

**(CONVENIENCE TRANSLATION OF FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY - 30 SEPTEMBER 2023**

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023, AND DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Unaudited	Audited
	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	5	39,623,140	24,529,219
Trade receivables			
-Due from related parties	28	498,144	420,397
-Trade receivables, third parties	9	59,434,373	33,772,657
Derivative instruments	8	910,263	232,043
Inventories	11	43,814,212	29,237,120
Prepaid expenses	17	1,484,817	1,147,473
Current income tax assets	18	762,020	709,474
Other current assets	20	3,678,083	1,937,931
Total current assets		150,205,052	91,986,314
Non-current assets:			
Financial investments	6	52,230	38,956
Trade receivables			
-Trade receivables, third parties	9	47,434	42,387
Investments accounted for using the equity method	12	1,278,545	1,148,453
Property, plant and equipment	13	28,840,820	20,822,336
Intangible assets			
-Goodwill		5,523,047	3,781,614
-Other intangible assets	14	13,956,046	9,755,086
Prepaid expenses	17	1,861,454	612,155
Deferred tax assets	26	7,054,616	4,055,377
Total non-current assets		58,614,192	40,256,364
Total assets		208,819,244	132,242,678

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023, AND DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Unaudited	Audited
	Notes	September 30, 2023	December 31, 2022
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	44,123,706	18,981,337
Short-term portion of long-term borrowings	7	3,213,556	16,248,013
Trade payables			
-Due to related parties	28	4,365,893	2,742,413
-Trade payables third parties	9	48,646,041	28,185,125
Derivative instruments	8	292,674	179,692
Employee benefit obligations	19	3,552,474	1,638,321
Other payables			
-Other payables, third parties	10	3,161,097	1,756,300
Current income tax liabilities	26	496,008	50,265
Provisions			
-Other provisions	16	6,155,028	3,867,197
Other current liabilities	20	9,669,171	5,710,781
Total current liabilities		123,675,648	79,359,444
Non-current liabilities:			
Long-term borrowings	7	36,470,011	16,209,793
Derivative instruments	8	163,975	-
Provisions			
-Provision for employee benefits		2,886,128	2,619,763
-Other provisions	16	1,245,425	571,317
Deferred tax liabilities	26	3,091,492	2,043,930
Other non-current liabilities	20	5,379,002	4,332,751
Total non-current liabilities		49,236,033	25,777,554
Total liabilities		172,911,681	105,136,998

The accompanying notes form an integral part of these condensed interim consolidated financial statements,

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Unaudited	Audited
	Notes	September 30, 2023	December 31, 2022
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Treasury shares	21	(3,098,160)	(3,098,160)
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(1,763,117)	(1,411,039)
-Revaluation/ remeasurement of intangible assets		14,079	14,079
-Other gains/ losses on revaluation and remeasurement		21,167	18,888
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
Currency translation differences		26,531,973	17,420,552
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(3,954,876)	(2,363,383)
-Gains/ losses on cash flow hedges		(122,974)	5,012
Balancing account for merger capital		14,507	14,507
Restricted reserves	21	3,534,591	3,800,517
Retained earnings		8,050,519	5,076,450
Net income for the period		2,567,226	4,324,672
Equity holders of the parent		32,940,363	24,947,523
Non-controlling interest		2,967,200	2,158,157
Total equity		35,907,563	27,105,680
Total liabilities and equity		208,819,244	132,242,678

The accompanying notes form an integral part of these condensed interim consolidated financial statements,

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Unaudited			
		January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Net sales	4	145,057,302	94,723,628	58,217,883	34,254,600
Cost of sales		(98,565,968)	(66,607,394)	(39,140,453)	(24,393,399)
Gross profit	4	46,491,334	28,116,234	19,077,430	9,861,201
General administrative expenses		(8,250,126)	(4,150,997)	(3,337,279)	(1,286,400)
Marketing expenses		(25,876,972)	(17,562,359)	(10,402,011)	(6,347,539)
Research and development expenses		(695,989)	(518,353)	(262,078)	(192,720)
Other income from operating activities	22	7,164,807	4,865,907	1,625,277	1,188,400
Other expenses from operating activities	22	(9,012,718)	(4,274,982)	(2,717,824)	(1,389,399)
Operating profit		9,820,336	6,475,450	3,983,515	1,833,543
Income from investment activities	23	34,596	54,312	15,181	13,551
Expenses from investment activities	23	(20,277)	(29,339)	(4,919)	(6,084)
Share of profit/loss of investments accounted for using the equity method	12	(41,140)	(53,514)	(17,087)	(31,345)
Operating income before financial income/(expense)		9,793,515	6,446,909	3,976,690	1,809,665
Financial income	24	12,953,169	5,749,451	3,860,028	1,749,160
Financial expenses	25	(19,555,729)	(10,209,653)	(6,482,611)	(3,327,472)
Profit from continuing operations before tax		3,190,955	1,986,707	1,354,107	231,353
Tax income/(expense), continuing operations					
- Taxes on expense	26	(1,605,406)	(961,681)	(667,874)	(413,754)
- Deferred tax income/(expense)	26	1,402,576	1,034,284	460,159	677,300
Net income		2,988,125	2,059,310	1,146,392	494,899
Attributable to					
Non-controlling interest		420,899	299,379	145,481	159,142
Equity holders of the parent	27	2,567,226	1,759,931	1,000,911	335,757
Earnings per share (kurus)	27	4.230	2.858	1.649	0.553

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Unaudited			
	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Net income	2,988,125	2,059,310	1,146,392	494,899
Other comprehensive income				
Not to be reclassified to profit or loss	(462,207)	(403,326)	(7,133)	(89,166)
Gain/ loss arising from defined benefit plans	(458,397)	(405,244)	(13,817)	(93,807)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(6,209)	(4,172)	402	(187)
Other gain/ losses not to be reclassified to profit or loss	2,399	6,090	6,282	4,828
Not to be reclassified to profit or loss, tax effect	112,408	86,914	23,299	12,472
Gain/ loss arising from defined benefit plans, tax effect	112,528	87,219	23,612	12,714
Other gain/ losses not to be reclassified to profit or loss, tax effect	(120)	(305)	(313)	(242)
To be reclassified to profit or loss	7,718,371	5,722,885	678,400	603,712
Currency translation differences	9,830,119	6,635,313	752,552	1,064,853
Other comprehensive income related with hedges of net investments in foreign operations	(2,121,987)	(1,018,961)	66,880	(450,995)
Other comprehensive income related with cash flow hedge	(170,848)	(20,523)	(163,976)	(34,452)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	181,087	127,056	22,944	24,306
-Currency translation differences of investments accounted for using the equity method	180,594	130,867	22,944	28,006
-Gain/loss from cash flow hedges of investments accounted for using equity method	493	(3,811)	-	(3,700)
To be reclassified to profit or loss, tax effect	572,863	225,982	133,718	106,756
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	530,494	224,170	92,724	99,219
Other comprehensive income related with cash flow hedge, tax effect	42,369	1,812	40,994	7,537
Other comprehensive income/ (loss) (net of tax)	7,941,435	5,632,455	828,284	633,774
Total comprehensive income	10,929,560	7,691,765	1,974,676	1,128,673
Attributable to:				
Non-controlling interest	1,320,191	680,372	224,407	218,654
Equity holders of the parent	9,609,369	7,011,393	1,750,269	910,019

The accompanying notes form an integral part of these condensed interim consolidated financial statements,

ARÇELİK ANONİM ŞİRKETİ**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022**

Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Paid-in capital	Adjustment to share capital	Treasury shares	Share premium/discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value throughout comprehensive income	Gains/losses on hedge	Revaluation fund of intangible assets	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2022	675,728	468,811	(1,215,266)	889	14,507	(396,514)	6,109	(1,820,690)	6,900	11,381,483	1,771,002	5,425,850	3,064,674	19,383,483	1,671,732	21,055,215
Transfers	-	-	-	-	-	-	-	-	-	-	146,621	2,918,053	(3,064,674)	-	-	-
Total comprehensive income	-	-	-	-	-	(322,197)	5,785	(817,313)	-	6,385,187	-	-	1,759,931	7,011,393	680,372	7,691,765
Net income	-	-	-	-	-	-	-	-	-	-	-	-	1,759,931	1,759,931	299,379	2,059,310
Other comprehensive income	-	-	-	-	-	(322,197)	5,785	(817,313)	-	6,385,187	-	-	-	5,251,462	380,993	5,632,455
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,384,559)	-	(1,384,559)	(310,892)	(1,695,451)
Increase/decrease due to acquisition of treasury shares	-	-	(1,882,894)	-	-	-	-	-	-	-	1,882,894	(1,882,894)	-	(1,882,894)	-	(1,882,894)
As of September 30, 2022	675,728	468,811	(3,098,160)	889	14,507	(718,711)	11,894	(2,638,003)	6,900	17,766,670	3,800,517	5,076,450	1,759,931	23,127,423	2,041,212	25,168,635
Balance at January 1, 2023	675,728	468,811	(3,098,160)	889	14,507	(1,411,039)	18,888	(2,358,371)	14,079	17,420,552	3,800,517	5,076,450	4,324,672	24,947,523	2,158,157	27,105,680
Transfers	-	-	-	-	-	-	-	-	-	-	176,622	4,148,050	(4,324,672)	-	-	-
Total comprehensive income	-	-	-	-	-	(352,078)	2,279	(1,719,479)	-	9,111,421	-	-	2,567,226	9,609,369	1,320,191	10,929,560
Net income	-	-	-	-	-	-	-	-	-	-	-	-	2,567,226	2,567,226	420,899	2,988,125
Other comprehensive income	-	-	-	-	-	(352,078)	2,279	(1,719,479)	-	9,111,421	-	-	-	7,042,143	899,292	7,941,435
Dividends (Note 21)	-	-	-	-	-	-	-	-	-	-	(442,548)	(1,173,981)	-	(1,616,529)	(511,148)	(2,127,677)
As of September 30, 2023	675,728	468,811	(3,098,160)	889	14,507	(1,763,117)	21,167	(4,077,850)	14,079	26,531,973	3,534,591	8,050,519	2,567,226	32,940,363	2,967,200	35,907,563

The accompanying notes form an integral part of these condensed interim consolidated financial statements,

