

Arcelik A.Ş.

2017 6 Month
Financial Results

July 31, 2017

2017 Q2 Summary

- A lower paced growth in domestic MDA market compared to 1Q17
- Low single-digit growth in European MDA market at retail level
- Lagging impact of steel, plastic and large panel prices on profit margins
- Further improvement in opex-to-sales ratio
- Seasonal rise in WC/Sales ratio due to increasing share of Turkey sales.
- Increasing net debt to finance working capital need

Net Sales
TRY 5.1 bln.

**EBITDA
Margin**
9.8%

WC / Sales
34%

Leverage
2.5X

2017 Q2 Sales Performance

Key Factors Impacting Revenues



SCT Cut in Turkey

Strong domestic demand, albeit at a slower pace than 1Q17



POS Cash Register

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



International Growth*

Slowing demand in Western Europe, strong performance in Eastern Europe and positive signals in South Africa



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-June 2017 retail sales data

2017 Q2 Margin Performance

Key Factors Impacting Margins



Raw Material Cost

Lagging reflection of the peak in material prices in Q1 to Q2



Product Mix

Higher share of A/C sales which have slightly lower profitability and lower share of domestic white goods sales



Incentives

Decreasing contribution from brand support programme



Currency Impact

Appreciation of EUR against USD during the quarter (QoQ)



OPEX

260bps(YoY) improvement in opex-to-sales ratio as opex grew slower than net sales



Dawlance Consolidation

High margin Pakistani operations

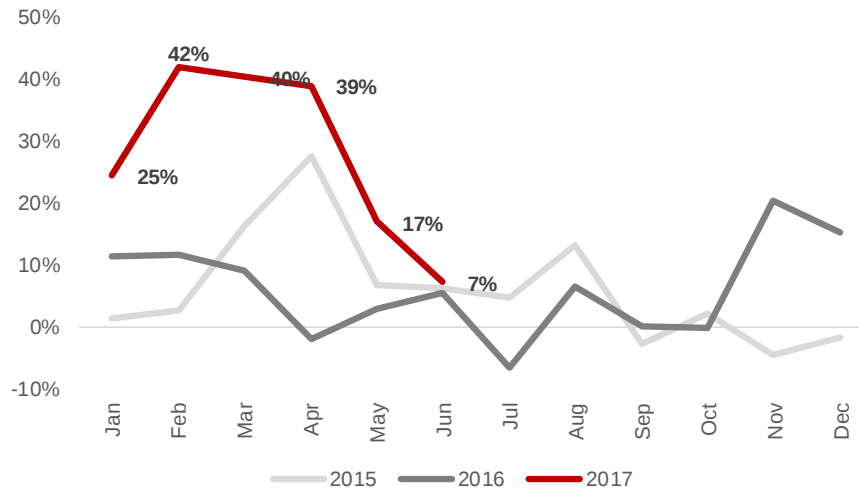
2017 Q2 Performance - Turkey

Market

- Slowing growth in MDA market following the extension of SCT-break (2Q17: 20% - 1Q17:36%)
- Pricing competition, limiting adjustments needed due to changes in FX and raw material
- Pick-up in sell-in A/C market after a lackluster 1Q. (2Q17: +30% YoY – 1Q17: +9% YoY)
- Shrinking TV market* in 2Q17 (-9%)

• 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**



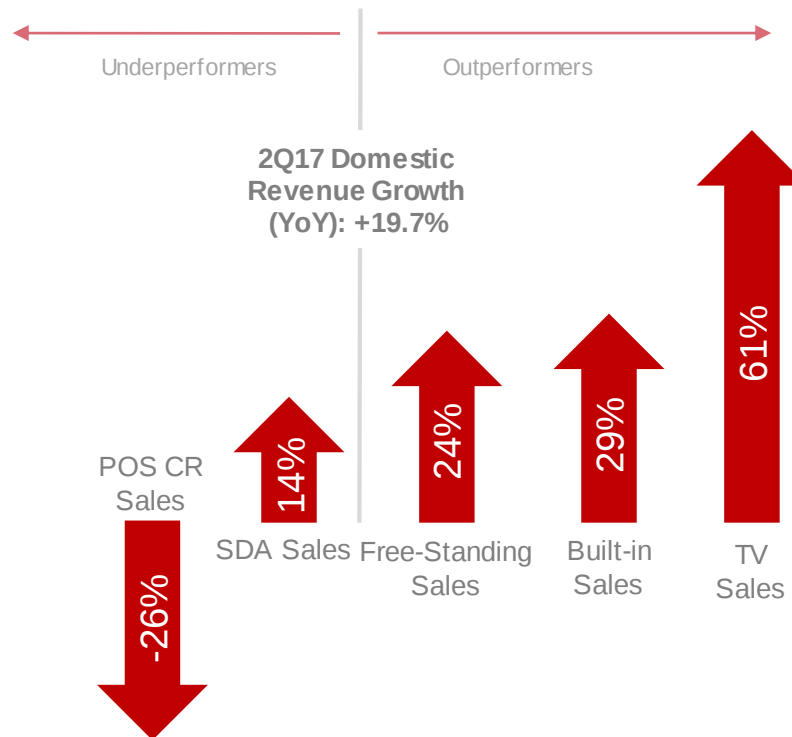
**Turkish Market by Product Type
(MDA 6)**

('000 Units)	2Q17	2Q16	YoY
Refrigerator	607	527	15%
Freezer	337	205	64%
Washing M.	589	538	9%
Dryer	21	10	97%
Dishwasher	472	394	20%
Oven	306	263	16%
Total	2,332	1,939	20%

2017 Q2 Performance - Turkey

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- Following above-the-market performance in 1Q17, sell-in sales aligning with market (1Q17: +45% vs 2Q17: +12%)
- Growth in A/C in line with 1Q17 (+9%)
- Flat TV market share YoY around 27%*
- POS Cash Registers unit sales remain weak (down 65% YoY in 2Q17)



