

# Arçelik

## Arçelik A.Ş. Second Quarter 2024 Financial Results Conference Call

Tuesday, 30<sup>th</sup> July 2024, 19:00 (TR Time)

### **Conductors:**

**Mr. Özkan Çimen, Chief Financial Officer**

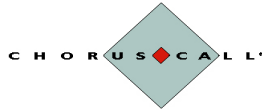
**Mr. Ragıp Balcıoğlu, Chief Commercial Officer – Europe / Chief  
Executive Officer – Beko Europe**

**Ms. Mine Şule Yazgan, Finance & ERM Executive Director**

**Mrs. Delal Alver, Capital Market Compliance Senior Lead**

**Mr. Sezer Ercan, Investor Relations Senior Lead**

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS  
PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: [www.choruscall.com](http://www.choruscall.com)

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator. Welcome and thank you for joining the Arçelik conference call and Live Webcast to present and discuss the Second Quarter 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Özkan ÇİMEN, Chief Financial Officer, Mr. Ragıp Balcioğlu, CEO – Beko Europe, Mrs. Mine Şule Yazgan, Finance & ERM Executive Director, Mrs. Delal Alver, Capital Market Compliance Senior Lead and Mr. Sezer Ercan, Investor Relations Senior Lead

Mr. Çimen you may now proceed.

ÇİMEN Ö: Good morning and good afternoon, Ladies and Gentlemen. Welcome to our Second Quarter '24 Financial Results webcast. This presentation contains the Company's financial information prepared according to TFRS by application of IAS 29 inflation accounting provisions.

Before we go into the details regarding the performance of the Company in the Second Quarter, I would like to remind you that we have started to fully consolidate Beko Europe's financials after having the transactions with Whirlpool, completed as of 1st of April.

First, we're going to walk through the fundamentals of this transaction. We have disclosed that in line with our growth strategy transactions involving the partnership of Whirlpool Corp and our European operations and the acquisition of Whirlpool Corp's MENA operations were completed and share transfers were made on April 1st, 2024, after obtaining competition authority clearance.

With the transaction, our wholly owned subsidiary Beko B.V. has control of Whirlpool's production, sales and marketing subsidiaries operating in Europe as an addition to its ongoing operations in the region with the establishment of Beko Europe.

According to last year's actual figures, revenue generated by acquired entities were approximately EUR3 billion, whereas our net sales within the region was around EUR2.4 billion. Hence, post-transaction revenue from European business is roughly EUR5.4 billion in total.

According to the transaction completed on the same date, we acquired 100% stake of Whirlpool's MENA operations, including UAE and Morocco entities for EUR20 million. This amount is subject to adjustments for in-depthness and networking capital of the acquired entities. Consolidated net revenue of the subsidiaries acquired in the MENA transaction for the last year was approximately EUR121 million.

Next slide, you can see the figures of this transaction. Beko Europe has transferred Whirlpool Europe's white goods production, sales and marketing subsidiaries in Europe by way of in-kind capital contribution. 75% of the capital of Beko Europe was allocated to Beko and 25% to Whirlpool. The ultimate partnership structure will be determined based on the closing financial statement.

Now, Beko Europe includes 69 subsidiaries, of which 39 subsidiaries were transferred by Whirlpool and the remaining 30 were transferred by Beko B.V. With the transaction, Beko Europe has around 19,000 employees in

total. Approximately 13,000 employees joined with the transaction.

Now, Beko Europe owns a total of 11 production facilities, of which nine production facilities located in Italy, Poland, Slovakia and UK which were transferred by Whirlpool and the remaining two production facilities consist of Beko's two production facilities in Romania.

As we have recently disclosed, consultations related to closure of the factory in UK have been initiated recently. After the completion of the transaction, Beko Europe now is the number one player in Europe.

Next slide, we will see the quarterly figures of the entities. With a total sales revenue of EUR1.3 billion within the region for the Second Quarter of 2024, Beko Europe has the leading positions both in Western and Eastern Europe markets and countries such as UK, France, Italy, Belgium, Romania and Ukraine in terms of unit sales.