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Unaudited January 1- September 30, 2023	Unaudited January 1- September 30, 2022
	Notes		
Cash flows from operating activities:			
Net income:		2,988,125	2,059,310
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		3,425,243	2,372,683
Adjustments for impairment loss	31	(25,956)	82,393
Adjustments for provisions	31	15,069,236	3,174,188
Adjustments for interest income	24	(887,311)	(242,076)
Adjustments for interest expense	25	4,299,037	2,752,604
Adjustments for income arising from government grants	22	(183,587)	(79,077)
Adjustments for unrealised foreign exchange differences	24,25	5,622,299	1,869,268
Adjustments for fair value (gains) losses on derivative financial instruments	24, 25	(2,752,851)	67,784
Adjustments for undistributed profits of investments accounted for using equity method	12	41,140	53,514
Adjustments for tax expense/income	26	202,830	(72,603)
Adjustments for losses (gains) on disposal of non-current assets	23	(14,319)	3,976
Other adjustments to reconcile profit (loss)	24,25	62,528	(70,169)
Adjustments for dividend (income) loss	23	-	(156)
Adjustments for contingent liability	25	258,858	-
Adjustments regarding net profit reconciliation for the period		28,105,272	11,971,639
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(25,426,343)	(10,003,137)
Adjustments for decrease (increase) in inventories		(13,885,366)	(13,913,446)
Decrease (increase) in prepaid expenses		(335,794)	(427,971)
Adjustments for increase (decrease) in trade payables		9,804,207	11,304,933
Increase (decrease) in employee benefit liabilities		639,209	526,529
Adjustments for increase (decrease) in other operating payables		1,377,193	571,103
Increase (decrease) in government grants and assistance		112,935	4,459
Other adjustments for other increase (decrease) in working capital		(786,990)	(323,526)
Income taxes refund (paid)		(408,718)	(472,909)
Cash flows from operating activities		(804,395)	(762,326)
Investing activities:			
Cashflow used in obtaining control of subsidiaries or other businesses	3	(830,021)	1,352,972
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	12	-	(26,725)
Cash outflows from purchases of property, plant and equipment and intangible assets	4	(6,349,829)	(3,790,081)
Cash inflows from sale of property, plant and equipment and intangible assets		183,399	219,994
Dividends received	12, 23	16,750	55,531
Cash outflows to acquire equity or fund of other entities	6	(7,630)	(12,010)
Cash flows from investing activities		(6,987,331)	(2,200,319)
Financing activities:			
Proceeds from borrowings	7	35,918,627	11,308,561
Repayments of borrowings	7	(30,856,186)	(5,995,633)
Bonds issued	7	15,350,680	4,525,000
Payments of lease liabilities	7	(1,008,365)	(799,462)
Dividends paid		(2,127,677)	(1,695,451)
Cash inflows from derivative instruments (net)		2,180,741	(3,816)
Cash outflows from acquisition of treasury shares	21	-	(1,882,894)
Interest paid		(4,631,615)	(2,000,208)
Interest received		933,306	243,408
Other inflows (outflows) of cash	24,25	(62,528)	(12,622)
Cash flows from financing activities		15,696,983	3,686,883
Net increase/(decrease) in cash and cash equivalents before currency translation differences		7,905,257	724,238
Effect of currency translation differences		7,234,659	3,687,901
Net increase/(decrease) in cash and cash equivalents		15,139,916	4,412,139
Cash and cash equivalents at January 1	5	24,478,009	16,011,915
Cash and cash equivalents at September 30	5	39,617,925	20,424,054

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 1 – GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates thirty-one manufacturing plants in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan, China, India and Bangladesh, The Company is controlled by Koç Holding A.Ş., the parent company and the companies owned by Koç Family (Note 21).

The Company’s head office is located at: Karaağaç Caddesi No: 2-6 Söğütözü 34445 Beyoğlu İstanbul / Turkey. The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1986. As of September 30, 2023, the publicly listed shares are 25.15% of the total shares, (December 31, 2022: 25.15%) (Includes treasury shares of 10.19% as of September 30, 2023, and December 31, 2022).

The average number of personnel employed by categories in the Group in 2022 is 9,963 monthly paid (January 1 - September 30, 2022: 10,353) and 31,379 hourly paid (January 1 – September 30, 2022: 31,735) totaling to 41,342 (January 1 – September 30, 2022: 42,088).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of balance sheet date:			
Arçelik Pazarlama A.Ş. (“Pazarlama A.Ş.”)	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Arch R&D Co. Ltd. (“Arch R&D”)	China	R&D	Developing technology and design
Beko B.V. (“Beko B.V.”) ⁽³⁾	Netherlands	Investment	Holding
Arcwaste Collection SRL (“Arcwaste”) ⁽⁴⁾	Romania	Service	Service
Arctic Foundation (“Arctic Foundation”)	Romania	Foundation	Foundation
Beko B.V. Taiwan (“Beko B.V. Taiwan”) ⁽⁵⁾	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”)	Australia	Sales	Consumer Durables
Beko A and NZ Pty Ltd. New Zealand Branch (“Beko New Zealand”) ⁽⁴⁾	New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko APAC IBC Co. (“Beko APAC”)	Thailand	Service	Service
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Central Asia LLC (“Beko Central Asia”)	Kazakhstan	Sales	Consumer Durables
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko España”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH (“Beko Schweiz”)	Switzerland	Sales	Consumer Durables/Electronics
Beko Gulf FZE (“Beko Gulf”)	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Home Appliances Portugal, Unipessoal LDA (“Beko Portugal”)	Portugal	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Israel Household Appliances Ltd. (“Beko Israel”)	Israel	Marketing	Consumer Durables
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances SARL (“Beko Morocco”)	Morocco	Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”)	England	Sales	Consumer Durables/Electronics
Beko Plc (“Beko Ireland”) ⁽⁶⁾	Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. (“Beko Philippines”)	Republic of the Philippines	Sales	Consumer Durables
Beko S.A. (“Beko Polska”)	Poland	Sales	Consumer Durables/Electronics
Beko S.A., org. sl. (“Beko Czech”)	Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Beko US INC. (“Beko US”)	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Sales	Consumer Durables
Dawlance (Private) Ltd. (“Dawlance (Private)”)	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. (“Defy Swaziland”)	Swaziland	Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic of the South Africa	Production/Sales	Consumer Durables
Defy Sales East Africa Limited (“Defy Kenya”)	Kenya	Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (“DEL Electronics”)	Pakistan	Sales	Consumer Durables
Beko Grundig Österreich AG (“Beko Österreich”)	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switserland”)	Switzerland	Sales	Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic AB Finland Branch of Nordic AB (“Grundig Finland”) ⁽⁷⁾	Finland	Sales	Consumer Durables/Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic Denmark Branch of Grundig Nordic AS (“Grundig Denmark”) ⁽⁸⁾	Denmark	Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. (“Pan Asia”)	British Virgin Islands	Investment	Holding
PT Home Appliances Indonesia	Indonesia	Sales	Consumer Durables
PT Beko Appliances Indonesia	Indonesia	Sales	Consumer Durables

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries and branches (continued)	Country of incorporation	Core business	Nature of business
Continuing operations as of balance sheet date:			
Retail Holdings Bhold B.V (“Retail Holdings”)	Netherlands	Investment	Holding
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited (“Singer Bangladesh”)	Bangladesh	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances B.V.	Netherlands	Investment	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd.	China	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances (Thailand) Ltd.	Thailand	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd.	Singapore	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd.	Thailand	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd.	Malaysia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Middle East Fze.	United Arab Emirates	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd.	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Hong Kong Limited	Hong Kong, China	Sales	Consumer Durables
Arçelik Hitachi Taiwan Home Appliances Sales Ltd.	Taiwan	Sales	Consumer Durables
PT. Arcelik Hitachi Home Appliances Sales Indonesia	Indonesia	Sales	Consumer Durables
Arcelik Hitachi Home Appliances IBC Co. Ltd.	Thailand	Service	Service
Beko Azerbaijan MMC (“Beko Azerbaijan”)	Azerbaijan	Sales	Consumer Durables
Beko Grundig Croatia d.o.o (“Beko Grundig Croatia”)	Croatia	Sales	Consumer Durables
Beko Hungary Kft (“Beko Hungary”)	Hungary	Sales	Consumer Durables
Beko Egypt Home Appliances Industries LLC (“Beko Egypt LLC”)	Egypt	Production/Sales	Consumer Durables/Electronics
Beko Grundig Hellas Single Member SA (“Beko Greece”)	Greece	Sales	Consumer Durables
IHP Appliances Sales LLC	Russia	Sales	Consumer Durables/Electronics
IHP Appliances JSC	Russia	Production/Sales	Consumer Durables/Electronics
IHP Kazakhstan LLP	Kazakhstan	Sales	Consumer Durables/Electronics
Beko Algeria EURL (“Beko Algeria”)	Algeria	Sales	Consumer Durables
Beko Belgium N.V. (“Beko Belgium”) ⁽¹⁾	Belgium	Sales	Consumer Durables
Beko Netherlands B.V. (“Beko Netherlands”) ⁽¹⁾	Netherlands	Sales	Consumer Durables
Beko Europe B.V. (“Beko Europe”) ⁽²⁾	Netherlands	Investment	Holding

(*) Branches of the Subsidiary, which operate in a different country, are separately presented.

(1) The group has bought all the shares of Asogem N.V.(Belgium) and Asogem Nederland B.V.(Netherlands) on January 2, 2023. As a result of this transaction, the names of the companies will be changed to “Beko Belgium N.V.” and “Beko Netherlands B.V.” as of January 2, 2023. The registration procedures regarding the change of name and board of directors of both companies have been realized in the relevant country registries.

(2) The company has been registered with-in the year 2023.

(3) The name of Arducth B.V. has been changed to Beko B.V. as of 27 May 2023 in Dutch Trade Registry. It’s branch oldly named Arducth B.V. Taiwan has been also changed as Beko B.V. Taiwan.

Ceased operations as of reporting date:	Country of incorporation	Core business	Nature of business
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-

Associates

Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade

Joint Ventures

Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited (“VoltBek”)	India	Production/Sales	Consumer Durables

Approval of condensed consolidated financial statements

These condensed interim consolidated financial statements as of and for the period January 1, – September 30, 2023 has been approved for issue by the Board of Directors on October 20, 2023.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) and in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on October 4, 2022 by POA and the format and mandatory information recommended by CMB.

The Group prepared its condensed consolidated interim financial statements for the period ended September 30, 2023 in accordance with TAS 34 “Interim Reporting” standard. Interim condensed consolidated financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards (“TFRS”) will apply TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2022. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies. Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements for the period ended September 30, 2023 in accordance with TAS 29.

Foreign subsidiaries have prepared their statutory financial statements in accordance with the related local laws and regulations. Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments financial assets presented at fair values and the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as of September 30, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/TFRS and IFRIC interpretations effective as of January 1, 2023. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation

a) *Standards, amendments, and interpretations applicable as of 30 September 2023:*

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17, ‘Insurance Contracts’; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Amendment to IAS 12 - International tax reform - pillar two model rules; The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

b) *Standards, amendments, and interpretations that are issued but not effective as of 30 September 2023:*

Amendment to IAS 1 – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendment to IFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements; ; effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2,1 Basis of presentation

b) *Standards, amendments, and interpretations that are issued but not effective as of 30 September 2023: (Continued)*

Amendments to IAS 21 - Lack of Exchangeability; effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

IFRS S1, ‘General requirements for disclosure of sustainability-related financial information; effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.