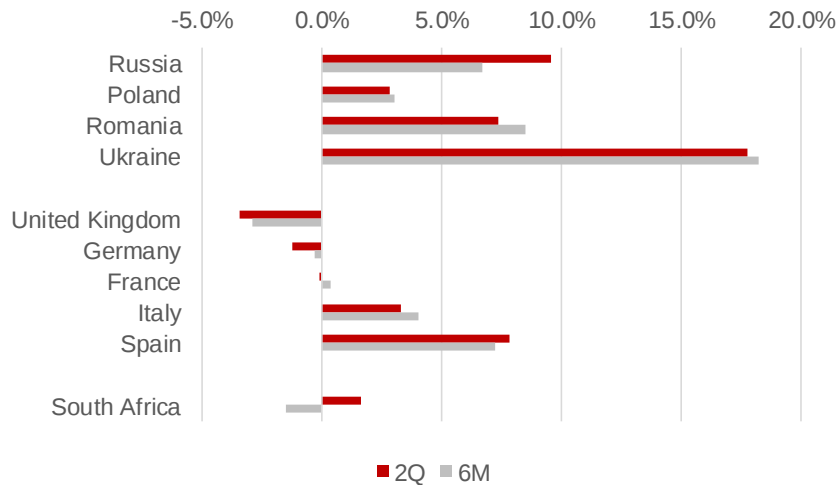
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2017 Q2 Performance - International

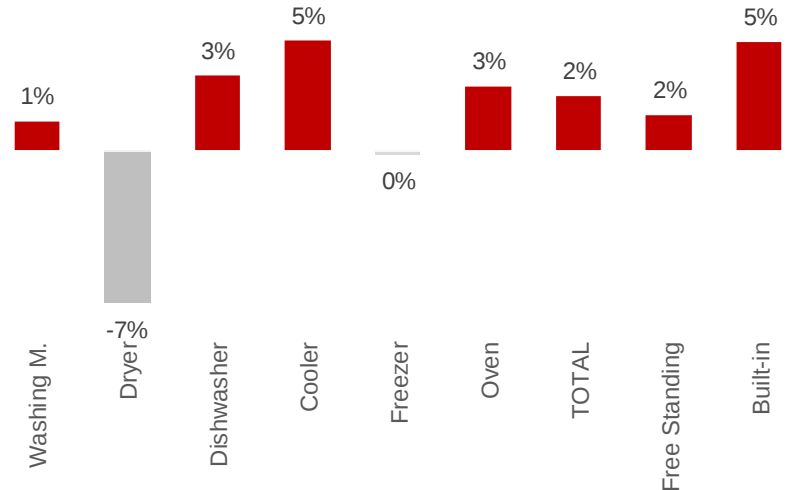
Market

- Strong growth in Italy and Spain mitigated by the declining UK and German markets
- Significant performance in Eastern Europe, Russia and Romania in particular
- Higher growth in Built-in segment in all across the region
- Signs of a turn-around in South Africa in May and June, still negative in 6M17

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



European Market Growth by Product Type (2Q17) (%)

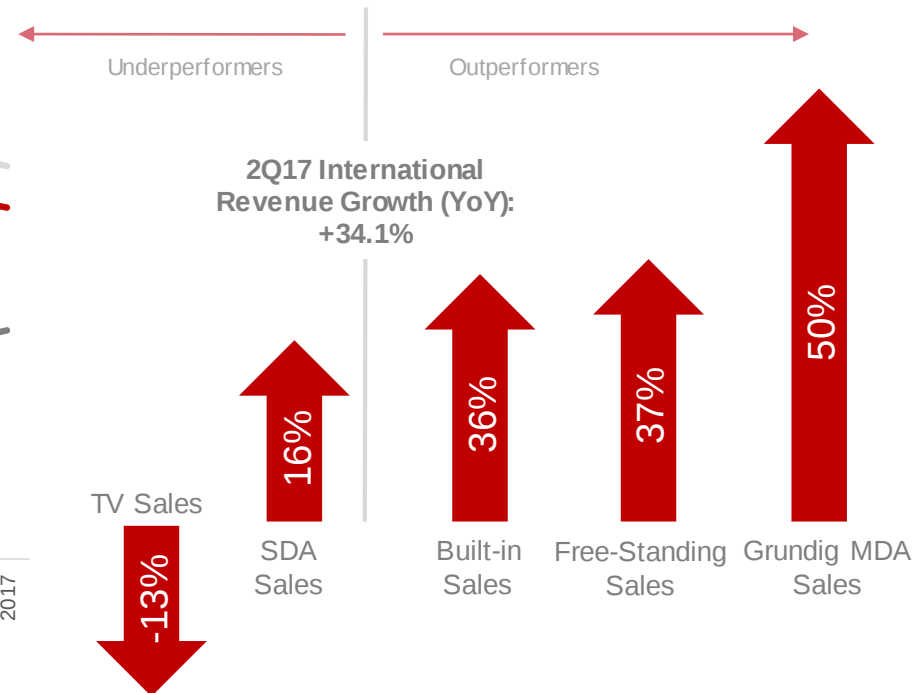
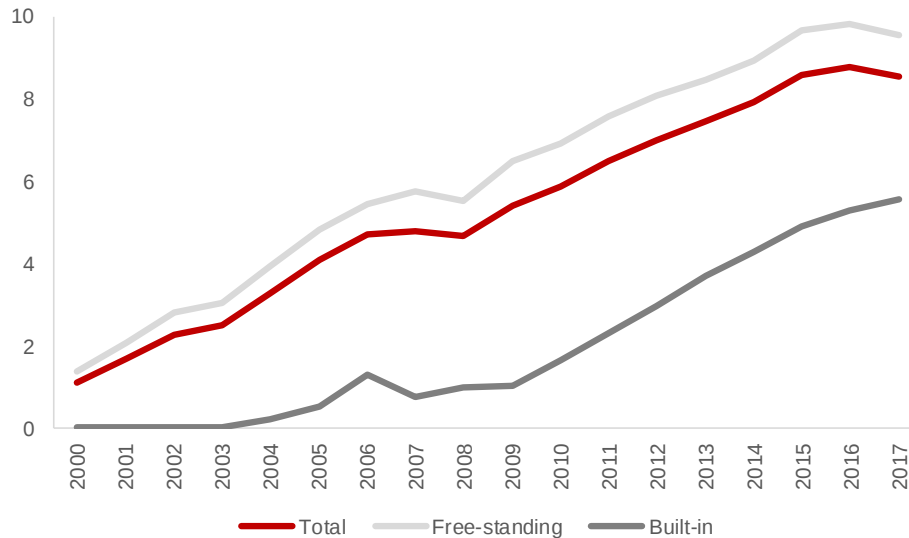