Europe transaction has contributed to Beko Europe's total revenue by EUR0.7 billion, which constitutes roughly 53% of revenue in euro with a wide range of brands such as Whirlpool, Hotpoint, Indesit, Bauknecht, Privileg, and Ignis in addition to current brands as Beko, Grundig, Arctic, Elektrabregenz, Flavel and Leisure.

You may see the details on regional breakdown of sales and revenue for the Second Quarter. Besides the inorganic growth obtained, we will obtain potential synergies with this transaction with increased efficiency by optimized production lines, procurement savings due to economies of scale, lower logistic costs and as well as SG&A savings, we

estimate in a run rate of around EUR300 million savings in the 5th year.

Since we have introduced Beko Europe's key figures and contribution of the transactions completed, we may continue with the Arcelik consolidated financial for the Second Quarter of the year.

We generated around EUR102 billion revenues in the Second Quarter, which reflects 23% growth year-on-year in real terms, including the inorganic growth impact.

In Turkey, we observed a flat demand in both the wholesale and the retail markets across major product groups, while international markets reflected a prominently weaker consumer demand within the quarter.

With the impact of the transaction, our EBITDA margin was diluted by roughly 200 basis points due to costlier production bases and comparably higher OpEx in Europe.

Our adjusted EBITDA margin was 4.8% for the period, which excludes all one-off incomes and expenses. And the low figure is mainly related to higher raw material costs and production transformation costs, as well as increased OpEX.

Our net working capital to sales ratio in the Second Quarter was 22.1%, which is also reflecting an improvement in net working capital with the contribution of transactions. Our leverage was 3.45x as of the Second Quarter, representing an increase both compared to quarter-on-quarter and year-on-year, with a slight change in calculation. We have used adjusted EBITDA in the calculation of leverage multiple for the period.

Next slide, in the Second Quarter, we have delivered consolidated revenue of TRY102 billion, where inorganic growth had a significant share. Normalization in consumer demand in Turkey as well as substantially weaker demand in international markets has slowed down the growth rate.

Our consolidated gross profit margin was 27.7, which is 3.4 points lower year-on-year due to challenging pricing environments, increasing material costs, and increased transformation costs. In the Second Quarter, we recorded an adjusted EBITDA margin of 4.8, mainly due to lower gross profit and higher OpEx.

And if we look at the sales bridge in Q2, domestic sales showed a slight decrease in real terms by almost 1% decline on a yearly basis, mostly due to the normalization of consumer demand, whereas international revenues decreased substantially by 11% year-on-year, which is again in real terms due to challenging purchasing power environment globally.

However, in total, we have achieved a growth rate of 23% compared to the same period of last year, with the contribution of European sales thanks to the transaction, and acquired entities' contribution to consolidated sales revenue was TRY 25 billion this quarter.

On the right-hand side, you can see our regional sales breakdown. Turkey's share in total revenue was 39% last year, same quarter, now declined to 32%, while the share of Western Europe jumped to 34% from 22%, where the total share of European markets added up to 50% with the impact of the transaction.

Share of APAC declined by 5 points and constitutes 12% of total shares in Q2. Africa and Middle East markets retained their stake.

When we look at the domestic market, wholesale demand was substantial in first five months of this year, in unit terms, where the growth was in the First Quarter in MDA6 markets.

We maintained our strong leadership position despite the low performance in the period. Sales in AC markets was significantly up by almost 85% year-on-year growth, and we had a growth of 80% in the same period. Retail TV sales shrank by almost 11% this quarter year-on-year, which is in-line with the markets.

With 1% decline in local markets, we generated TRY32 billion revenue in Turkey, with no unit growth in MDA6 segment and strong unit growth in AC and a significant decline in TV sales. Our share of domestic markets is 32%, which is 7 points lower than last year, same quarter.

In European markets, which have around 50% share in total consolidated revenues, consumer demand in Western Europe remained under pressure throughout the quarter. However, countries such as UK, Spain, Netherlands and Austria showed solid growth, and slowdown continued in France, Italy, and Belgium.

Having 34% of shares in total sales revenue, Western Europe markets recorded a slight recovery in the first five months of the year, mostly coming from the Second Quarter and Beko's share in the market after the

transaction with the year-on-year growth was almost doubling in Euro terms.

