(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

JANUARY 1 - DECEMBER 31, 2019 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

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3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matter*
Recoverability of trade receivables Trade receivables from third parties (TL 9.549.714 thousand as of 31 December 2019), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit. Please refer to notes 2.3, 9 and 35 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.	We performed the following procedures in relation to the recoverability of trade receivables: • Understanding the business process for collections from customers, evaluating the operational effectiveness of controls embedded in the business process and testing of selected key controls, • Understanding and evaluating the customer and distributor collections process run by the finance department, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. We had no material findings related to the recoverability of trade receivables as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Provision for the impairment of inventories The Group's inventories, amounting to TL 5.630.251 thousand as of 31 December 2019, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit. Please refer to notes 2.3 and 11 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.	Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year and determination of slow moving inventories based on group of products if any, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, test of mathematical accuracy of the calculation and reconciliation of the provision to the Group's consolidated financial statements, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. We had no material findings related to the provision for the impairment of inventories as a result of these procedures.

3. **Key Audit Matters (Continued)**

Key audit matters	*How our audit addressed the key audit matter*
Impairment tests of indefinite-life intangible assets The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 1.397.993 thousand and TL 808.786 thousand, respectively, in the consolidated financial statements as of 31 December 2019. In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually. Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit. Please refer to notes 2.3, 14 and 15 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of brands and goodwill: • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management forecasts and future plans based on macroeconomic information, • Comparing forecasted cash flows for each CGU with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Assessing management's sensitivity analysis for key assumptions, • Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets, and evaluating the adequacy of these disclosures for TFRS' requirements. We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.

3. Key Audit Matters (Continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Application of TFRS 16, "Leases" and its impacts on the consolidated financial statements and notes to the consolidated financial statements
TFRS 16, "Leases" ("TFRS 16") is effective for periods beginning on or after 1 January 2019. The application of the new standard resulted in the recognition of right of use assets amounting to TL 737.711 thousand and increase in financial lease liabilities amounting to TL 735.420 thousand. The Group has preferred the simplified transition method in the first time adoption of TFRS 16 and has not restated comparative consolidated financial statements.
The amounts recognized as a result of the adoption of TFRS 16 are significant for the consolidated financial statements and the determination of the accounting policy requires the assessment of the Group management. In addition, the measurement of the right of use assets and financial lease liabilities are based on significant estimates and assumptions of the management. The substantial part of these estimates are interest rates used to discount cash flows and assessment of options to extend or terminate lease contracts. Nevertheless, the notes to the consolidated financial statements of the Group as of 31 December 2019 are significantly affected by the application of TFRS 16.
Therefore, the impacts of the first time adoption of TFRS 16 on the consolidated financial statements and the notes to the consolidated financial statements are determined as a key audit matter for our audit.
Please refer to notes 2.2 and 13 to the consolidated financial statements for the amounts and disclosures, including the related accounting policies.
</td><td>
We performed the following procedures in relation to the application of TFRS 16, the impacts of the consolidated financial statements and notes to the consolidated financial statements:

Understanding and evaluating the significant processes affecting financial reporting related to the adoption of TFRS 16,
Inquiring with the Group management and understanding their assessment regarding the transition process to TFRS 16 and assessing the compliance of their assessment with the transition rules of the standard,
Evaluating the completeness of the contract lists obtained from the Group management, assessment of selected contracts whether they are a service or lease contract and evaluating whether the contracts defined by the Group as leases are in scope of TFRS 16,
Evaluating the compliance of the simplified transition method applied by the Group in the transition period to the provisions related to transition,
Recalculation of the right of use assets and related financial lease liabilities recognised in the consolidated financial statements by using rates such as interest rate, rent increase rate etc. for the selected lease contracts that are in scope of TFRS 16,
Evaluating the compliance of inputs used in the calculation like rent increase rate, interest rate etc for these selected contracts,
Selecting the lease contracts used in the calculation of right of use assets and financial lease liabilities on a sample basis and testing the compliance of the term of the lease contacts and the assessment of the extension options applied if such options exist with the provision of the contract,
Testing the disclosures in the consolidated financial statements in relation to the application of TFRS 16 and evaluating the adequacy of such disclosures.