2017 Q2 Performance - International

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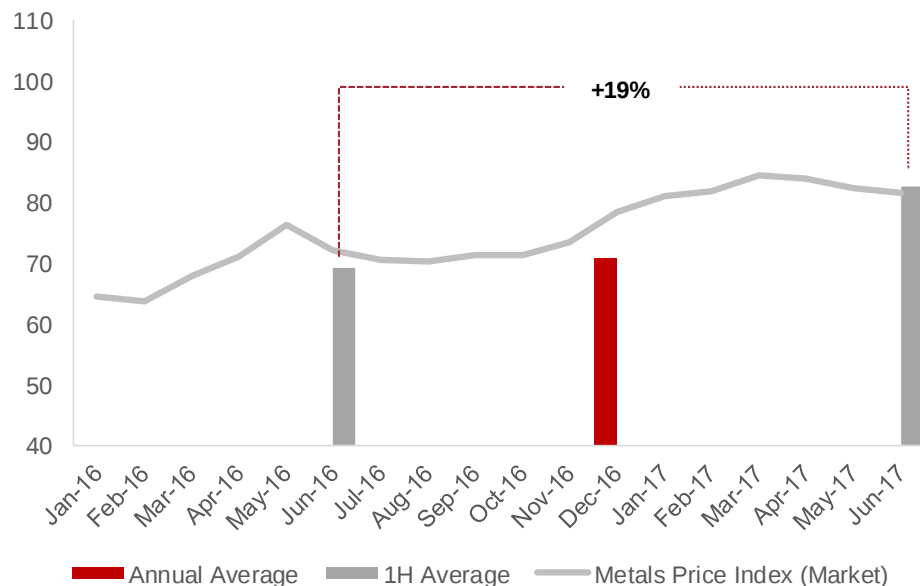
- Arçelik Group continuing to strengthen its position in international markets
 - Slight market share losses for Beko in FS segment in Europe
 - Gains continue in more profitable built-in segment.
 - Decreasing TV sales due to focus on margins and shrinking French market on last year's high base (~-50%)

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



Trends in Raw Material Prices

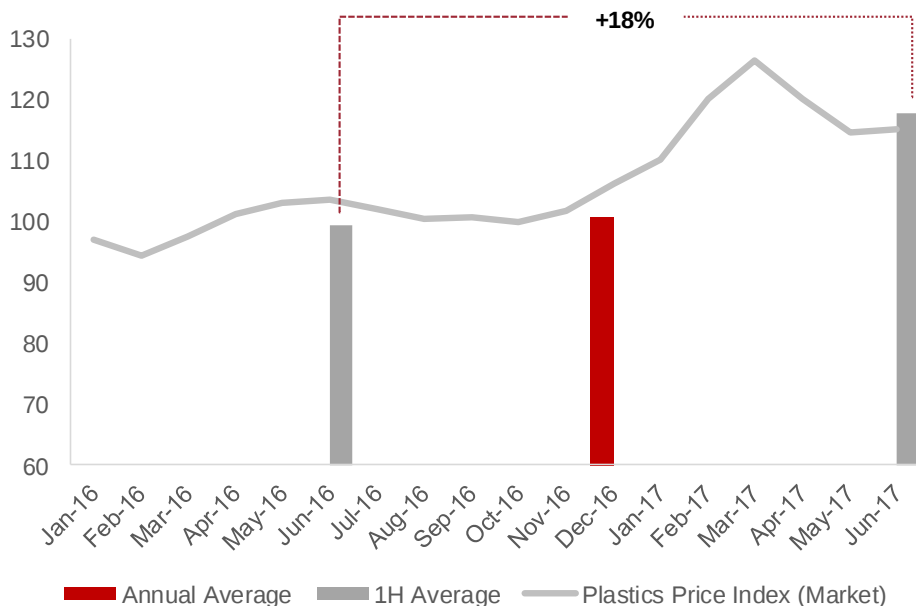
Metal Prices Index - Market



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

1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
65	73	71	74	82	83

Plastic Prices Index Quarterly Average - Market

1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
96	103	101	103	119	117

2017 Q2 Other Developments

- Construction of washing machine plant in Romania, which will be the first Industry 4.0 plant of Arcelik, has started.
- Beko expands into Latin America with launches in Paraguay and Argentina
- Arçelik won three Red Dot Design Awards with Grundig Bluetooth Speaker, Grundig Orion Bagless Vacuum Cleaner and Grundig Fourever Refrigerator.
- Arçelik A.Ş. was granted the grand prize in 3 different categories at the finals of the Contact Center World Awards, one of the most prestigious award for Call Center Management
- Beko US Inc. was awarded the U.S. Environmental Protection Agency's (EPA) 2017 ENERGY STAR® Partner of the Year



reddot design award



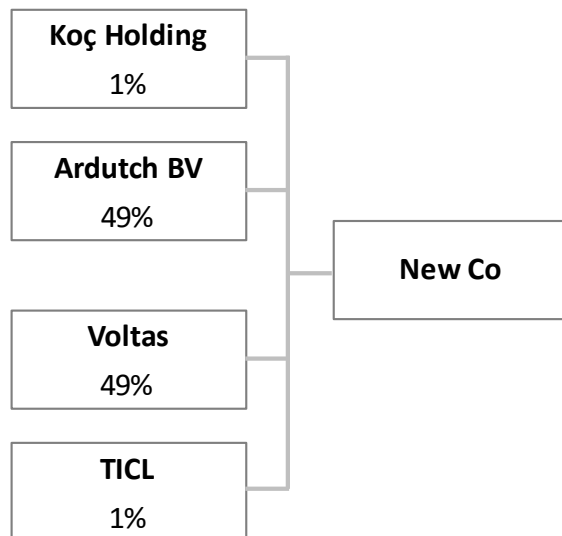
CONTACT CENTER WORLD



2017 Q2 Other Developments – JV in India

Why India?