Meanwhile, in Eastern Europe, consumer demand showed stable growth in the first five months of the year. Major markets in the region point out a great recovery, especially in the quarter. In Eastern Europe, having 16% share in total sales, our revenues increased by more than 50% in Q2, with the contribution of the transaction.

When we move to the Africa, Middle East, and APAC region, the revenues from Africa and Middle East region constitute 7% of our consolidated sales. And in Euro terms, sales within the region grew more than 36% thanks to strong demand growth in Middle East countries, and the impact of acquisition in the region.

Consumer demand in South Africa for MDA6 products grew by around 18% in unit terms year-on-year in the quarter, while Defy's exports with the region continued to grow substantially by a rate of 36% year-on-year for the same period. Defy continues to maintain its strong leadership in the market.

On the other hand, demand in Egypt was substantially weaker due to market instability and currency fluctuations for the period. Beko Egypt's revenues declined around 30% in Euro terms year-on-year, despite the better performance in local currency, which represents 8% growth.

On the other hand, in Asia-Pacific region, home appliance landscape faces continued challenges due to rising cost of living, housing crisis, and political instability. In Euro



terms, sales declined by 7% in the region year-on-year, where the sales from region constitute 12% of consolidated revenues.

In Pakistan, compared to same quarter of last year, revenues showed robust growth both in units and in euro terms, 36% and 43% respectively. In Bangladesh, we achieved a significant revenue growth around 10% both in units and local currency terms.

Raw material prices, after a period of declining global demand, increased pulse rates, decreased energy and input costs, all metal and plastic raw material prices have started to increase for the last quarters. Despite the increases in the last two quarters, average metal prices are still lower year-on-year, whereas average plastic prices reflected a strong incline in the cost for the same period.

Now, I will leave the work to Mine for the financials.

YAZGAN M:

Thank you, Özkan Bey. Good morning and good afternoon. Here is the summary of our Second Quarter 2024 financials with the application of inflation accounting both year-on-year and quarter-on-quarter comparison besides half-year results.

Our consolidated revenues were TRY110.6 billion in the Second Quarter, reflecting 23% growth compared to a year ago and 30% quarterly. Half-year results pointed 14% growth, including inorganic sales growth. Growth profitability shows bigger figures both in comparison with the same period of last year and quarterly basis.

Margins are lower by 3.4 and 2.3 respectively. Operating profits adjusted EBIT margin and adjusted EBITDA margins

were substantially weaker in the Second Quarter due to lower growth profitability, production transformation costs and growing OpEx.

Net financial expenses showed a slight improvement by 3% and 20% year-on-year and quarter-on-quarter respectively. As a result of inflationary accounting, Arçelik booked around TRY1.8 billion monetary gain in the Second Quarter, which was TRY1.5 billion last year and TRY3.5 billion last quarter. Consequently, Arçelik posted net loss of TRY0.8 billion in the Second Quarter. Net margin declined by 314 basis points year-on-year and 154 basis points quarter-on-quarter.

Our net debt increased by almost TRY16 billion compared to end of last quarter, mainly due to increasing working capital needs. As of Second Quarter, Arçelik cash and cash equivalents decreased by TRY15 billion compared to year-end and reached at TRY45.3 billion in our balance sheet with well diversification among currencies.

35% of our total cash is Euro denominated, 17% is USD denominated and Turkish Lira share was 21% as of June end. As a result, along with weaker adjusted EBITDA and a growing net debt, our leverage was up to 3.45x as of Second Quarter.

On the right-hand side, you can see our loan and bond portfolio. As of Second Quarter, we have TRY121.3 billion equivalents debt. Turkish Lira share in total debt was 24% as of Second Quarter, whereas USD and Euro shares were 21% and 43% respectively.

Move on to the next slide please. On the upper left corner, you can see our adjusted EBITDA margin reach. Narrowing gross margin due to higher costs and increasing OpEx led to a significantly lower margin of 4.8%.

Net income from investment activities and one-off expenses regarding the transactions are excluded. On the lower left corner, you can see our CapEx-to-sales ratio, CapEx-to-sales ratio was 4.5% in the Second Quarter. On the upper right corner, networking capital-to-sales ratio has been shown. The ratio lost 22.1% as of Second Quarter, decreased by more than 2.0 points in the year with the contribution of this transaction.