IFRS S2, ‘Climate-related disclosures’; effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The condensed consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

Financial statements of subsidiaries operating in countries other than Turkey

The Financial statements of subsidiaries operating in countries other than Turkey are compiled by the TAS/TFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are recognized in the “currency translation difference” under the use of equity.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of September 30, 2023 and December 31, 2022 (%) and their functional currencies:

Continuing operations as of balance sheet date:	Functional currency	September 30, 2023		December 31, 2022	
		Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Arch R&D	Chinese Yuan	100	100	100	100
Arctic	Romanian Lei	96.72	96.72	96.72	96.72
Arcwaste	Romanian Lei	96.72	96.72	96.72	96.72
Arctic Foundation	Romanian Lei	96.72	96.72	96.72	96.72
Beko B.V.	Euro	100	100	100	100
Beko B.V. Taiwan	Taiwanese Dollar	100	100	100	100
Beko APAC	Thai Baht	100	100	100	100
Beko Australia	Australian Dollar	100	100	100	100
Beko New Zealand	New Zealand Dollar	100	100	100	100
Beko Balkans	Serbian Dinar	100	100	100	100
Beko China	Chinese Yuan	100	100	100	100
Beko Central Asia	Kazakhstan Tenge	100	100	100	100
Beko Grundig Deutschland	Euro	100	100	100	100
Beko Croatia	Croatian Kuna	-	-	100	100
Beko Egypt	Egyptian Lira	100	100	100	100
Beko Espana	Euro	100	100	100	100
Beko France	Euro	100	100	100	100
Beko Gulf	Dirham	100	100	100	100
Beko Portugal	Euro	100	100	100	100
Beko Hong Kong	US Dollar	100	100	100	100
Beko Israel	New Israeli Shekel	100	100	100	100
Beko Italy	Euro	100	100	100	100
Beko Malaysia	Malaysian Ringgit	100	100	100	100
Beko Morocco	Moroccan Dirham	100	100	100	100
Beko Polska	Polish Zloty	100	100	100	100
Beko Czech	Czech Koruna	100	100	100	100
Beko Philippines	Philippine Peso	100	100	100	100
Beko Russia	Russian Ruble	100	100	100	100
Beko Shanghai	Chinese Yuan	100	100	100	100
Beko Slovakia	Euro	100	100	100	100
Beko Schweiz	Swiss Franc	100	100	100	100
Beko Thailand	Thai Baht	100	100	100	100
Beko UK	British Pound	100	100	100	100
Beko Ireland	Euro	100	100	100	100
Beko Ukraine	Ukrainian Hryvna	100	100	100	100
Beko US	US Dollar	100	100	100	100
Dawlance	Pakistani Rupee	100	100	100	100
Defy	South Africa Rand	100	100	100	100
Defy Botswana	Botswana Pula	100	100	100	100
Defy Namibia	Namibian Dollar	100	100	100	100
Defy Swaziland	Swazi Lilangeni	100	100	100	100
Defy Kenya	Kenyan Shilling	100	100	100	100
DEL Electronics	Pakistani Rupee	100	100	100	100
Beko Österreich	Euro	100	100	100	100
Grundig Norway	Norwegian Krone	100	100	100	100
Grundig Denmark	Danish Krone	100	100	100	100
Grundig Sweden	Swedish Krona	100	100	100	100
Grundig Finland	Euro	100	100	100	100
Grundig Switzerland	Swiss Franc	100	100	100	100
Pan Asia	US Dollar	100	100	100	100
Pazarlama A.Ş.	Turkish Lira	100	100	100	100
PT Home Appliances Indonesia	Indonesian Rupiah	67	67	67	67
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Retail Holdings	Euro	100	100	100	100
Singer Bangladesh	Bangladeshi Taka	56.99	56.99	56.99	56.99
United Refrigeration Industries	Pakistani Rupee	100	100	100	100
Vietbeko	Vietnamese Dong	100	100	100	100
Arçelik Hitachi	Euro	60	60	60	60
Arçelik Hitachi Shangai	Chinese Yuan	57	57	57	57
Arçelik Hitachi Thailand	Thai Baht	50.40	50.40	50.40	50.40
Arçelik Hitachi Singapore	Singapore Dollar	60	60	60	60

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Continuing operations as of balance sheet date: (Continued)	Functional currency	September 30, 2023		December 31, 2022	
		Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Arçelik Hitachi Sales Thailand	Thai Baht	60	60	60	60
Arçelik Hitachi Malaysia	Malaysian Ringgit	60	60	60	60
Arçelik Hitachi Dubai	Dirham	60	60	60	60
Arçelik Hitachi Vietnam	Vietnamese Dong	60	60	60	60
Arçelik Hitachi Hong Kong	Hong Kong Dollar	60	60	60	60
Arçelik Hitachi Taiwan	Taiwanese Dollar	60	60	60	60
Arçelik Hitachi Indonesia	Indonesian Rupiah	40.50	40.50	40.50	40.50
Arçelik Hitachi Thailand IBC	Thai Baht	60	60	60	60
Beko Azerbaijan	Azerbaijan Manat	100	100	100	100
Beko Grundig Croatia	Croatia Kuna	100	100	100	100
Beko Hungary	Hungarian Forint	100	100	100	100
Beko Egypt LLC	Egyptian Lira	100	100	100	100
Beko Greece	Euro	100	100	100	100
IHP Appliances Sales LLC	Russian Ruble	100	100	100	100
IHP Appliances JSC	Russian Ruble	100	100	100	100
IHP Kazakhstan LLP	Kazakhstan Tenge	100	100	100	100
Beko Algeria	Algerian Dinar	100	100	100	100
Beko Belgium (1)	Euro	100	100	--	--
Beko Netherlands (1)	Euro	100	100	--	--
Beko Europe (2)	Euro	100	100	--	--
		September 30, 2023		December 31, 2022	
Ceased operations as of balance sheet date:					
Beko Cesko		100	100	100	100
Grundig Austria		100	100	100	100

(1) The group has bought all the shares of Asogem N.V.(Belgium) and Asogem Nederland B.V.(Netherlands) on January 2, 2023. As a result of this transaction, the names of the companies will be changed to “Beko Belgium N.V.” and “Beko Netherlands B.V. as of as of January 2, 2023. The registration procedures regarding the change of name and board of directors of both companies have been realized in the relevant country registries.

(2) The company has been registered with-in the year 2023.

Going concern

The Group prepared condensed consolidated interim financial statements in accordance with the going concern assumption.

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

Comparatives and restatement of prior periods’ financial statements

The condensed interim consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

Group has applied consistent accounting policies in the preparation of consolidated financial statements presented and the Group does not have any significant changes in accounting policy and accounting estimates in the current period.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The condensed interim consolidated financial statements of the Group for the period ended September 30, 2023 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2023 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2022. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

NOTE 3 - BUSINESS COMBINATION

- i) Group has acquired entire issued share capitals of Asogem N.V. (Belgium) and its subsidiary Asogem Nederland B.V. (Netherlands) on January 2, 2023. Share transfer agreement was signed on October 17, 2022 regarding the acquisitions of the companies which operate as the distributor of Arçelik’s Beko and Grundig branded products in the Benelux region for more than 25 years, the closing transactions of the share purchase agreement were completed as of January 2, 2023.

Transaction value has been calculated as EUR 61.7 million for 100% of shares. Payments regarding to this acquisition were made on January 2, 2023 and March 24, 2023 as EUR 57.4 million and EUR 4.3 million respectively.

As a result of this transaction, the titles of the companies have been changed as Beko Belgium N.V. and Beko Netherlands B.V. as of January 2, 2023. Registration procedures regarding the change of name of the companies and board of directors of both companies have been completed in the relevant country registries. The acquisition of Beko Belgium N.V. and Beko Netherlands B.V. in January 2023 aims to have continuing growth in its operations in the Benelux region.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - BUSINESS COMBINATION (Continued)

The revaluation method of the balance sheets dated 2 January 2023 relating to the acquisition transaction is ongoing. As of 30 September 2023, the consolidated financial statements have been provisionally accounted for in accordance with the provisions of TFRS 3, "Business Combinations Standard". Within the scope of TFRS 3, the differences that will arise in the provisionally recognized amounts in the subsequent period due to the results of the valuation studies will be evaluated in the consolidated financial statements of the next period.

The purchase price, the fair values of the acquired assets and liabilities used provisionally within the scope of TFRS 3 are summarized in the table below:

	<u>January 2 2023</u>
Cash and cash equivalents	403,659
Trade receivables	219,767
Inventories	377,425
Other current asset	3,800
Property, plant and equipment (Note 13)	42,963
Intangible Assets (Note 14) (*)	424,490
Deferred tax liability (Note 26)	(107,871)
Trade and other payables	(265,687)
Other liabilities	(88,265)
Total value of identifiable net assets (100%) (provisional)	1,010,281
Goodwill (provisional)	223,399
Total consideration	1,233,680

(*) The fair value of intangible fixed assets (customer relationships of Beko Belgium N.V. and Beko Netherlands B.V.) determined under IFRS 3 is EUR 21,250, with a useful life of 23 years.

As of September 30, 2023, the sum of costs associated with the acquisition included in the general administrative expenses in the Arçelik Group's consolidated profit or loss statement is TRY 296.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	1,233,680
Cash and cash equivalents - acquired	(403,659)
Cash outflow due to acquisition of subsidiary (net)	830,021

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 4 – SEGMENT REPORTING

The reportable segments of Arçelik have been organized by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dish washers, refrigerators, ovens, cookers, solar panel and the services provided for these products. The consumer goods reportable segment comprises televisions primarily with flat screens, computers, cash registers, other electronic devices and the services provided to consumers for these products. Other segment comprises the revenues from air conditioners, home appliances and furniture and kitchen gadgets except products included in white goods and consumer electronics.

Arçelik’s reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments, Information about the operational segments is as follows:

- a) Operational segments which have been prepared in accordance with the reportable segments for the nine months period ended September 30, 2023 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	110,673,907	9,798,551	24,584,844	145,057,302
Gross profit	36,239,884	2,304,684	7,946,766	46,491,334
Depreciation and amortization	3,195,870	123,989	142,508	3,462,367
Capital expenditures	5,778,487	470,590	137,877	6,386,954

- (*) The Group recognised net sales amounting to TRY 145,046,849 with respect to the performance obligations satisfied at a point in time for the year ended September 30, 2023 (2022: TRY 94,705,834),

- b) Operational segments which have been prepared in accordance with the reportable segments for the nine months period ended September 30, 2022 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	74,329,907	5,836,839	14,556,882	94,723,628
Gross profit	21,976,771	1,530,373	4,609,090	28,116,234
Depreciation and amortization	2,165,717	138,957	86,459	2,391,133
Capital expenditures	3,248,897	411,152	148,481	3,808,530

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NOTE 4 - SEGMENT REPORTING (Continued)

c) Operational segments which have been prepared in accordance with the reportable segments for the three months period between July 1 – September 30, 2023 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	44,798,318	4,046,472	9,373,093	58,217,883
Gross profit	15,219,464	964,658	2,893,308	19,077,430
Depreciation and amortization	1,251,713	47,157	53,672	1,352,542
Capital expenditures	2,218,108	176,849	49,674	2,444,631