- Huge population: 1.3 bn people / 248 mn households
- Expected GDP growth in 2016-21 is 7.8% CAGR
- Estimated Annual Market: 12mn units refrigerators and 6.5mn units Washing Machines
- Low penetration for home appliances

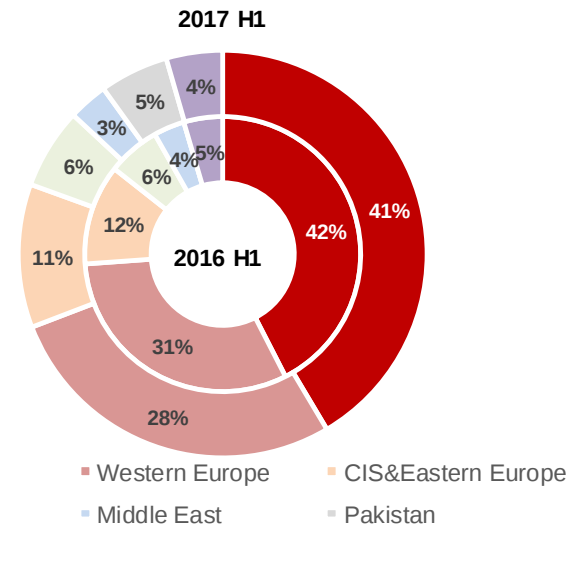
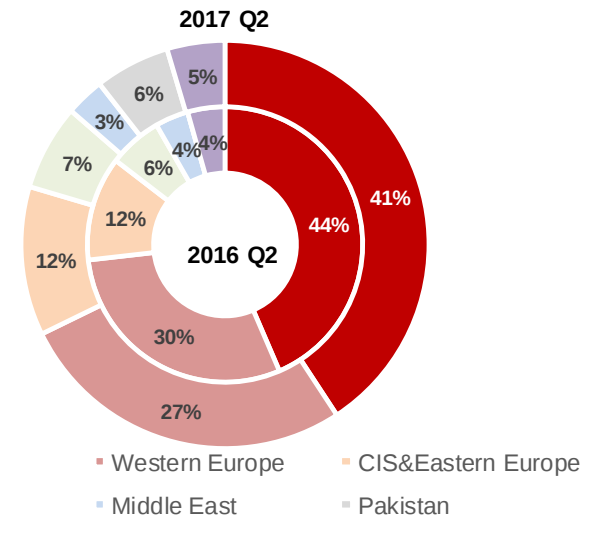
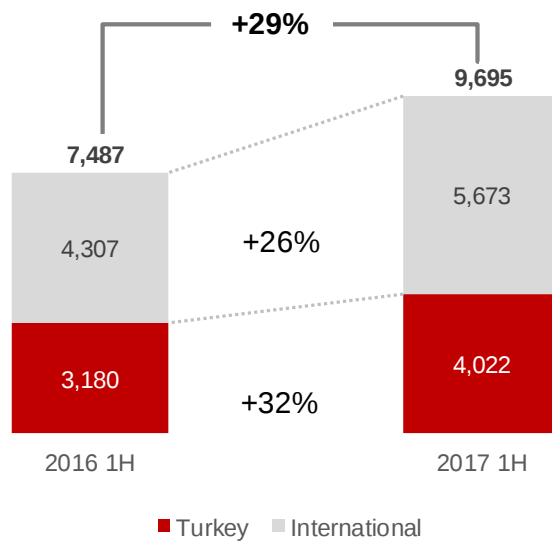
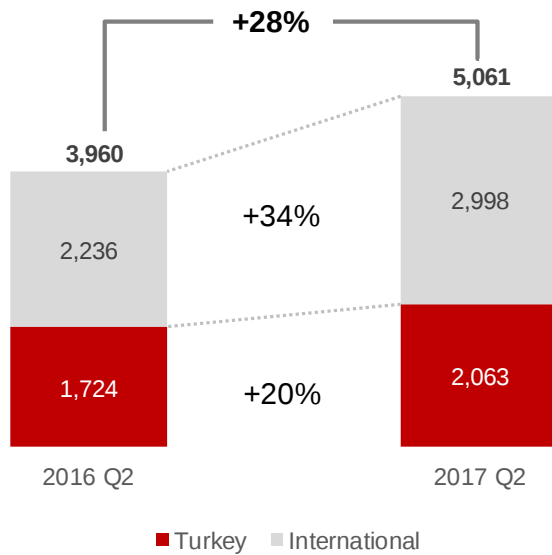