Finally, on the lower right corner, due to increased capital expenditures, we generated negative free cash flow of around TRY17 billion. Our Bangladesh, Egypt and Manisa investments are still underway and have not been fully contributing to sales and EBITDA yet.

So, I will hand over the floor to Özkan Bey to walk us through our guidance. Thank you.

ÇİMEN Ö:

Thank you, Mine. Based on our most recent forecast, including the transactions, we have revised our 2024 guidance this quarter. We keep our flattish guidance over local sales in Turkish Lira terms in 2024, considering the unpromising demand environment for the rest of the year.

We expect our international revenues to increase by roughly 50% year-on-year in Euro terms, with the impact of the inorganic growth to be generated by the recent transactions. We adjust our EBITDA margin to be around 6.5% for 2024 year-end and we expect to improve our

networking sales ratio to be around 22% from the 25% initial guidance.

We also revise our previous guidance regarding our CapEx from EUR300 million to EUR350 million with the impact of further CapEx requirements after the transactions.

If we move to the next slide, in order to achieve our long-term sustainable growth and profitable goal, we are constantly investing in the technology and AI tools to drive efficiency in our operations all around the world and to work in an agile manner.

We are aiming to bring out the synergies thanks to our ongoing and planned investments to increase operational efficiency through optimizing processes, maximizing resource utilization, executing cost-saving opportunities, evaluating, aligning and consolidating roles and eliminating duplicate roles. We aim to drive productivity through organizational restructuring, process integration and optimization.

In the coming three years, we estimate approximately EUR150 million savings through eliminating roughly 2,000 office positions across our global operations. So, that was the end of our presentation.

Now, we can move to the Q&A session.

OPERATOR: The first question comes from the line of Kilickiran, Hanzade with JPMorgan. Please, go ahead.

KILICKIRAN H: Thank you very much for the presentation. I have a few questions about the revenue performance. Is it possible to provide some information or background about Whirlpool's

performance in the Second Quarter? So, how is the company performing on stand-alone in the Second Quarter? We can't see it at the moment.

And second, despite increasing your leverage, there is a substantial drop in the monetary gain. Is there a particular reason for this? And is it possible to provide some update on the current demand environment, both in Turkey and also Europe? Thank you.

ÇİMEN Ö:

Thank you. I'll briefly mention on the Turkey environment and Ragıp will answer the questions with regards to Europe performance and Europe market. In Turkey, we have seen unit increase mainly in many product Groups, except TV, especially AC market has grown significantly, and this continues to be what we are facing right now.

However, when we look at the product groups, it's mainly driven by the growth in dryers, whereas the other product groups are not at that speed growing for that. In the coming months, we will be facing with some uncertainties in the markets, which we estimated as might be impacting our growth negatively. Therefore, our growth assumptions for the end of the year is almost flat, like the performance in the six months.

And Ragıp, you may continue with your market and specifically Whirlpool.

BALCIOĞLU R:

Yes. Thank you very much, Özkan. In terms of the Europe market, actually, we see a quite soft market in West Europe and quite a buoyant market in the East Europe. If you look at the MDA8, which includes the hubs and the hoods, which is important for the built-in category, actually

West Europe declined by 2.3% roughly, whereas the East Europe increases by 7%. This is in value terms.

In terms of what we expect, we expect the West Europe continues to be a difficult market. Having said that, some level of improvement is expected on the H2, particularly if the interest rate reductions are happening in the markets by the central banks, particularly in Europe, then we expect that this will give a positive boost to the market, but with a lag. So that's the market outlook.

In terms of the Whirlpool outlook, Whirlpool sales or Whirlpool heritage sales are in line with the market in general, so we are slightly below last year in parallel. Going forward, the current forecast suggests we will perform from a sales point of view either same or slightly better than the market, but this is a very dynamic environment and it's up to date. It changes month-to-month, but this is our current outlook right now. Thank you very much.

ÇİMEN Ö: I think the remaining question is related to monetary gain. Monetary gain compared to last year was lower because of the inflation rates that we are adjusting our assets index with a lower base. Therefore, comparatively, it is lower.