We had no material findings related to the Application of TFRS 16, "Leases" as a result of these procedures.
</td></tr>
</table>

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 7 February 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Cihan Harman, SMMM
Partner

Istanbul, 7 February 2020

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

		Audited	
	Notes	**December 31, 2019**	**December 31, 2018**
ASSETS			
Current assets:			
Cash and cash equivalents	5	6,937,060	5,341,524
Trade receivables			
-Due from related parties	33	17,674	12,059
-Trade receivables, third parties	9	9,498,171	7,744,252
Derivative instruments	8	2,008	28,405
Inventories	11	5,630,251	5,087,676
Prepaid expenses	20	209,835	181,519
Current income tax assets	21	141,244	118,220
Other current assets	23	746,403	681,903
Total current assets		**23,182,646**	**19,195,558**
Non-current assets:			
Financial investments	6	3,009	1,856
Trade receivables			
-Trade receivables, third parties	9	51,543	35,690
Derivate instruments	8	-	166,813
Investments accounted for using the equity method	12	526,499	346,605
Property, plant and equipment	13	6,041,402	4,534,276
Intangible assets			
-Goodwill	15	808,786	507,966
-Other intangible assets	14	2,977,935	2,600,849
Prepaid expenses	20	125,390	100,501
Deferred tax assets	31	1,012,290	878,247
Total non-current assets		**11,546,854**	**9,172,803**
Total assets		**34,729,500**	**28,368,361**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

		Audited	
	Notes	December 31, 2019	December 31, 2018
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	4,032,534	4,022,086
Short-term portion of long-term borrowings	7	2,119,221	1,494,640
Trade payables			
-Due to related parties	33	605,967	441,597
-Trade payables, third parties	9	4,958,172	4,292,847
Derivative instruments	8	13,509	251,095
Employee benefit obligations	22	468,255	344,171
Other payables			
-Due to related parties	33	31,655	27,794
-Other payables, third parties	10	400,570	241,069
Current income tax liabilities	31	8,740	42,978
Provisions			
-Other provisions	18	713,522	582,339
Other current liabilities	23	1,362,780	756,340
Total current liabilities		**14,714,925**	**12,496,956**
Non-current liabilities:			
Long-term borrowings	7	8,803,381	6,431,552
Derivative instruments	8	69,097	-
Other payables			
-Due to related parties	33	-	28,180
Provisions			
-Provision for employee benefits	19	344,486	289,560
-Other provisions	18	139,281	155,868
Deferred tax liabilities	31	575,898	511,386
Other non-current liabilities	23	266,463	235,697
Total non-current liabilities		**10,198,606**	**7,652,243**
Total liabilities		**24,913,531**	**20,149,199**

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019

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

	Notes	Audited December 31, 2019	Audited December 31, 2018
EQUITY			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	468,811	468,811
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		(228,111)	(177,981)
- Gains/ losses on financial assets measured at fair value through other comprehensive income		2,443	1,348
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		3,611,032	2,871,675
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(675,927)	(601,215)
-Gains/ losses on cash flow hedges		(60,101)	5,405
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital	24	14,507	14,507
Restricted reserves	24	409,115	409,115
Retained earnings		4,515,065	3,663,309
Net income for the period		924,833	851,756
Equity holders of the parent		9,658,284	8,183,347
Non-controlling interest		157,685	35,815
Total equity		**9,815,969**	**8,219,162**
Total liabilities and equity		**34,729,500**	**28,368,361**
Commitments, contingent assets and liabilities	16		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