Details on the Deal

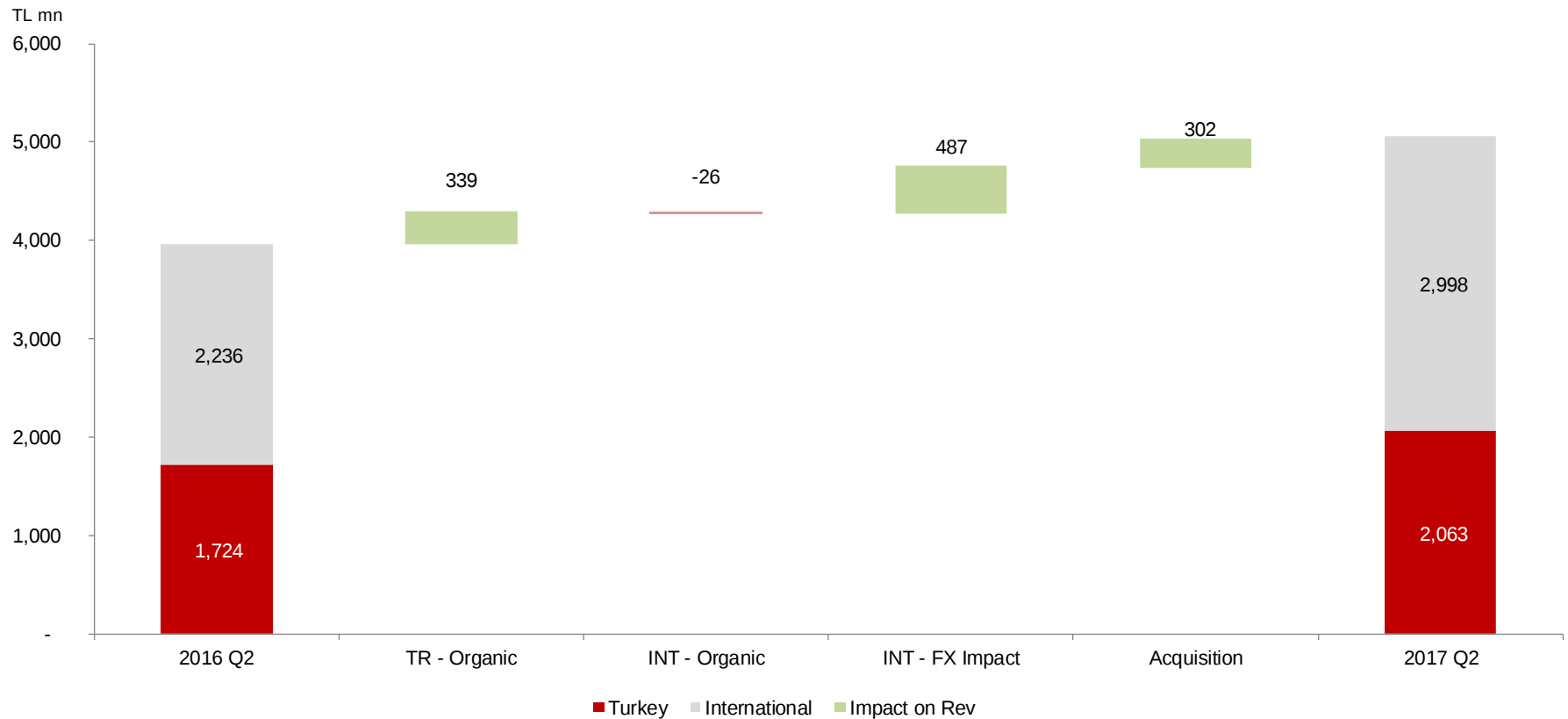
- Expected closure in September-October 2017
- Capital of USD100mn
- Total CAPEX of USD155mn for 10 years
- A refrigerator plant to become operational by 2018 end
- Other products will be largely outsourced from Arcelik plants
- Strategy: Leverage Arcelik's technology know-how/European brand image (Beko) and Voltas's local expertise and wide sales network
- Co-Brand: Voltas-Beko
- Business Targets in Year 10
 - Net Sales: ~USD1.0bn
 - Capacity: 3 million units
 - EBITDA Margin: ~11%
 - Market Share ~10%

Sales Performance

Sales by Region



Sales Bridge



2017 Q2	Organic	Currency Effect	Acquisition	TOTAL
Domestic Growth	19.7%	0.0%	0.0%	19.7%
International Growth	-1.2%	21.8%	13.5%	34.1%
Total Growth	7.9%	12.3%	7.6%	27.8%

Financial Performance

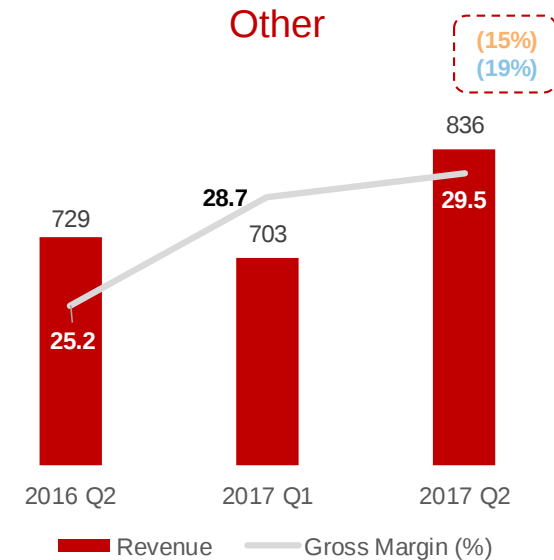
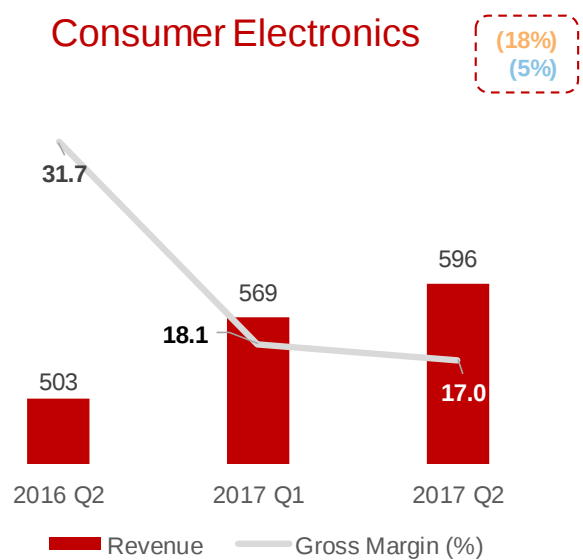
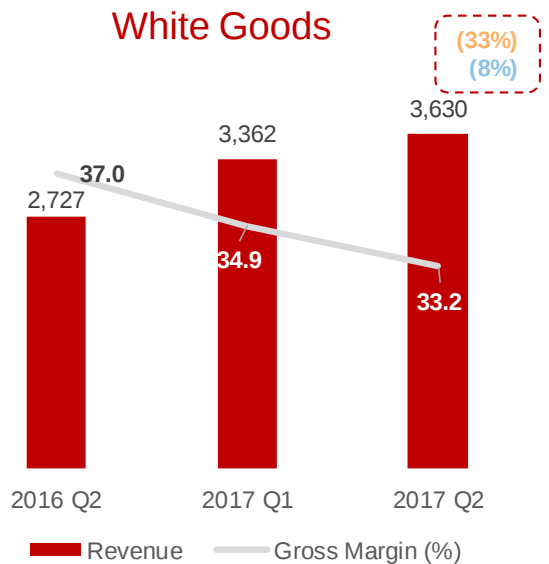
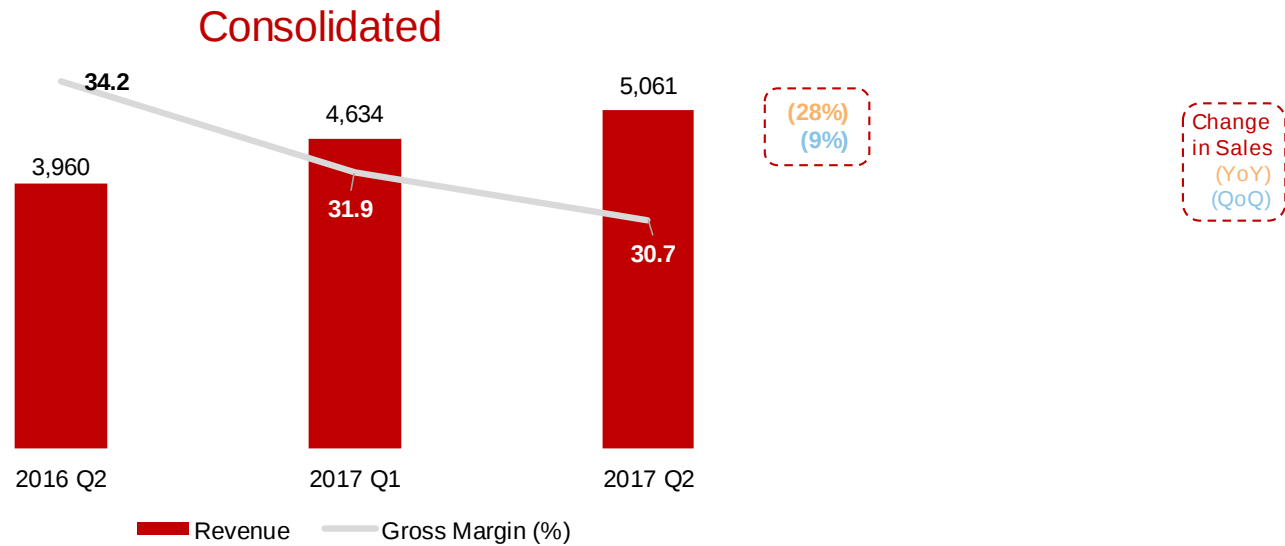
Income Statement