KILICKIRAN H: Okay. Thank you. Can I have a follow-up question about the leverage?

ÇİMEN Ö: Sure.

KILICKIRAN H: You previously guided us that Whirlpool has a cash position actually, but we observed that your leverage is increasing. Is there a particular reason for this or Whirlpool is no longer a net cash company?

YAZGAN M: Yes. In fact, the bank loans for Beko-Europe at the end of June end was quite moderate, like EUR35 million, but there are some lease contracts within Whirlpool portfolio which are booked as financial debt as per IFRS. That's the reason it looks like an increased leverage, but they are not financial debt to banks or financial institutions, in fact.

KILICKIRAN H: Okay, thank you.

OPERATOR: The next question comes from the line of Bystrova, Evgeniya with Barclays. Please go ahead.

BYSTROVA E: Hello, everyone. Thank you very much for the presentation. I have several questions. Excluding Beko-Europe, what would be your Second Quarter EBITDA margin? Could you please provide maybe a little bit more color in terms of what was the reason for poor margins? You are also guiding margins at the end of the year for the full year at 6.5%, although in the Second Quarter it was below 5%. Where do you expect improvements to come from?

ÇIMEN Ö: Thank you. As you pointed out, the Second Quarter margin was low. There are several impacts with regards to that. One of them is because of the seasonality impact, the quantities were not high as compared to Q1, which resulted in an increased cost of transformation, which impacted our gross profit margin to be lower than the previous quarter.

In addition to that, the acquired company has some seasonal costs, which will not occur in the coming months, like advertising and sales and marketing expenses, which were higher, which impacted the OpEx to sales margin.

Therefore, we expect a higher percentage of margin than 5% that we achieved in the Second Quarter.

The transaction impact in the Second Quarter was around 200 basis points dilution in terms of operating profit, which we expect to continue in the coming period, but with a lower rate. Therefore, our overall margin is expected to decline from 8% guidance to 6.5%, mainly coming from the dilution impact of the acquired entities.

BYSTROVA E: Thank you. Do I understand correctly that excluding new assets, your overall margin was also down because of some seasonality effect?

ÇIMEN Ö: In the Second Quarter, yes.

BYSTROVA E: Okay. Also, on your guidance in terms of savings plan for the new united company, you mentioned in the presentation EUR300 million of savings by year five. Will the effort be gradual throughout the years, or could you maybe provide a little bit more color there? Thank you.

ÇIMEN Ö: Yes. That fifth-year value is the recurring impact in the P&L, which is annual impact of EUR300 million. It will gradually increase to that level starting from EUR50 million, EUR100 million in the coming years, and which will end up around EUR300 million in the fifth year.

BYSTROVA E: Sorry, you said EUR100 million in next year already?

ÇIMEN Ö: EUR50 million to EUR100 million depending on the initiative and speed of our integration. We expect minimum EUR50 and maximum EUR100 million next year.

BYSTROVA E: So, 2025?



- ÇİMEN Ö: Yes.
- BYSTROVA E: Okay. Thank you very much. My final question. You also mentioned that there was an increase in working capital needs. Is it because of the consolidation of new assets, or what was the reason? I think I also saw an increase in receivables and inventories. If you could maybe provide a bit more color on that. Given the increase in working capital needs and your leverage are you planning any capital optimization transactions or bond issuances or any other tools? Thank you.
- ÇİMEN Ö: Okay. Networking capital with the transaction is improving. We had around 25% to sales ratio in networking capital. Now, after the transaction it has come down to 22% levels. What I meant was it was CapEx related to the transaction, so we will be spending some integration CapEx as well as some products to drive the top line. For the bond issues, Mine can reply to that.
- YAZGAN M: Yes, we do not plan to go to the market earlier than 2026. We have a maturity in 2026 which was EUR360 million green bond. But this year we are working on three long-term financing which are planned to be replacing short-term loans instead. So, we are not planning extra borrowing for the year.
- BYSTROVA E: Could you please repeat extra borrowing just like for your plan three more credit lines to extend your short-term debt?
- YAZGAN M: Yes, long-term credit lines this time because we have short-term loans in our balance sheet that we are planning to have longer maturities. So, we are working on three

different financing right now which are all planned within this year one 3 years maturity, one 5 years and the other 10 years. So, it is going to result in longer maturity profile of our debt portfolio.