(*) The Group recognized net sales amounting to TRY 58,215,040 with respect to the performance obligations satisfied at a point in time for the three-month periods between July 1- September 30, 2023 (1 July – September 30, 2022: TRY 34,249,053)

d) Operational segments which have been prepared in accordance with the reportable segments for the three months period between July 1 - September 30, 2022 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	27,529,062	2,126,217	4,599,321	34,254,600
Gross profit	7,827,289	545,284	1,488,628	9,861,201
Depreciation and amortization	809,139	53,477	23,888	886,504
Capital expenditures	1,468,951	249,883	87,579	1,806,413

e) Sales revenue grouped geographically based on the location of the customers for the nine months period ended September 30 are shown as below:

January 1 – September 30, 2023	Turkey	Europe	Asia Pacific	Africa	Other	Total
Total segment revenue	55,825,337	54,836,221	20,678,023	6,473,745	7,243,976	145,057,302

January 1 – September 30, 2022	Turkey	Europe	Asia Pacific	Africa	Other	Total
Total segment revenue	28,242,982	36,902,376	18,522,925	5,285,984	5,769,361	94,723,628

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NOTE 4 - SEGMENT REPORTING (Continued)

f) Sales revenue grouped geographically based on the location of the customers for the three months period between July 1 – September 30 are shown as below:

July 1 – September 30, 2023	Turkey	Europe	Asia			Total
			Pacific	Africa	Other	
Total segment revenue	22,403,286	22,866,407	6,789,213	2,716,218	3,442,759	58,217,883

July 1 – September 30, 2022	Turkey	Europe	Asia			Total
			Pacific	Africa	Other	
Total segment revenue	10,127,509	14,187,081	6,136,694	1,851,567	1,951,749	34,254,600

NOTE 5 – CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022
Cash in hand	24,753	2,714
Cash at banks		
- demand deposits	9,704,413	5,260,444
- time deposits	28,873,966	18,595,834
Cheques and notes	363,402	195,899
Other	651,391	423,118
Cash and cash equivalents in cash flow statement	39,617,925	24,478,009
Interest income accruals	5,215	51,210
	39,623,140	24,529,219

As of September 30,2023, the maturity of cash and cash equivalents are as follows:

Up to 30 days	38,295,813	24,307,628
30-90 days	1,327,327	221,591
	39,623,140	24,529,219

NOTE 6 – FINANCIAL INVESTMENTS

Fair value gain/ losses of financial assets reflected to other comprehensive income

	September 30, 2023	December 31, 2022
Fair value gain/losses of financial assets reflected to other comprehensive income	52,230	38,956
Total	52,230	38,956

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NOTE 6 – FINANCIAL INVESTMENTS (Continued)

	September 30, 2023	December 31, 2022
Tat Gıda Sanayi A.Ş.	19,138	16,739
Hoxton Ventures III	10,025	5,962
500 Startups Istanbul Fund II Cooperatif	8,740	6,687
E&E Recycling, INC	8,118	5,823
Thai Refrigeration Components Co. Ltd.	3,940	2,844
Other	2,269	901
	52,230	38,956

The details of financial investments that fair value gain/ losses reflected to other comprehensive income for the years ended September 30, are as follows:

	2023	2022
As of January 1	38,956	10,531
Additions	7,630	12,010
Change in fair value	2,399	6,090
Currency translation differences	3,245	1,697
As of September 30	52,230	30,328

NOTE 7 – BORROWINGS

a) Short-term borrowings

	September 30, 2023	December 31, 2022
Short-term bank borrowings	34,016,127	15,051,698
SFA liabilities (*)	8,486,077	-
Short-term bills issued (**)	-	2,772,192
Short-term lease liabilities	896,421	599,646
Payables from factoring activities	725,081	557,801
Total short-term borrowings	44,123,706	18,981,337
Short-term portion of long-term bank borrowings and interest accruals	2,421,163	3,586,159
Short term portion of long-term bond issued and interest accruals (**)	792,393	12,661,854
Total short-term portion of long-term borrowings	3,213,556	16,248,013

(*) Includes financial liabilities arising from the use of the Supplier Finance Arrangements.

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NOTE 7 – BORROWINGS (Continued)

a) Short-term borrowings (Continued)

As of September 30, 2023, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	6.4	887,072,114	25,752,147
TRY	33.0	8,323,738,352	8,323,738
BDT	7.9	7,732,631,050	1,921,868
USD	8.2	66,002,086	1,806,919
PKR	23.5	11,011,765,620	1,038,189
PLN	8.0	114,684,509	719,278
RON	7.7	90,767,881	526,871
AUD	5.8	29,863,588	528,905
RUB	15.9	1,778,259,447	497,148
SEK	5.3	117,898,323	296,278
THB	5.5	382,412,008	286,928
ZAR	9.8	156,633,990	227,448
MYR	6.0	31,474,753	183,687
CZK	8.8	145,151,858	173,253
IDR	9.5	89,104,633,333	157,715
VND	7.2	44,000,000,000	49,721
NOK	5.9	4,707,459	12,111
			42,502,204

As of December 31, 2022, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	1.9	248,101,405	4,945,877
TRY	24.6	3,175,829,104	3,175,829
PKR	15.9	25,765,554,639	2,113,291
BDT	7.0	5,901,248,081	1,070,722
USD	7.6	53,958,144	1,008,926
ZAR	5.8	593,432,601	655,802
PLN	7.8	137,817,324	587,667
RON	7.1	141,366,026	566,341
AUD	3.3	28,653,869	362,959
SEK	3.4	95,095,746	169,622
MYR	6.0	31,969,892	135,827
IDR	8.4	90,872,000,000	109,047
THB	4.4	185,479,029	100,485
NOK	3.9	26,085,996	49,303
			15,051,698

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NOTE 7 – BORROWINGS (Continued)

As of September 30, 2023, the details of the factorings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	4.8	10,476,581	304,140
PLN	7.0	33,494,006	210,068
GBP	7.0	6,130,563	205,261
RUB	14.5	12,554,495	3,510
CHF	7.0	70,103	2,102

As of December 31, 2022, the details of the factorings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	2.8	19,796,253	394,636
GBP	5.3	7,140,483	160,584
RUB	13.9	9,946,173	2,581
			557.801

b) Long-term borrowings

	September 30, 2023	December 31, 2022
Long-term bonds issued	21,083,098	7,622,685
Long-term bank borrowings	12,708,570	6,893,106
Long-term lease liabilities	2,678,343	1,694,002
	36,470,011	16,209,793

(**) Financial bills and bonds issued:

2023:

The Company issued bond amounting to USD 400 million quoted in Euronext Dublin Stock Exchange with semi-annually interest payment on September 25, 2023, Maturity of the bond is September 25, 2028 and coupon rate is 8.5%.

2022:

The Company issued bond amounting to TRY 650 million quoted in Borsa Istanbul with quarterly interest payment on April 13, 2022, Maturity of the bond is April 5, 2024 and coupon rate is GDDS+130.

2021:

The company issued green bond amounting to EUR 350 million, quoted in Ireland Stock Exchange with annual interest payment on May 27, 2021. Maturity of the bond is May 27, 2026 and coupon rate is 3%. The Group has a commitment to finance its projects within the scope of the Green Financing Framework, which it has created based on its sustainability strategy, with the funds obtained from the green bond issuance.

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NOTE 7 – BORROWINGS (Continued)

b) Long-term borrowings (Continued)

As of September 30, 2023, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	4.2	364,381,586	10,578,180
USD	9.2	50,000,000	1,368,835
ZAR	9.8	900,000,000	1,306,890
TRY	19.3	1,118,380,026	1,118,380
PKR	22.7	8,034,021,613	757,448
			15,129,733
Short-term portion of long-term loans and interest accruals			(2,421,163)
			12,708,570

As of December 31, 2022, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
EUR	2.9	323,919,728	6,457,307
TRY	18.2	2,490,034,647	2,490,035
ZAR	7.2	500,000,000	552,550
PKR	16.3	11,940,656,909	979,373
			10,479,265
Short-term portion of long-term loans and interest accruals			(3,586,159)
			6,893,106

As of September 30, 2023, detail of discounted amounts of bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	8.5	399,656,515	10,941,277
EUR	3.0	353,532,495	10,263,225
TRY	14.2	670,988,767	670,989
			21,875,491
Interest accruals of bonds issued			(142,392)
			21,733,099

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NOTE 7 – BORROWINGS (Continued)

b) Long-term borrowings (Continued)

As of December 31, 2022, detail of discounted amounts of bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.0	506,092,769	9,462,454
EUR	3.0	356,072,767	7,098,275
TRY	22.6	6,496,001,490	6,496,002
			23,056,731
Interest accruals of bonds issued			(710,859)
			22,345,872

The payment schedule of the principal amounts of long-term bank borrowings and bonds is as follows:

	September 30, 2023	December 31, 2022
2024	544,093	1,433,131
2025	1,788,240	1,000,603
2026	13,605,497	8,150,886
2027 to 2030	17,882,095	3,935,701
	33,819,925	14,520,321

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NOTE 7 – BORROWINGS (Continued)

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

	September 30, 2023	December 31, 2022
Up to 3 months	23,669,690	17,157,568
3 - 12 months	19,945,595	16,253,502
1-5 years	24,895,672	10,784,358
Over 5 years	1,664,862	3,028,998
	70,175,819	47,224,426

As of September 30, 2023, and September 30, 2022, financial debt reconciliation is as follows:

2023	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(2,293,648)	(34,629,704)	(14,515,791)	(51,439,143)
Cash flows	1,008,365	13,900,624	(34,313,745)	(19,404,756)
Transfers	-	(19,640,376)	19,640,376	-
Changes in interest accruals	(186,535)	519,113	-	332,578
Changes in factoring liabilities	-	(167,280)	-	(167,280)
Changes in lease liabilities	(1,272,188)	-	-	(1,272,188)
Currency translation adjustments	(830,758)	(6,423,218)	(4,602,508)	(11,856,484)
Financial debt as of September 30	(3,574,764)	(46,440,841)	(33,791,668)	(83,807,273)

2022	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(1,434,622)	(12,713,842)	(18,431,035)	(32,579,499)
Cash flows	799,462	(8,526,356)	(1,311,572)	(9,038,466)
Transfers	-	(10,652,175)	10,652,175	-
Changes in interest accruals	(95,693)	(656,703)	-	(752,396)
Changes in factoring liabilities	-	(134,539)	-	(134,539)
Changes in lease liabilities	(1,112,375)	-	-	(1,112,375)
Currency translation adjustments	(279,393)	(1,631,568)	(3,013,439)	(4,924,400)
Financial debt as of September 30	(2,122,621)	(34,315,183)	(12,103,871)	(48,541,675)

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NOTE 8 – DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through market-to-market value at the date of valuation and the fair value of these instruments are disclosed as asset or liability in the statement of financial position.