TL mn	2017 Q2	2016 Q2	2017 Q1	Δ% YoY	Δ% QoQ	2017 6M	2016 6M	Δ% YoY
Revenue	5,061	3,960	4,634	28	9	9,695	7,487	29
Gross Profit	1,554	1,353	1,478	15	5	3,032	2,547	19
margin	30.7	34.2	31.9			31.3	34.0	
EBIT *	361	331	354	9	2	715	654	9
margin	7.1	8.4	7.6			7.4	8.7	
Profit Before Tax	214	656	237	-67	-10	450	810	-44
margin	4.2	16.6	5.1			4.6	10.8	
Net Income**	257	653	241	-61	7	498	810	-39
margin	5.1	16.5	5.2			5.1	10.8	
EBITDA*	496	441	485	12	2	981	862	14
margin	9.8	11.1	10.5			10.1	11.5	

* 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

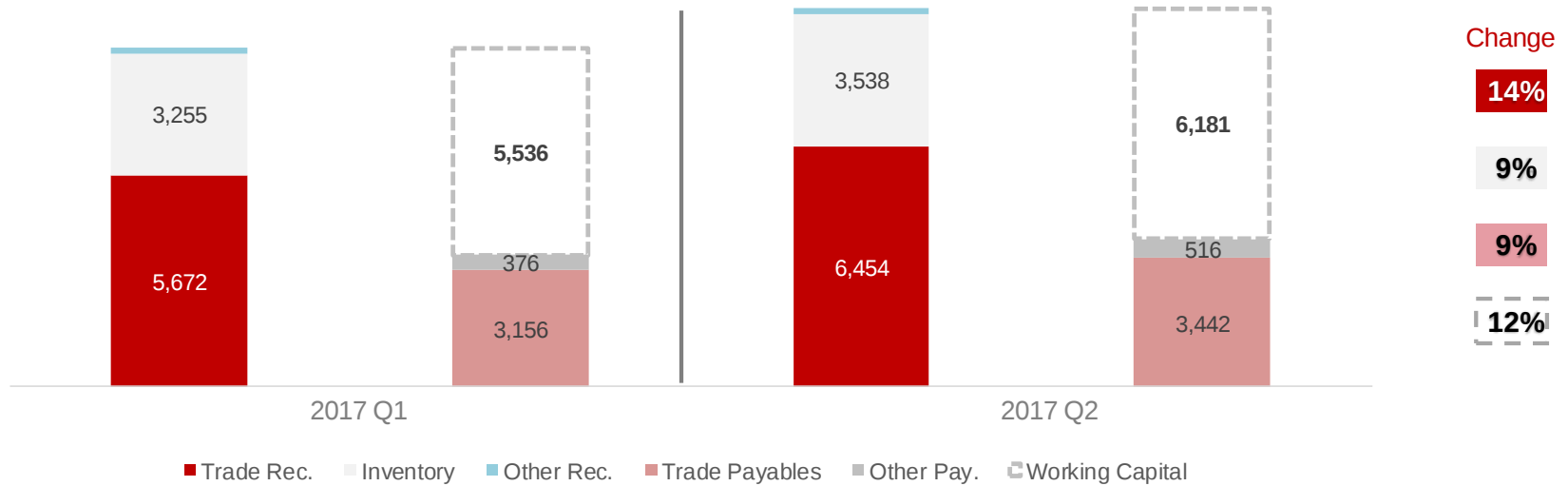


Balance Sheet

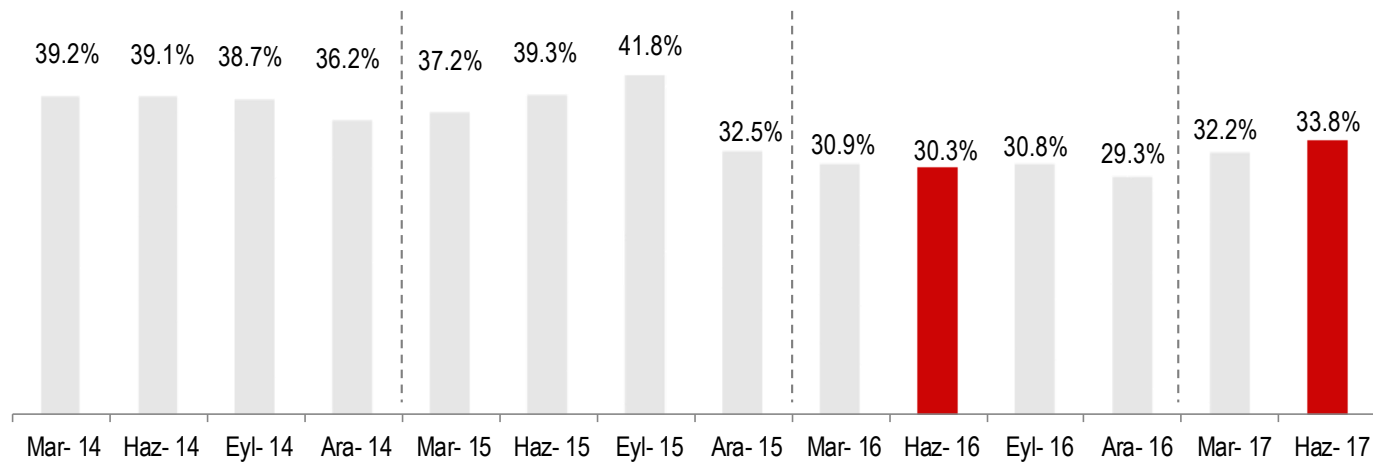
TL mn	30.06.2017	31.12.2016		30.06.2017	31.12.2016
Current Assets	12,663	10,986	Current Liabilities	7,790	6,606
Cash and Cash Equivalents	2,038	2,442	ST Bank Borrowings	2,922	2,251