BYSTROVA E: Okay. Thank you very much.

YAZGAN M: My pleasure.

OPERATOR: The next question comes from the line of Demirtaş Cemal with Ata Invest. Please go ahead.

DERMIRTAS C: Thank you for the presentation. My first question is again about the EBITDA margin before the merger. Maybe you mentioned, but really, I could not get clearly. I do not know if you gave any clear answer on that. That is again my question. Just without the impact what was the margin and with the number we see the number.

The second question is about the growth prospects in domestic markets. At least for the July, August, how do you see the markets? I assume that you are expecting some slowdown, but what is the magnitude of that decline? Again, my question is related to your EBITDA margin guidance. Are we going to see more clear in this third quarter or should we expect some or any improvement if any in the fourth quarter?

Another question is about the inflation accounting side. I see that your monetary liabilities are increasing, but we see a decline in the monetary gain compared to the first quarter. Could you give some educational perspective about the following quarters? Because of the US dollar or Euro you are having some negative impact from the difference between currency movements and the inflation

that is what we see, but maybe you should give us some color on that.

And the last one again related to inflation accounting I see some deferred tax income. Is it related to the difference between the statutory accounts and the IFRS numbers, the difference between US dollar or Euro and CPI? Is it the reason or should we assume any further deferred tax income in the following quarters related to the incentives? Thank you.

ÇİMEN Ö:

Thank you, Cemal. Let me clarify the EBITDA margin and the expectation with regards to the EBITDA margin in the third and fourth quarters. The dilution impact coming with the transaction was around 200 basis points. So therefore, if there were no transactions our margin would be in other words 200 basis points above what we have reported right now.

Going forward, we expect that 200 basis points impact to be lower because there were some one off not one off, but seasonal OpEx'es that the acquired companies incurred in Q2 which is not going to be in place in the coming third and fourth quarters. Therefore, our EBITDA margin expectation is 6.5% which is higher than Q2 results.

In domestic markets, we expect a decline in the demand not in Q3 maybe, but especially in Q4 where we see some uncertainties in the market which is purely as a result of the purchasing power of the households which will be negatively impacted at the end of this year.

So right now, we have started to see in some of the product groups as a decline in units, but overall, our MDA6 is

growing with the impact of dryers, which is growing above the market average rate. We assume - we expect that in Q4 the dryer will not be able to recover the quantity impact in MDA6. So that means our sales in terms of quantities will be lower in Q4 compared to the other quarters. I'm looking at my notes, since you have asked too many questions. The other portion was the inflationary accounting and the impact.

If I understand your question correctly, you are asking both monetary gains as well as the US dollar-euro exposure in the financial expenses. So, I will split the answer to two parts. One is the inflationary accounting. We have seen comparably lower monetary gain than the previous quarter because the inflationary that is announced which we use in adjusting our balance sheet is lower compared to last quarter.

In the coming months, you have asked our expectation how it's going to be. If the inflation target is in place that means we will be facing a lower monetary gain in those quarters compared to the first quarter. And as you know we have some of the balance sheet open positions which we hedge constantly. And this is mainly our euro-dollar exposure liabilities coming from loans as well as the payables. And the impact is reflected to the P&L as the hedging costs FX loss. And since the hedging cost is still high around 50%, we expect a similar hedging cost in the P&Ls in the coming months.

And the last question was related to deferred tax income. It is partially coming with the impact of the valuation index as you have mentioned, and it's also partially related with

the Arçelik tax incentives that is coming from the CapEx that we are doing in Turkey mainly. And we expect this position not to change in the coming months. However, we will do our calculations based on the recent announcement of tax in Turkey and in the coming quarter we will be announcing that impact as well.

DERMIRTAS C: Thank you. And you mentioned about the translation effect of IFRS on the export side. I understand that your decline is 11.8% in FX terms, but in reality, it's 1.5%. Could you give us some clarification on that because I was expecting a little bit lower spread between that number. How do you make that calculation? Thank you.