	September 30, 2023			December 31, 2022		
	Contract amount	Fair value assets	/(liabilities)	Contract amount	Fair value assets	/(liabilities)
<i>Short-term derivative instruments</i>						
<i>Held for trading:</i>						
Foreign currency forward transactions	34,317,761	839,189	(231,074)	20,491,796	172,151	(114,980)
Foreign currency swap contracts	25,656,323	53,455	(60,842)	14,688,303	59,892	(56,467)
Option	2,380,989	17,619	(758)	-	-	-
<i>Cash flow hedge:</i>						
Interest rate swap contracts (*)	-	-	-	300,000	-	(8,245)
Short-term derivative instruments		910,263	(292,674)		232,043	(179,692)
<i>Long-term derivative instruments</i>						
<i>Cash flow hedge:</i>						
Cross currency swap contracts (**)	21,818,555	-	(163,975)	-	-	-
Long-term derivative instruments		-	(163,975)		-	-

(*) It is a swap transaction realized for the exchange of floating rate instalment payments of short-term bond issued amounting to TRY 300 million on 29 April 2021 and closed as of April 27, 2023, with a fixed rate instalment payment for the purpose of cash flow hedge.

(**) It is a swap transaction realized for the exchange of USD 400 million to EUR for the purpose of hedging against currency risk.

The Group converted a US dollar-denominated bond with a nominal value of 400 million US dollars to Euro through a foreign exchange swap transaction. The foreign exchange swap transaction is used as a hedging tool against exchange rate risk due to expected euro-based sales revenue with a high probability of occurrence, and cash flow risk hedging accounting is applied in this purpose. As of September 30, 2023, the amount of the bond debt of the related issue is TRY 10,941,277. As of the period ended September 30, 2023, the impact accounted for in the "cash flow risk gains/(losses)" account in the other comprehensive income statement was TRY 122,981 after tax.

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	September 30, 2023	December 31, 2022
Short-term trade receivables:		
Trade receivables	58,331,013	32,986,043
Notes receivables	2,386,136	1,389,566
Cheques receivables	775,457	783,425
Short-term trade receivables (gross)	61,492,606	35,159,034
Provision for expected credit loss	(654,125)	(762,106)
Unearned credit finance income	(1,404,108)	(624,271)
Short-term trade receivables (net)	59,434,373	33,772,657

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of September 30, 2023, the Group has offsetted TRY 7,080,922 (December 31, 2022: TRY 5,767,413) from trade receivables that are collected from the factoring companies as part of the irrevocable factoring transactions.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 432,941 related with its local bank borrowings (December 31, 2022: TRY 610,114).

The movements of provision for expected credit loss for the nine months period ended September 30, are as follows:

	2023	2022
As of January 1	762,106	439,696
Current year additions (Note 22)	87,456	55,924
Provisions no longer required (Note 22)	(9,774)	(27,208)
Acquisitions	2,305	270,860
Write-offs (*)	(357,984)	(34,457)
Currency translation differences	170,016	93,544
As of September 30	654,125	798,359

(*) Doubtful receivables, for which no possibility of collection is foreseen, and no further cash inflow are expected, are written off from the records along with the related provisions.

	September 30, 2023	December 31, 2022
Long-term trade receivables		
Trade receivables	86,932	84,222
Unearned credit finance income	(39,498)	(41,835)
	47,434	42,387

	September 30, 2023	December 31, 2022
Short-term trade payables:		
Trade payables	44,834,241	26,170,813
Debt accruals	4,663,737	2,404,508
Unearned credit finance expense	(851,937)	(390,196)
	48,646,041	28,185,125

NOTE 10 – OTHER PAYABLES

	September 30, 2023	December 31, 2022
Taxes and duties payable	2,692,639	1,449,508
Dividend payables to shareholders (*)	34,239	3,204
Deposits and guarantees received	23,909	25,181
Other	410,310	278,407
	3,161,097	1,756,300

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NOTE 11 – INVENTORIES

	September 30, 2023	December 31, 2022
Raw materials and supplies	17,896,131	12,096,526
Work in progress	1,253,220	924,981
Finished goods	17,221,630	12,024,259
Trade goods	7,912,288	4,547,686
Inventories (gross)	44,283,269	29,593,452
Provision for impairment on inventories	(469,057)	(356,332)
Inventories (net)	43,814,212	29,237,120

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 560,395 related with its local bank borrowings (December 31, 2022: TRY 459,107).

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2023		December 31, 2022	
	(%)	TRY	(%)	TRY
VoltBek	49.0	417,186	49.0	501,405
Koç Finansman	47.0	491,364	47.0	332,171
Arçelik - LG	45.0	321,536	45.0	278,335
Ram Dış Ticaret	33.5	48,459	33.5	36,542
		1,278,545		1,148,453

The movements of investment accounted for using the equity method for the nine months period ended September 30, are as follows:

	2023	2022
As of January 1	1,148,453	855,409
Associate capital share contribution	-	26,725
Shares of income/loss of associates	(41,140)	(53,514)
Shares of other comprehensive income/loss of associates	(5,716)	(7,983)
Gross profit elimination on inventory	13,103	32,757
Dividends received	(16,750)	(55,375)
Currency translation difference	180,595	130,867
As of September 30	1,278,545	928,886

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NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Shares of income/loss from the investment accounted for using the equity method:

	January 1- September 30 2023	January 1- September 30 2022	July 1- September 30 2023	July 1- September 30 2022
Koç Finansman	158,641	70,854	61,291	28,794
Arçelik – LG	34,519	24,186	(7,487)	1,037
Ram Dış Ticaret	29,048	23,873	16,240	11,029
VoltBek	(263,348)	(172,427)	(87,131)	(72,205)
	(41,140)	(53,514)	(17,087)	(31,345)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2023	2022
As of January 1		
Cost	36,957,557	23,951,628
Accumulated depreciation	(16,135,221)	(10,826,292)
Net carrying value	20,822,336	13,125,336
Net carrying value at the beginning of the period	20,822,336	13,125,336
Additions	6,337,610	4,203,583
Acquisitions (Note 3)	42,963	2,114,302
Disposals	(268,215)	(270,136)
Transfers	(49,175)	(9,360)
Currency translation differences	4,682,195	2,563,396
Depreciation for the period	(2,726,894)	(1,842,470)
Net carrying value at the end of the period	28,840,820	19,884,651
As of September 30		
Cost	53,131,116	36,805,222
Accumulated depreciation	(24,290,296)	(16,920,571)
Net carrying value	28,840,820	19,884,651

As of September 30, 2023, the net book value of the right of use assets classified under tangible assets is TRY 3,789,172 (September 30, 2022: TRY 2,328,986), Additions to rights-to-use assets for the nine months period ended September 30, 2023 is TRY 1,442,137 (September 30, 2022: TRY 1,158,604) and depreciation expense is TRY 866,069 (September 30, 2022: TRY 509,889).

There is no mortgage on property, plant and equipment as of September 30, 2023 (December 31, 2022: None)

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NOTE 14 – OTHER INTANGIBLE ASSETS

	2023	2022
As of January 1		
Cost	12,869,803	8,730,660
Accumulated amortization	(3,114,717)	(2,157,345)
Net carrying value	9,755,086	6,573,315
Net carrying value at the beginning of the period	9,755,086	6,573,315
Additions	1,491,481	763,551
Acquisitions (Note 3)	424,490	-
Transfers	49,175	9,360
Disposals	(59,761)	(1,452)
Currency translation differences	3,031,048	2,376,617
Amortization for the period	(735,473)	(548,663)
Net carrying value at the end of the period	13,956,046	9,172,728
As of September 30		
Cost	18,245,763	12,032,567
Accumulated amortization	(4,289,717)	(2,859,839)
Net carrying value	13,956,046	9,172,728

As of September 30, 2023, total amount of capitalized borrowing cost is TRY 413 (September 30, 2022: 8,984)

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NOTE 15 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2023, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,001,987,151 (December 31, 2022: USD 655,710,199). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions,

	September 30, 2023	December 31, 2022
Collaterals obtained	24,038,541	16,175,300

Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of September 30, 2023 and December 31, 2022 are as follows:

CPMB’s given by the Company	September 30, 2023	December 31, 2022
A, CPMB’s given for Company’s own legal personality	3,928,981	2,337,719
B, CPMB’s given on behalf of fully consolidated companies	8,288,580	5,511,706
C, CPMB’s given on behalf of third parties for ordinary course of business	-	-
D, Total amount of other CPMB’s	-	-
i) Total amount of CPMB’s given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C	-	-
Total	12,217,561	7,849,425

TRY equivalents of CPMB given as of September 30, 2023 and December 31, 2022 are as follows on original currency basis are as follows:

CPMB's given by the Company	September 30, 2023	December 31, 2022
TRY	581,707	440,682
EUR	2,704,424	1,995,553
USD	5,562,127	2,510,289
Other currencies	3,369,303	2,902,901
	12,217,561	7,849,425

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NOTE 16 – OTHER PROVISIONS

	September 30, 2023	December 31, 2022
Other short-term provisions		
Warranty provision	2,121,455	1,662,727
Provision for transportation cost	1,142,711	643,145
Assembly provision	919,619	671,102
Provision for lawsuit risks	64,696	46,609
Other	1,906,547	843,614
	6,155,028	3,867,197

	September 30, 2023	December 31, 2022
Other long-term provisions		
Warranty provision	1,087,814	569,278
Other	157,611	2,039
	1,245,425	571,317

NOTE 17 – PREPAID EXPENSES

	September 30, 2023	December 31, 2022
Short-term prepaid expenses		
Prepaid expenses for following months	1,104,762	742,266
Advances given for inventories	380,055	405,207
	1,484,817	1,147,473

	September 30, 2023	December 31, 2022
Long-term prepaid expenses		
Advances given for property, plant and equipment	1,861,454	612,155
	1,861,454	612,155

NOTE 18 – CURRENT INCOME TAX ASSETS

	September 30, 2023	December 31, 2022
Prepaid taxes and funds	762,020	709,474
	762,020	709,474

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NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2023	December 31, 2022
Payables to personnel	2,420,986	1,068,051
Social security payables	645,103	277,592
Accruals for bonuses and premiums	486,385	292,678
	3,552,474	1,638,321

NOTE 20 – OTHER ASSETS AND LIABILITIES

	September 30, 2023	December 31, 2022
Other current assets:		
Value added tax and private consumption tax receivable	1,485,794	829,042
Taxes and funds deductible	605,703	410,000
Deposits and guarantees given	238,092	168,920
Income accruals	206,706	219,618
Other	1,141,788	310,351
	3,678,083	1,937,931
Other current liabilities:		
Accruals for customer premiums	8,060,175	4,414,675
Value added tax and private consumption tax payable	742,288	250,268
Advances received	583,324	796,078
Deferred income	146,221	148,288
Other	137,163	101,472
	9,669,171	5,710,781

	September 30, 2023	December 31, 2022
Other long-term liabilities:		
Liabilities related to acquisitions (*)	3,207,840	2,737,067
Deferred income	1,982,466	1,338,749
Other	188,696	256,935
	5,379,002	4,332,751

(*) The fair value of the provisional contingent consideration as of September 30, 2023 (December 31, 2022 TRY 2,737,067) which have been determined based on August 31, 2022 dated closing financial statements of IHP Appliances JSC and IHP Appliances Sales LLC.

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NOTE 21 – EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of kurus 1, Registered and issued share capital of the Company is as follows:

	September 30, 2023	December 31, 2022
Limit on registered share capital	1,500,000	1,500,000
Paid-in capital	675,728	675,728

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of bonus shares to existing shareholders.