Trade Receivables	6,454	5,295	Trade Payables	3,442	3,086
Inventories	3,538	2,762	Provisions	473	412
Other	632	487	Other	953	857
Non-current Assets	6,171	5,924	Non-current Liabilities	4,822	4,299
Property, Plant and Equipment	2,819	2,750	LT Bank Borrowings	3,874	3,407
Intangible Assets	2,395	2,304	Other	948	892
Financial Investments	251	239			
Other	707	630	Equity	6,222	6,005
Total Assets	18,834	16,909	Total Liabilities	18,834	16,909

	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Net Financial Debt/Equity	0.76	0.54	0.70	0.72
Total Liabilities/Total Assets	0.67	0.64	0.66	0.65

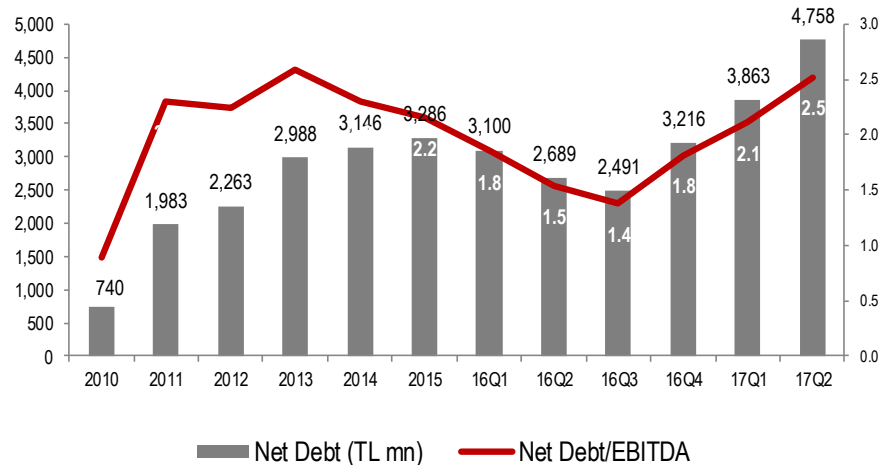
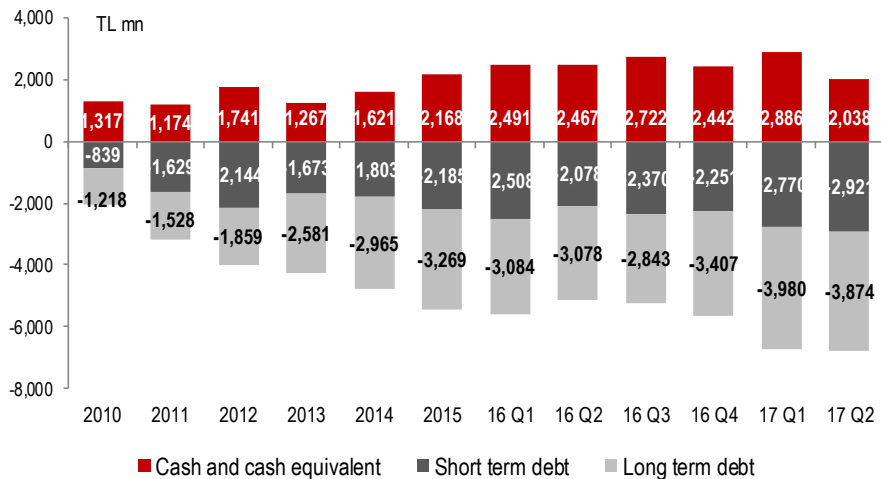
Working Capital



Working Capital / Sales



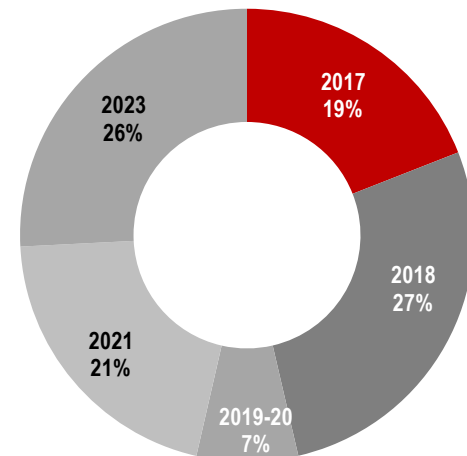
Debt Profile



Debt profile (as of Jun 30 2017)