ÇİMEN Ö: That calculation what you see in the bottom line as a footnote is 1.5% in Euro terms decline. As you know we are indexing our P&L with the announced inflation. Therefore, the 11.8% that you see as a negative growth is coming with the difference of index versus Euro-Turkish Lira depreciation.

DERMIRTAS C: On average, right?

ÇİMEN Ö: Yes, on average.

DERMIRTAS C: Thank you.

ÇİMEN Ö: Thank you.

DERMIRTAS C: And Özkan Bey, I don't know if we are going to mention it, but if it's not private could you tell us about your leaving Arçelik the reason behind that, if it's not private? Thank you.

- ÇİMEN Ö: Thank you for asking this question. I think the content of this presentation is the financials of Arçelik. Since we are a corporate company and we have announced who is going to be replacing me. So therefore, I prefer not to go into details in this meeting.
- DERMIRTAS C: Thank you. You were always helpful by the way. Thank you for your patience to our and in particular my questions. Thank you.
- ÇİMEN Ö: Thank you, Cemal Bey. We as a team here try to answer all the questions coming from the investors and that will be our approach going forward as well.
- OPERATOR: The next question comes from the line of Kilickiran, Hanzade with JPMorgan. Please go ahead.
- KILICKIRAN H: Thank you, Özkan Bey. I have a follow-up question to Cemal's question actually about the margin dilution. You highlighted that acquisition had around 200 bps margin dilution and I understand you expect to recover it in the rest of the year, but is this dilution because you have some I mean is this recovery going to be because you have some immediate saving plans to improve the vertical margins or Q2 had some one-off transaction cost that is included in the margins because I couldn't understand how margins can improve immediately by 200 bps after the merger.
- ÇİMEN Ö: Yes, this is a fair question. I'll try to explain this part but let me make it more clear. What I was referring in Q2, there are some advertising and sales promotional activities of the acquired companies which resulted in a higher OpEx to sales ratio. What I mean going forward this will not be the case because it was specific to Q2. Therefore, the

impact coming from the Whirlpool will not be that high as in Q2.

Whereas, I also mentioned that the quantities in Q2 were lower compared to previous quarters because of the whole day periods in Turkey which resulted in higher transformation costs which impacted our GP and it's not going to be going forward similar in the Q3 and Q4 which will also improve our margin.

KILICKIRAN H: Okay, I see. Maybe it is too early, but including your saving plans, is it possible to assume that your margins for next year can diverge into like 8% levels or it is too optimistic to assume that margin can come to that level?

ÇİMEN Ö: It is too early to announce a figure right now, but we are working to create the synergies as fast as we can do. In our guidance in the beginning of next year, we will be informing those figures going forward.

KILICKIRAN H: All right, and final question is about this inflation accounting impact. So, you said that as inflation gets lower, you expect lower monetary gains which is going to impact your net income, but would this also mean higher growth margin given lower inflation impact on inventory accounting?

ÇİMEN Ö: Yes, partially correct because the impact coming from the indexation of the inventories will be lower because the index is low. However, the depreciation cost which is carried forward with a high index ratio will be pretty much the same level. So the answer to your question, yes, it will be partially offset in the GP coming the impact of lower inventory.

- KİLICKIRAN H: All right, okay. Thank you very much.
- OPERATOR: Ladies and gentlemen, we will now move on to our webcast question. The first webcast question comes from Yejide Onabule with Barrings.
- ONABULE Y: How do they see the outlook for First Half 2024 by region? Should expect lower EBITDA for Second Half 2024? If so, why?
- ÇİMEN Ö: I think I have mentioned the expectation of EBITDA in the coming quarters as well as the second half of the year. And with regards to the market, Raghav has explained the Europe expectations and I mentioned Turkey. What I can add the other parts of the world in South Africa actually we are keeping our market share as well as growing in the export markets with improved margins.
- In APAC region with Hitachi Brands, there is the - we are feeling the pressure of shrinkage of the market which impacted our cost base to sales ratio negatively. However, we try to keep our margin in those regions and other markets where we have significant presence like Bangladesh is impacted with the local environment and Pakistan it was impacted with the rain in the couple of weeks ago. Now the season is there, and we expect further growth in that region.
- OPERATOR: Thank you. The next webcast question is a follow-up question from Yejide Onabule with Barrings.
- ONABULE Y: The 6.5% margin guidance in 2024 does this include exceptional costs?