The shareholding structure of the Company is as follows:

	September 30, 2023		December 31, 2022	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	41.43	279,929	40.56	274,070
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	52,85	357,096	51,98	351,237
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	4.27	28,863	5.14	34,722
Vehbi Koç Vakfı	0.12	809	0.12	809
Treasury Shares (*)	10.19	68,876	10.19	68,876
Other	14.96	101,084	14.96	101,084
Paid-in capital	100,00	675,728	100,00	675,728
Adjustment to share capital (**)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) The amount is related to the shares that buyback and are publicly listed by the Company as of September 30, 2023.

(**) “Adjustment to share capital” represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA, “Adjustment to share capital” has no use other than being transferred to paid-in share capital.

All shareholders of the Company have equal rights and there are no preference shares outstanding.

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NOTE 21 – EQUITY (Continued)

Treasury Shares

Pursuant to the decision of the Board of Directors of the Company on July 1, 2021, share buyback program has been launched and pursuant to the decision of the Board of Directors of the Company on May 24, 2022 for Company to continue to the share buyback program. Within the scope of the decision, the shares with a nominal value of TRY 68,876, corresponding to 10.19% of the Company’s capital, has been bought back at the amount of TRY 3,098,160 including transaction costs as of September 30, 2023 (31 December 2022: TRY 3,098,160). As of the report date, there are no treasury shares that have been sold.

Contribution to shareholders’ equity related to the merger

Contribution to shareholders’ equity related to the merger with Grundig Elektronik A.Ş. at September 30, 2009.

Restricted reserves

The Turkish Commercial Code (“TCC”) stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

The details of these restricted reserves are as follows:

	September 30, 2023	December 31, 2022
Legal reserves	436,431	702,357
Reserves for treasury shares	3,098,160	3,098,160

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No, II-19,1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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NOTE 21 – EQUITY (Continued)

Dividend distribution (Continued)

As agreed in the ordinary general meeting dated March 16, 2023, the decision to pay dividends as cash has been taken and the TRY 1,8 billion (excluding treasury shares: TRY 1,6 billion) In line with this decision, dividend payment was made between 25 and 27 September 2023.

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Other income from operating activities:				
Foreign exchange gains arising from trading activities	6,820,593	4,621,082	1,510,528	1,076,498
Income from claims and grants	183,587	79,077	63,299	24,027
Credit finance income arising from trading	123,292	71,932	41,148	21,812
Expected credit loss provisions no longer required (Note 9)	9,774	27,208	1,054	7,212
Other (*)	27,561	66,608	9,248	58,851
	7,164,807	4,865,907	1,625,277	1,188,400
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(6,978,047)	(3,569,119)	(1,870,364)	(1,096,480)
Credit finance charges arising from trading activities	(1,626,149)	(636,323)	(531,292)	(260,732)
Provision for expected credit lose (Note 9)	(87,456)	(55,924)	(25,539)	(30,991)
Other (**)	(321,066)	(13,616)	(290,629)	(1,196)
	(9,012,718)	(4,274,982)	(2,717,824)	(1,389,399)

(*) As of September 30, 2022, the amount is related to the recognition as income of dividend debts of 53,998 TRY of which the Group's subsidiary Arctic has distributed in previous years, which have not been collected for more than three and a half years and for which the partner has no legal right to claim the dividend.

(**) It includes the administrative fine notified to Arçelik Pazarlama A.Ş., one of the Group's Subsidiaries, by the Competition Authority (274 million TRY with early payment discount).

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NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September, 30, 2023	January 1- September, 30, 2022	July 1- September 30, 30, 2023	July 1- September 30, 30, 2022
Income from investment activities:				
Income from sales of property plant and equipment	34,596	25,363	15,181	13,551
Income from change of contingent liabilities (*)	-	28,793	-	-
Dividends received from financial investments	-	156	-	-
	34,596	54,312	15,181	13,551
Expenses from investment activities:				
Loss from sales of property plant and equipment	(20,277)	(29,339)	(4,919)	(6,084)
	(20,277)	(29,339)	(4,919)	(6,084)

(*) As a result of agreement signed between the Group and Whirlpool Global, contingent payment price amounting to TRY 94,7 million which had been calculated according to the best estimates made by the Group and result of VAT receivables of Arçelik Üretim ve Teknoloji (former title: Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi)’s closing balance will be collected or set off until 2023 as of December 31, 2021 was paid as TRY 65,9 million and the difference TRY 28,8 (Note 19) million was recognized as “income from change of contingent liabilities” on the consolidated financial statements.

NOTE 24 – FINANCIAL INCOME

	January 1- September, 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Gains on derivative instruments	6,708,099	2,308,118	2,414,160	837,703
Foreign exchange gains (*)	5,121,556	3,138,358	985,298	806,766
Interest income	887,311	242,076	421,354	84,082
Other	236,203	60,899	39,216	20,609
	12,953,169	5,749,451	3,860,028	1,749,160

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other financial liabilities.

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NOTE 25 – FINANCIAL EXPENSES

	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Foreign exchange losses (*)	(10,743,855)	(5,007,626)	(1,606,858)	(1,407,079)
Interest expenses (**)	(4,299,037)	(2,752,604)	(1,721,892)	(1,063,832)
Losses on derivative instruments	(3,955,248)	(2,375,902)	(2,945,309)	(828,567)
Interest expense on contingent purchase price	(258,858)	-	(89,198)	-
Other	(298,731)	(73,521)	(119,354)	(27,994)
	(19,555,729)	(10,209,653)	(6,482,611)	(3,327,472)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

(**) TRY 186,535 of the interest expenses consists of the interest expense related to lease liabilities (2022: TRY 95,693).

NOTE 26 – TAX ASSETS AND LIABILITIES

	September 30, 2023	December 31, 2022
Corporation and income taxes	1,770,212	659,960
Prepaid tax	(1,274,204)	(609,695)
Tax liabilities (net)	496,008	50,265
Deferred tax assets	7,054,616	4,055,377
Deferred tax liabilities	(3,091,492)	(2,043,930)
Deferred tax assets, net	3,963,124	2,011,447

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return, Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

As of 30 September 2023, the corporate tax rate is 25% in Turkey (December 31, 2022: 23%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

In accordance with the Law No 7440 on the “Restructuring of Certain Receivables and Amendments to Certain Laws” published in the Official Gazette on March 12, 2023, an additional tax of 10% is to be calculated over the exemptions and deductions subject to corporate income deduction in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022 and without being associated with the period’s income; and an additional tax of 5% is to be calculated over the exempted earnings. As of 30 September 2023, related tax amounts were calculated in the financial statements of Koç Holding, its Subsidiaries and Joint Ventures. The impacts of the additional tax on the consolidated current income tax expense is TL 82,6 million and, The first installment of the payments related to the tax of TL 41,3 million was realized on May 2023 and the 2nd installment paid in August 2023.

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

Income tax expense for the nine months period ended September 30 is as follows:

	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September, 30, 2022
Tax (expense)/income				
- Current period tax expense	(1,605,406)	(961,681)	(667,874)	(413,754)
- Deferred tax income	1,402,576	1,034,284	460,159	677,300
Total tax (expense)/income, net	(202,830)	72,603	(207,715)	263,546

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Property, plant and equipment and intangible assets	15,248,740	10,971,781	(3,544,681)	(2,605,667)
Unused tax advantages (*)	-	-	1,886,574	1,440,561
Deductible financial losses	(4,827,695)	(3,241,129)	1,389,294	954,594
Provision for warranty, assembly and transportation expenses	(2,472,880)	(1,851,960)	593,785	380,208
Inventories	(2,708,907)	(1,020,434)	742,669	288,341
Provision for employment termination benefits	(2,692,615)	(2,186,815)	602,240	427,569
Provision for expected credit lose	(348,818)	(321,767)	105,601	84,564
Derivative instruments	629,000	102,595	(158,076)	(20,895)
Other	(9,846,437)	(4,961,151)	2,345,718	1,062,172
Deferred tax assets, net			3,963,124	2,011,447

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of September 30, 2023 the tax advantage of TRY 1,886,574 (December 31, 2022: TRY 1,440,561) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the condensed consolidated financial statements,

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

Tax Advantages Obtained Under the Investment Incentive System:

Earnings of the Group that are derived from investments linked to an investment incentive certificate are subject to corporate tax at discounted rates for a certain period, which starts when the investment starts to partly or fully operate, and ends when the maximum investment contribution amount is reached. Within this scope, the Group has accounted for TRY 1,886,574 (December 31, 2022: TRY 1,440,561) of tax advantages as deferred tax assets which are expected to be recovered in the foreseeable future in the consolidated financial statements as of September 30, 2023. TRY 446,013 of deferred tax income is recognized in the consolidated profit or loss statement for the period between January 1 - September 30, 2023 from accounting of such deferred tax assets.

Deferred tax assets are recognized for deductible temporary differences, carry forward tax losses and indefinite-life investment incentives which allows payment of corporate tax at discounted rates, as long as it is probable that sufficient taxable income will be generated in the future. In this context, the Group recognizes deferred tax assets from investment incentives based on long-term plans, including taxable profit projections derived from business models, which are re-evaluated at each balance sheet date to assess recoverability of such deferred tax assets. The Group expects to recover such deferred tax assets within 5 years from the balance sheet date.

In the sensitivity analysis performed as of September 30, 2023, when the inputs of the key macroeconomic and sectoral assumptions that form the business plans are increased/decreased by 10%, there is no change in the projected 5-year recovery periods of deferred tax assets related to investment incentives.

Movements in deferred tax asset / (liabilities) for the nine months period ended September 30 are as follows:

	2023	2022
Balance as of January 1	2,011,447	294,686
Deferred tax income recognized		
in statement of profit or loss	1,402,576	1,034,284
Deferred tax income recognized directly in the equity	685,275	88,725
Acquisitions (Note 3)	(107,871)	93,530
Currency translation differences	(28,303)	(98,324)
Balance as of September 30	3,963,124	1,412,901

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NOTE 27 – EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year,

The Companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings, In earnings per share calculation, this bonus share issuance is accepted as shares issued, Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue,

Earnings per share and dividends paid in terms of share groups are as follows:

	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
Profit for the year attributable to shareholders of the Company	2,567,226	1,759,931	1,000,911	335,757
Weighted average number of ordinary shares with nominal value (kurus 1 each one) (*)	60,685,191,700	61,582,528,941	60,685,191,700	60,735,009,026
Earnings per share (kurus)	4.230	2.858	1.649	0.553

(*) For the shares that buyback, see Note 21.