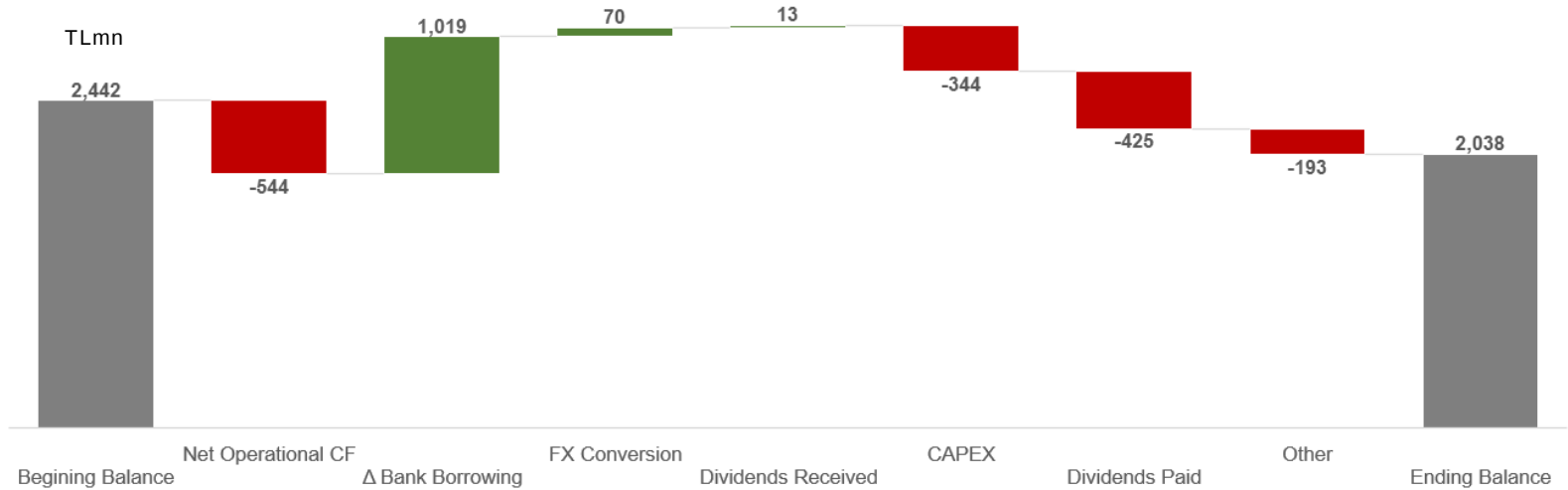
	Effective Interest Rate p.a. (%)	mn Original Currency	TL mn Equivalent
TRY	12.2%	2,652	2,652
EUR	1.5%	124	495
ZAR	9.9%	750	203
CNY	4.4%	73	38
GBP	0.9%	5	22
USD	2.0%	0	0
PKR	6.3%	5,562	185
Total Bank Borrowings			3,594
USD	5.1%	504	1,767
EUR	4.0%	359	1,435
Total Eurobond			3,202
Total			6,796

Debt maturity profile

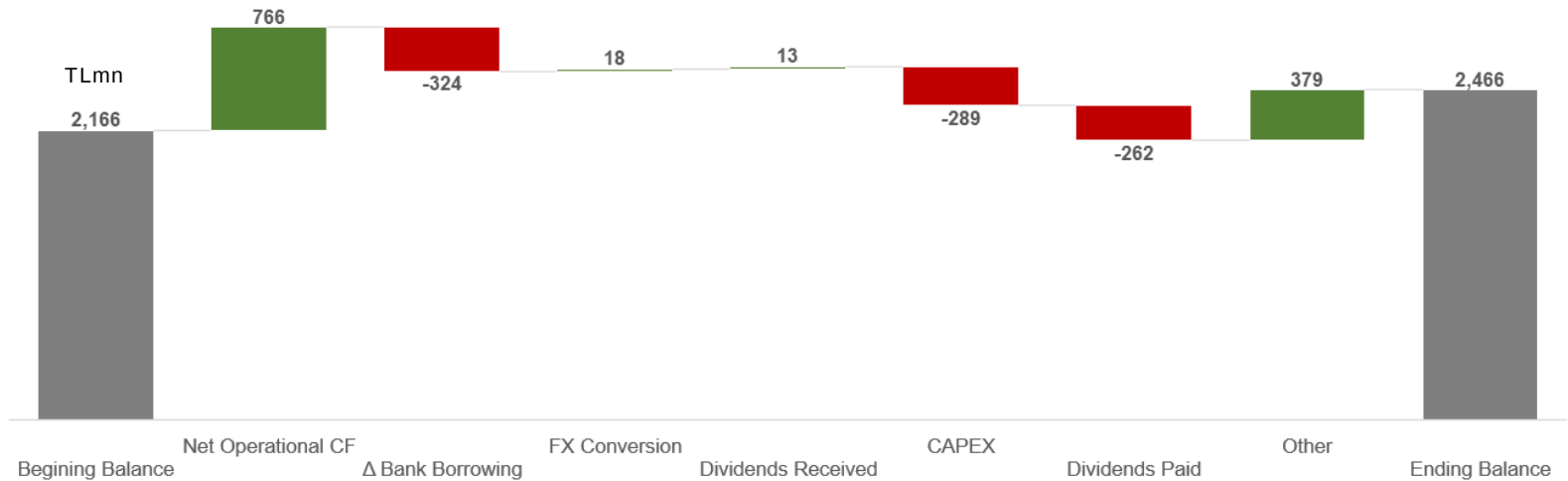


Cash Flow

**2017
H1**



**2016
H1**



2017 Expectations

2017 Expectations

White goods market volume growth	Turkey* : c.10% (<i>previous c.5%</i>) International : c.2%
Market Share	Stable or higher market share in key regions
Revenue Growth	c.25% in TRY (<i>previous >20%</i>)
EBITDA Margin (2017)**	c.10.5% (<i>previous c.11%</i>)
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

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

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www.arcelikas.com

investorrelations@arcelik.com

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