total Liabilities	18,579	16,909

	31.03.2017	31.12.2016	31.12.2015	31.12.2014
Net Financial Debt/Equity	0.64	0.54	0.70	0.72
Total Liabilities/Total Assets	0.67	0.64	0.66	0.65

Working Capital



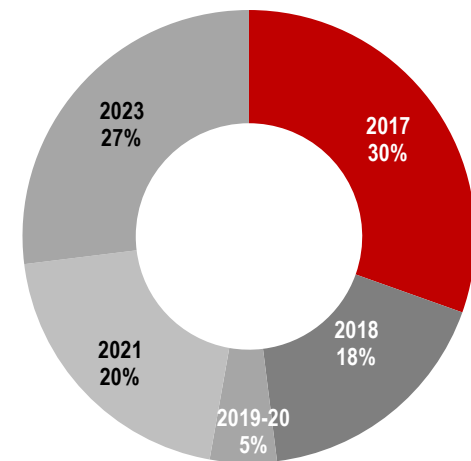
Debt Profile



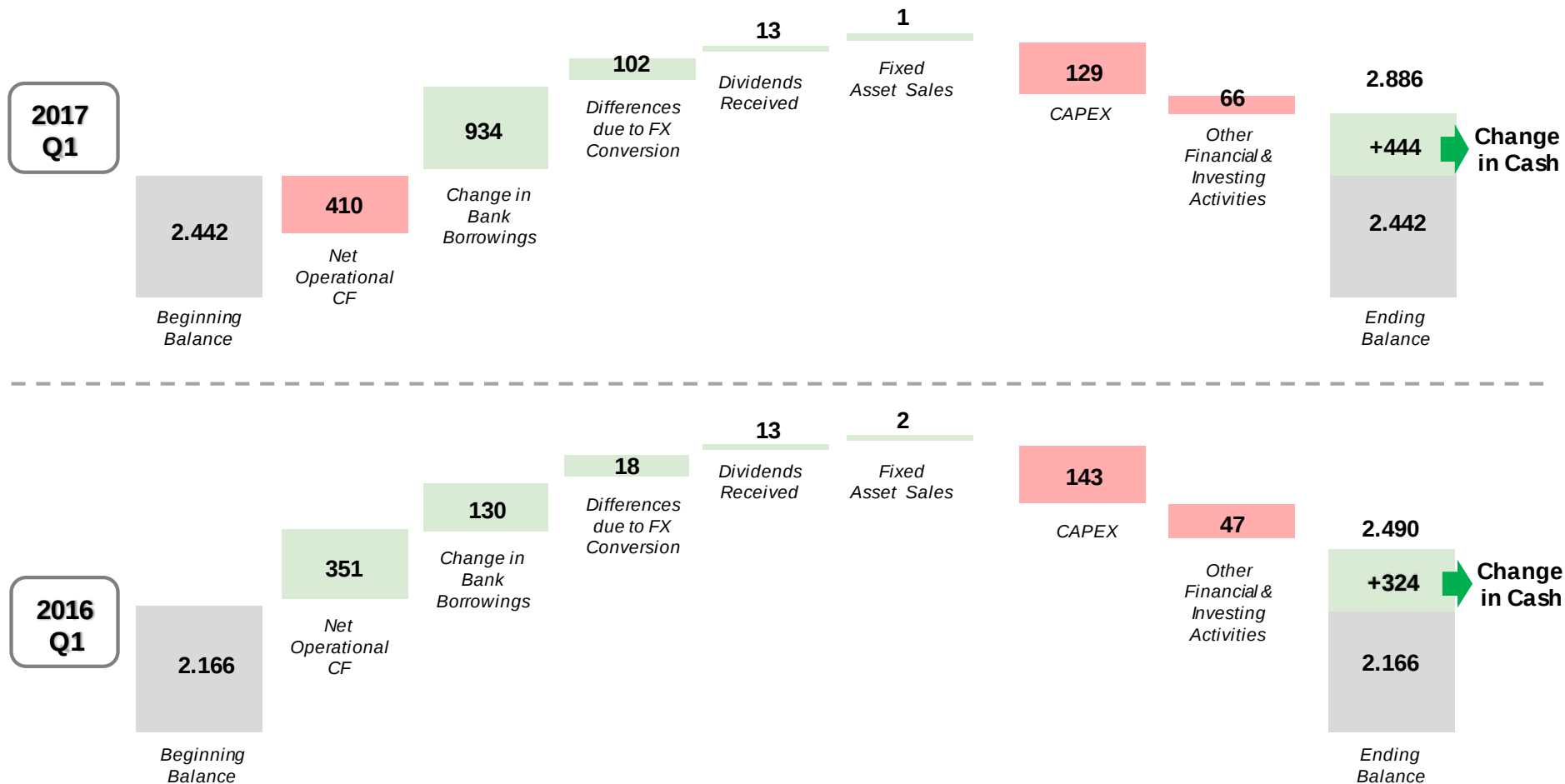
Debt profile (as of Mar 31 2017)

	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	11.8%	2,468	2,468
EUR	1.5%	145	566
ZAR	9.9%	750	212
CNY	4.4%	95	50
GBP	0.9%	4	20
USD	2.0%	0	1
PKR	6.3%	5,522	191
Total Bank Borrowings			3,507
USD	5.1%	510	1,856
EUR	4.0%	355	1,387
Total Eurobond			3,243
Total			6,750

Debt maturity profile



Cash Flow



2017 Expectations

2017 Expectations

White goods market volume growth	Turkey* : c.5% (<i>previous c.3%</i>) International : c.2%
Market Share	Stable or higher market share in key regions
Revenue Growth	>20% in TRY
EBITDA Margin (2017)**	c.11%
Long-Term EBITDA margin**	c.11%

* 6 main products, in compliance with WGMA data.

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

www.arcelikas.com

Contacts for Investor Relations

Polat Şen

CFO

Tel: (+90 212) 314 34 34

Hande Sarıdal

Finance Director

Tel: (+90 212) 314 31 85

Orkun İnanbil

Investor Relations Manager

Tel: (+90 212) 314 31 14

investorrelations@arcelik.com

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