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NOTE 28 – RELATED PARTY DISCLOSURES

- (¹) Koç Holding group companies
(²) Associates
(³) Parent company
(⁴) Joint venture

(i) Balances with related parties

	September 30, 2023	December 31, 2022
(a) Due from related parties:		
Bilkom Bilişim Hizmetleri A.Ş. (¹)	202,970	-
Wat Motor (¹)	98,011	276,993
Koçtaş Yapı Marketleri Ticaret A.Ş. (¹)	76,327	51,598
Token Finansal Teknolojiler A.Ş. (¹)	41,737	45,970
Voltbek (⁴)	27,753	39,220
Other	51,346	6,616
	498,144	420,397

	September 30, 2023	December 31, 2022
(b) Due to related parties:		
<i>Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (¹)	1,927,900	1,390,857
Arçelik-LG (⁴)	1,544,309	249,479
Ram Dış Ticaret A.Ş. (²)	645,242	533,408
Ingage Dijital Pazarlama Hizmetleri A.Ş. (¹)	94,496	141,764
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (¹)	88,076	93,501
Koç Holding A.Ş. (³)	540	115,468
Other	65,330	217,936
	4,365,893	2,742,413

(c) Deposits:

	September 30, 2023	December 31, 2022
Yapı ve Kredi Bankası A.Ş. ve Bağlı Ortaklıkları (¹)	312,815	1,101,472

- (¹) Koç Holding group companies

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(d) Derivative instruments

September 30, 2023	Contract Amount	Fair value	
		assets/	(liabilities)
Yapı ve Kredi Bankası A.Ş. ve Bağlı Ortaklıkları	3,216,864	91,724	(1,503)

December 31, 2022	Contract amount	Fair value	
		assets/	(liabilities)
Yapı ve Kredi Bankası A.Ş. ve Bağlı Ortaklıkları	1,713,121	1,297	(3,716)

(ii) Transactions with related parties

(a) Sales of goods and services:	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
	Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	566,185	393,874	200,163
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	415,103	296,379	171,945	150,311
WAT Motor ⁽¹⁾	143,546	230,599	41,202	48,774
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	141,722	175,570	46,125	42,769
Other	79,712	81,042	38,643	56,689
	1,346,268	1,177,464	498,078	454,645

(b) Purchases of goods and services:	January 1- September 30 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
	Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	5,252,700	4,916,922	2,459,065
Arçelik-LG ⁽⁴⁾	4,362,846	2,614,160	1,578,898	519,649
Ram Dış Ticaret ⁽²⁾	1,698,862	2,127,135	781,524	849,826
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	599,651	372,609	209,983	188,412
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	404,046	186,383	199,439	59,919
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)}	278,407	124,090	1,047	216
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	268,848	516,902	114,106	212,153
Ingage Dijital Pazarlama Hizmetleri ⁽¹⁾	265,196	99,334	136,569	54,475
WAT Motor ⁽¹⁾	53,777	236,289	20,655	58,925
Other	659,996	336,247	320,163	130,510
	13,844,329	11,530,071	5,821,449	4,126,282

(*) The amount consists of insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

(1) Koç Holding group companies

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is 44 days.

The Group purchases air conditioners produced by Arçelik-LG. Purchasing conditions are determined in line with sales conditions.

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company for the nine month ended September 30, 2023 amounts to TRY 112,989 (January 1 - September 30, 2022 TRY 50,995).

The redundancy payments made to the senior executives and the remaining amount is short-term benefits is TRY 926 (September 30, 2022: TRY None).

(d) Other transactions:

	January 1- September 30, 2023	January 1- September 30, 2022	July 1- September 30, 2023	July 1- September 30, 2022
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş.	10,532	82,903	4,517	23,224
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş.	-	(27,378)	-	(8,021)

NOTE 29 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Hedging operations and derivative instruments

Liquidity Risk

The risk of failure in settling financial liabilities is eliminated by managing the consolidated financial position statement and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch, to maintain short term liquidity with effective inventory term, trade receivables and trade payables term, net working capital objectives are set and consolidated statement of financial position ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long-term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed by establishing a fixed-floating balance in the consolidated financial statements and balancing interest rate sensitive assets and maturity with inter balance sheet items and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual re-pricing date of financial liabilities and receivables and “fixed interest/ floating interest”, “short-term/ long-term” balance within liabilities are structured coherently.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion, Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes negotiated,

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors, Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets, Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of September 30, 2023 is as follows:

September 30, 2023	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	498,144	59,481,807	38,583,594	910,263
Secured portion of the maximum credit risk by guarantees, etc, ⁽²⁾	-	(47,611,963)	-	-
A, Net book value of financial asset either are not due or not impaired	498,144	57,185,730	38,583,594	910,263
-Secured portion by guarantees, etc,	-	(44,706,801)	-	-
B, Net book value of overdue but not impaired financial assets	-	2,308,651	-	-
- Secured portion by guarantees, etc,	-	(2,890,995)	-	-
C, Net book value of the impaired assets	-	14,167	-	-
- Overdue (Gross book value)	-	641,551	-	-
- Impairment (-)	-	(627,384)	-	-
- Secured portion of the net value by guarantees, etc,	-	(14,167)	-	-
D, Expected credit losses (-)	-	(26,741)	-	-

Details of credit and receivable risk as of December 31, 2022 is as follows:

December 31, 2022	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	420,397	33,815,044	23,907,488	232,043
Secured portion of the maximum credit risk by guarantees, etc, ⁽²⁾	-	(27,599,468)	-	-
A, Net book value of financial asset either are not due or not impaired	420,397	32,738,640	23,907,488	232,043
-Secured portion by guarantees, etc,	-	(26,907,529)	-	-
B, Net book value of overdue but not impaired financial assets	-	1,076,750	-	-
- Secured portion by guarantees, etc,	-	(676,881)	-	-
C, Net book value of the impaired assets	-	15,058	-	-
- Overdue (Gross book value)	-	761,760	-	-
- Impairment (-)	-	(746,702)	-	-
- Secured portion of the net value by guarantees, etc,	-	(15,058)	-	-
D, Expected credit losses (-)	-	(15,404)	-	-

⁽¹⁾ Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality,

⁽²⁾ Major part of guarantees is composed of mortgages and trade receivable insurances,

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit quality of financial assets which are not overdue and not impaired,

	September 30, 2023	December 31, 2022
Group 1	1,114,626	1,396,585
Group 2	55,879,477	31,505,464
Group 3	689,771	256,988
	57,683,874	33,159,037

Group 1 - New customers (customers for a period less than 3 months),

Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months),

Group 3 - Existing customers with some defaults in the past of which were fully recovered,

b) Aging analysis of the receivables which are overdue but not impaired

	September 30, 2023	December 31, 2022
0-1 month	1,482,151	732,101
1-3 months	394,314	102,669
3-12 months	330,237	156,853
1-5 years	101,949	85,127
	2,308,651	1,076,750

The Group has applied the simplified approach stated in TFRS 9 for the calculation of expected credit loss provision for trade receivables. This approach allows expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group appropriately classified its trade receivables based on maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and forward-looking macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and totals of trade receivable.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Aging analysis of the receivables which are overdue but not impaired (Continued)

Details of the calculation as of September 30, 2023 are as follows:

September 30, 2023	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.004	0.19	0.38	1.62	
Gross carrying amount	58,542,404	317,734	1,327,827	1,304,641	61,492,606
Loss allowance provision	(3,344)	(616)	(1,609)	(21,172)	(26,741)

Details of the calculation as of December 31, 2022 are as follows:

December 31, 2022	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.004	0.09	0.21	1.40	
Gross carrying amount	33,320,524	470,569	476,358	891,583	35,159,034
Loss allowance provision	(1,479)	(413)	(1,015)	(12,497)	(15,404)

Foreign exchange risk

Since the Group operates in a diverse geographical area, operations are performed using multiple currencies. Therefore, foreign exchange risk is one of the most significant financial risks that the Group is exposed to.

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries’ functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

The main principle of foreign currency risk management is to minimize the impact of foreign exchange fluctuations by maintaining foreign exchange asset position close to zero.

Inter balance sheet methods are preferred for the management of foreign currency risk as in other risk items. However, when necessary, derivative instruments are also used for maintaining foreign currency position at a predetermined level.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued and Ruble dominated contingent liabilities as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe and Russia from Euro and Ruble to Turkish Lira, Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations, As of September 30, 2023, a portion of bank borrowings amounting to EUR 210,000,000 and contingent liabilities RUB 11,474,191,456 (before tax) was designated as a net investment hedging instrument (December 31, 2022: EUR 200,000,000 and RUB 10,548,277,984.

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	September 30, 2023	December 31, 2022
Assets	54,777,469	31,268,591
Liabilities	(84,800,775)	(44,516,402)
Net position of financial statement	(30,023,306)	(13,247,811)
Net position of derivative instruments	24,985,982	12,785,037
Foreign currency position (net)	(5,037,324)	(462,774)

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its’ subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands (‘000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of September 30, 2023 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	423,462	419,765	62,397	1,159,226	392,364	58,808	1,788,847	4,844	1,167	581,295	29,036,535
Monetary financial assets	685,415	119,328	28	3,590	9,453	32	1,058,195	2,525	-	5,292	23,452,103
Other	3,393	60,156	-	-	-	-	-	1,710	-	213,821	1,993,560
Non-Current Assets											
Trade receivables	1,647	9,039	-	-	-	-	-	-	-	-	295,271
Total Assets	1,113,917	608,288	62,425	1,162,816	401,817	58,840	2,847,042	9,079	1,167	800,408	54,777,469
Current Liabilities											
Trade payables	402,336	598,777	2,641	113,460	305,548	-	131,896	1,691	-	196,882	29,586,941
Financial liabilities	624,366	59,107	-	-	-	-	-	404	-	-	19,751,931
Other monetary liabilities	6,424	6,610	1	11,474,191	-	-	3,695	499	-	-	3,586,025
Non-Current Liabilities											
Trade payables	-	1,596	-	-	-	-	-	-	-	-	43,693
Financial liabilities	671,950	450,000	-	-	-	-	-	-	-	5,360	31,831,919
Other monetary liabilities	-	10	-	-	-	-	-	-	-	-	266
Total Liabilities	1,705,076	1,116,100	2,642	11,587,651	305,548	-	135,591	2,594	-	202,242	84,800,775
Net Position of Financial Statement	(591,159)	(507,812)	59,783	(10,424,835)	96,269	58,840	2,711,451	6,485	1,167	598,166	(30,023,306)
Off-balance sheet derivative assets (*)	908,386	683,081	-	12,224,191	-	-	-	-	-	305,742	48,794,663
Off-balance sheet derivative liabilities (*)	(404,944)	(231,286)	(52,400)	(2,750,000)	(315,000)	(37,000)	(2,662,500)	(6,183)	-	(1,179,142)	(23,808,681)
Net position of off-balance sheet items	503,442	451,795	(52,400)	9,474,191	(315,000)	(37,000)	(2,662,500)	(6,183)	-	(873,400)	24,985,982
Net Asset/(Liability) Position of Foreign Currency	(87,717)	(56,017)	7,383	(950,644)	(218,731)	21,840	48,951	302	1,167	(275,234)	(5,037,324)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(591,159)	(507,812)	59,783	(10,424,835)	96,269	58,840	2,711,451	6,485	1,167	598,166	(30,023,306)
Hedged Amount of Foreign Currency Assets	404,944	231,286	52,400	2,750,000	315,000	37,000	2,662,500	6,183	-	1,179,142	23,808,681
Hedged Amount of Foreign Currency Liabilities	908,386	683,081	-	12,224,191	-	-	-	-	-	305,742	48,794,663