ÇİMEN Ö: Exceptional costs which we understand as one of our expenses. No, it doesn't include one of expenses, so it's excluding one of expenses if there is going to be incurred any going forward.

OPERATOR: Thank you. The next question comes from the line of Evgeniya Bystrova with Barclays. Please go ahead.

BYSTROVA E: Yes, thank you very much. I would like to follow up on a few things and first one is again on margins. Sorry that we keep coming back to this topic. So, you reported 4.8% margin in Second Quarter, I believe, and you said that there is, like dilution effect is 200 bps. So, excluding the dilution effect, the margin would be 6.8%, which is still below the first quarter 8% margin or around 8% margin. So, could you please elaborate again what happened to the kind of legacy businesses and what impacted margins there?

And then the second follow up is on Egypt. So, we have seen quite substantial weakness there in Second Quarter and you're still investing in a plant in Egypt. So, could you please provide like maybe a little bit more color in terms of what you're expecting in terms of demand in Egypt in particular? And would you consider maybe limiting your investments there in the region given weakness in the market?

And my final question, just I guess as an addition to the previous one. So, you were guiding previously 2% growth in international revenues in euro terms. So obviously now you've upgraded the guidance to 50%, which I assume is mainly coming from the transaction. But if we exclude the transaction, would you still be on to reach 2%? Thank you.

ÇİMEN Ö: Thank you for the questions. As you highlighted, when it comes to the business before transaction, there is a comparable lower margin in Q2 than Q1, which is actually mainly coming from the increased transformation costs because of lower quantities, as well as the whole day period in Turkey, which is a temporary position. So, I think that explains the margin difference, which we do not expect going forward.

And with regards to your question regarding Egypt, yes, the market was impacted with the regulations in Egypt where the household appliance product prices will be lower compared to the previous period. So that was the announcement in Egypt, which impacted the overall market. But our investments in Egypt, it is not short-term looking.

We are looking for a longer period. And we see that that factory there is going to be a potential not only for Egypt market, but as well as the North Africa market where we're going to supply and use as a hub to sell products to the nearby countries. And the 2% growth, actually, we haven't done the detailed calculations because there will be many impacts coming from the transaction. So, for the same countries, it's not easy to distinguish. But what I can say, it will be in the same level if there were no transaction with 2% looks a fair expectation going forward.

BYSTROVA E: Okay, I understand. And one last follow-up, I promise. Thank you very much for your patience. So, on these new investments in Egypt and Bangladesh, what is the timeframe for the investments? And when could we see the impact on financial?

ÇİMEN Ö: In Egypt, we have started to produce oven in May. And the first export limited -- although it's limited, we have started. And now the factory is in the ramp-up process. And we will be producing refrigerator at the end of -- not at the end of, in July. And in Bangladesh, refrigerator partially started in April. And the rest of the product groups, which is AC, washing machine, will start at the end of September this year.

BYSTROVA E: Thank you very much.

OPERATOR: The next question is a webcast question from Serhat Kaya with YF. And I quote, based on five-year run rate of EUR300 million synergies, can we say you are expecting double-digit EBITDA margins in the long term after the end of inflationary accounting? Also, could you give some details about how did you account for acquired Whirlpool assets, like what is the book value of Beko-Europe in the opening balance sheet? Thank you.

ÇİMEN Ö: Okay. So let me start with the second question. There will be a purchasing PPA allocation at the end of this year. And it will be clear which assets we have acquired and what are the fair values of those assets. And with regards to margin expectation, EUR300 million would give us roughly 2% to 3% improved margin. So that will be around not double-digit, but close to double-digit.

OPERATOR: Do you wish me to repeat the first question?

ÇİMEN Ö: I think I've covered both.

OPERATOR: Okay. Thank you. Ladies and gentlemen, there are no further questions at this time. I will now turn the

conference over to Mr. Çimen for any closing comments.  
Thank you.

ÇİMEN Ö: I would like to thank everyone for participating in our  
webcast and questions. Thank you, everyone.