(*) Some portion of EUR denominated bonds issued and RUB denominated contingent liabilities designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe and Russia, is included in off balance sheet derivative assets.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2022 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	386,622	296,639	52,644	770,243	243,312	57,672	1,645,224	4,267	1,167	749,483	16,577,381
Monetary financial assets	203,084	501,593	108	21	-	140	135,081	9,937	-	40,612	13,628,884
Other	2,888	42,157	-	-	4,578	-	-	1,621	-	4,300	885,043
Non-Current Assets											
Trade receivables	941	8,478	-	-	-	-	-	-	-	-	177,283
Total Assets	593,535	848,867	52,752	770,264	247,890	57,812	1,780,305	15,825	1,167	794,395	31,268,591
Current Liabilities											
Trade payables	317,560	435,271	6,265	94,119	70,752	-	321,204	1,653	19,910,499	144,783	15,053,310
Financial liabilities	155,595	555,045	-	-	-	-	-	938	-	-	13,493,267
Other monetary liabilities	4,772	9,166	2	-	-	-	118,859	710	-	552	293,824
Non-Current Liabilities											
Trade payables	-	370	-	-	-	-	-	-	-	-	6,918
Financial liabilities	653,206	-	-	-	-	-	-	-	-	-	13,021,596
Other monetary liabilities	-	128	-	10,193,848	-	-	-	-	-	-	2,647,487
Total Liabilities	1,131,133	999,980	6,267	10,287,967	70,752	-	440,063	3,301	19,910,499	145,335	44,516,402
Net Position of Financial Statement	(537,598)	(151,113)	46,485	(9,517,703)	177,138	57,812	1,340,242	12,524	(19,909,332)	649,060	(13,247,811)
Off-balance sheet derivative assets (*)	558,786	330,246	-	10,193,848	-	-	60,000	-	-	139,337	20,107,297
Off-balance sheet derivative liabilities (*)	(39,307)	(153,463)	(55,800)	(1,450,000)	(275,000)	(60,000)	(1,300,000)	(12,250)	-	(690,280)	(7,322,260)
Net position of off-balance sheet items	519,479	176,783	(55,800)	8,743,848	(275,000)	(60,000)	(1,240,000)	(12,250)	-	(550,943)	12,785,037
Net Asset/(Liability) Position of Foreign Currency	(18,119)	25,670	(9,315)	(773,855)	(97,862)	(2,188)	100,242	274	(19,909,332)	98,117	(462,774)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(537,598)	(151,113)	46,485	(9,517,703)	177,138	57,812	1,340,242	12,524	(19,909,332)	649,060	(13,247,811)
Hedged Amount of Foreign Currency Assets	39,307	153,463	55,800	1,450,000	275,000	60,000	1,300,000	12,250	-	690,280	7,322,261
Hedged Amount of Foreign Currency Liabilities	558,786	330,246	-	10,193,848	-	-	60,000	-	-	139,337	20,107,298

(*) Some portion of EUR denominated bonds issued designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of September 30, 2023, and December 31, 2022, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
September 30, 2023				
USD net asset/liability				
Secured portion from USD risk	(1,390,221)	1,390,221	(921,178)	921,178
USD Net effect	1,236,866	(1,236,866)	1,236,866	(1,236,866)
EUR net asset/liability	(153,355)	153,355	315,688	(315,688)
Secured portion from EUR risk	(1,063,075)	1,063,075	(1,748,899)	1,748,899
EUR Net effect	808,428	(808,428)	1,461,517	(1,461,517)
GBP net asset/liability	(254,647)	254,647	(287,382)	287,382
Secured portion from GBP risk	200,163	(200,163)	219,553	(219,553)
GBP Net effect	(175,444)	175,444	(175,444)	175,444
JPY net asset/liability	24,719	(24,719)	44,109	(44,109)
Secured portion from JPY risk	49,692	(49,692)	49,692	(49,692)
JPY Net effect	(48,795)	48,795	(48,795)	48,795
PLN net asset/liability	897	(897)	897	(897)
Secured portion from PLN risk	36,903	(36,903)	52,857	(52,857)
PLN Net effect	(23,206)	23,206	(23,206)	23,206
RUB net asset/liability	13,697	(13,697)	29,651	(29,651)
Secured portion from RUB risk	29,337	(29,337)	488,718	(488,718)
RUB Net effect	(55,914)	55,914	264,870	(264,870)
VND net asset/liability	(26,577)	26,577	753,588	(753,588)
Secured portion from VND risk	-	-	(31,754)	31,754
VND Net effect	-	-	-	-
CNY net asset/liability	-	-	(31,754)	31,754
Secured portion from CNY risk	35,893	(35,893)	13,563	(13,563)
CNY Net effect	(117,445)	117,445	(117,445)	117,445
SGD net asset/liability	(81,552)	81,552	(103,882)	103,882
Secured portion from SGD risk	13,034	(13,034)	13,034	(13,034)
SGD Net effect	(12,426)	12,426	(12,426)	12,426
Other net asset/liability	608	(608)	608	(608)
Secured portion from other currency risk	59,819	(59,817)	1,556,586	(1,556,586)
Other Currency Net effect	(87,341)	87,339	(87,341)	87,341
	(27,522)	27,522	1,469,245	(1,469,245)
	(503,732)	503,732	2,190,768	(2,190,768)

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2022	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(282,555)	282,555	(341,781)	341,781
Secured portion from USD risk	330,554	(330,554)	330,554	(330,554)
USD Net effect	47,999	(47,999)	(11,227)	11,227
EUR net asset/liability	(679,696)	679,696	(840,336)	840,336
Secured portion from EUR risk	643,576	(643,576)	1,035,576	(1,035,576)
EUR Net effect	(36,120)	36,120	195,240	(195,240)
GBP net asset/liability	104,541	(104,541)	136,251	(136,251)
Secured portion from GBP risk	(125,490)	125,490	(125,490)	125,490
GBP Net effect	(20,949)	20,949	10,761	(10,761)
JPY net asset/liability	18,938	(18,938)	18,938	(18,938)
Secured portion from JPY risk	(17,521)	17,521	(17,521)	17,521
JPY Net effect	1,417	(1,417)	1,417	(1,417)
PLN net asset/liability	24,652	(24,652)	60,240	(60,240)
Secured portion from PLN risk	(25,585)	25,585	(25,585)	25,585
PLN Net effect	(933)	933	34,655	(34,655)
RUB net asset/liability	26,741	(26,741)	(16,701)	16,701
Secured portion from RUB risk	(46,822)	46,822	226,885	(226,885)
RUB Net effect	(20,081)	20,081	210,184	(210,184)
VND net asset/liability	(1,573)	1,573	(15,516)	15,516
Secured portion from VND risk	-	-	-	-
VND Net effect	(1,573)	1,573	(15,516)	15,516
CNY net asset/liability	47,484	(47,484)	30,742	(30,742)
Secured portion from CNY risk	(73,717)	73,717	(73,717)	73,717
CNY Net effect	(26,233)	26,233	(42,975)	42,975
SGD net asset/liability	17,488	(17,488)	17,488	(17,488)
Secured portion from SGD risk	(17,106)	17,106	(17,106)	17,106
SGD Net effect	382	(382)	382	(382)
Other net asset/liability	64,909	(64,909)	1,597,349	(1,597,349)
Secured portion from other currency risk	(55,095)	55,095	(55,094)	55,094
Other Currency Net effect	9,814	(9,814)	1,542,255	(1,542,255)
	(46,277)	46,277	1,925,176	(1,925,176)

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of September 30, 2023 and September 30, 2022 are as follows:

	September 30, 2023 TRY	September 30, 2022 TRY
EUR	18,844,630	14,754,658
USD	6,747,867	6,782,011
GBP	6,391,247	4,869,211
Other	5,593,854	3,343,059
Total exports	37,577,598	29,748,939
EUR	7,708,532	6,423,357
USD	18,260,626	11,729,124
Other	44,056	37,316
Total imports	26,013,214	18,189,797

NOTE 30 – FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectible are estimated to be their fair values.

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term,

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NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (continued)

As of September 30, 2023, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 37,005,224 (December 31, 2022: TRY 30,763,804) (Note 7) and TRY 37,528,152 (December 31, 2022: TRY 28,505,680) respectively, Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

Contingent consideration from acquisition transactions

Group measures the contingent consideration liabilities arising from purchase/acquisition transactions at their fair value on it’s consolidated financial statements. In this context, the contingent consideration liability in relation to the acquisition of IHP Appliances JSC and IHP Appliances Sales LLC, whose acquisitions have been completed as of August 31, 2022 are measured at fair value in the consolidated financial statements as of September 30, 2023.

The contingent consideration liability is calculated by discounting the expected future cash flows of the acquired companies to date. Estimations on earnings before interest tax depreciation amortization (“EBITDA”), long term growth rate and discount rates are taken into account in the calculation of discounted future cash flows of the acquired companies. According to the Group's assessments, EBITDA growth rates are the key assumptions used in the calculation of the discounted contingent consideration liabilities.

Under the assumption of 1% increase/decrease in EBITDA growth rates as at September 30, 2023, all other variables held constant, the Group’s contingent consideration liability would have been increased by TRY 213,762 /decreased by TRY 470,766.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs.

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NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table (Continued)

Fair value hierarchy table as of September 30, 2023 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	910,263	-
Financial investments (Note 6)	27,256	22,704	2,270
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(456,649)	-
Other long-term financial liabilities (Note 20)	-	-	(3,207,840)

Fair value hierarchy table as of December 31, 2022 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	232,043	-
Financial investments (Note 6)	22,562	15,493	901
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(179,692)	-
Other long term liabilities (Note 20)	-	-	(2,737,067)

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NOTE 31 – SUPPLEMENTARY CASH FLOW INFORMATION

Statements of cash flows are presented within the consolidated financial statements,

Details of “adjustments for provisions” and “adjustments for impairment loss” lines presented in the consolidated statements of cash flows are as follows:

	1 January- September 30, 2023	1 January- September 30, 2022
Adjustments for provisions:		
Accrual for customer premiums	6,745,454	1,460,139
Provision for assembly and transportation cost	4,161,301	790,345
Warranty provision	3,501,781	586,911
Provision for employment termination benefits	288,950	131,344
Provision for vacation pay liability	239,627	158,287
Accrual for bonuses and premiums	115,572	85,476
Other provisions	16,551	(38,314)
	15,069,236	3,174,188
Adjustments for impairment loss:		
Provision for expected credit lose (Note 9)	77,682	55,924
Provision for impairment on inventories	(103,638)	26,469
	(25,956)	82,393

NOTE 32 – EVENTS AFTER BALANCE SHEET DATE

None.

NOTE 33 – OTHER SUBJECTS

As stated by our company in the material disclosure dated January 17, 2023, the establishment of a partnership among Arçelik and Whirlpool Corporation under the control of Arçelik for European activities, and the process regarding the acquisition of all shares by Ardutch of the two subsidiaries of Whirlpool, established in the United Arab Emirates and Morocco and operating in the Middle East and North Africa ("MENA") market, continues with Whirlpool.