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

		Audited	
	Notes	**2019**	**2018**
Net sales	4,25	31,941,773	26,904,384
Cost of sales	26	(21,682,666)	(18,358,622)
Gross profit		**10,259,107**	**8,545,762**
General administrative expenses	26	(1,594,398)	(1,209,472)
Marketing expenses	26	(6,124,521)	(5,094,434)
Research and development expenses	26	(256,751)	(204,792)
Other income from operating activities	27	918,735	1,324,815
Other expenses from operating activities	27	(548,414)	(724,557)
Operating profit		**2,653,758**	**2,637,322**
Income from investment activities	28	6,816	13,278
Expenses from investment activities	28	(8,556)	(6,795)
Share of profit/loss of investments accounted for using the equity method	12	21,041	12,226
Operating income before financial income/(expense)		**2,673,059**	**2,656,031**
Financial income	29	3,114,323	2,965,219
Financial expenses	30	(4,673,202)	(4,671,844)
Profit from continuing operations before tax		**1,114,180**	**949,406**
Tax income/(expense), continuing operations			
- Taxes on income	31	(244,526)	(248,748)
- Deferred tax income	31	83,372	155,183
Net income		**953,026**	**855,841**
Attributable to			
Non-controlling interest		28,193	4,085
Equity holders of the parent		**924,833**	**851,756**
Earnings per share (kurus)	32	**1.369**	**1.261**
Diluted earnings per share (kurus)	32	**1.369**	**1.261**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Audited	
	2019	**2018**
Net income	**953,026**	**855,841**
Other comprehensive income		
Not to be reclassified to profit or loss	**(60,847)**	**(81,719)**
Gain/ loss arising from defined benefit plans	(59,288)	(79,884)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(2,712)	(1,139)
Gain/ loss on financial assets measured at fair value through other comprehensive income	1,153	(696)
Not to be reclassified to profit or loss, tax effect	**11,812**	**15,979**
Gain/ loss arising from defined benefit plans, tax effect	11,870	15,944
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	(58)	35
To be reclassified to profit or loss	**573,540**	**1,024,759**
Currency translation differences	739,136	1,239,434
Other comprehensive income related with hedges of net investments in foreign operations	(95,785)	(232,692)
Other comprehensive income related with cash flow hedge	(69,097)	-
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	(11,610)	(1,858)
Currency translation differences of investments accounted for using the equity method	10,896	19,875
To be reclassified to profit or loss, tax effect	**36,274**	**51,192**
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	21,073	51,192
Other comprehensive income related with cash flow hedge, tax effect	15,201	-
Other comprehensive income/ (loss) (net of tax)	**560,779**	**1,010,211**
Total comprehensive income	**1,513,805**	**1,866,052**
Attributable to:		
Non-controlling interest	38,868	13,844
Equity holders of the parent	**1,474,937**	**1,852,208**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss			Accumulated profit				
	Paid-in capital	Adjustment to share capital	Share premium /discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through other comprehensive income	Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2018	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**2,009**	**(412,452)**	**1,622,125**	**368,993**	**3,410,341**	**842,949**	**6,880,998**	**34,079**	**6,915,077**
Other restatements	-	-	-	-	-	-	-	-	-	**(114,859)**	-	**(114,859)**	-	**(114,859)**
IFRS 15 effect, net	-	-	-	-	-	-	-	-	-	(111,693)	-	**(111,693)**	-	**(111,693)**
IFRS 9 effect, net	-	-	-	-	-	-	-	-	-	(3,166)	-	**(3,166)**	-	**(3,166)**
Restated balances	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**2,009**	**(412,452)**	**1,622,125**	**368,993**	**3,295,482**	**842,949**	**6,766,139**	**34,079**	**6,800,218**
Transfers	-	-	-	-	-	-	-	-	40,122	802,827	(842,949)	-	-	-
Total comprehensive income	-	-	-	-	(65,079)	(661)	(183,358)	1,249,550	-	-	851,756	**1,852,208**	13,844	**1,866,052**
Net income	-	-	-	-	-	-	-	-	-	-	851,756	**851,756**	4,085	**855,841**
Other comprehensive income	-	-	-	-	**(65,079)**	**(661)**	**(183,358)**	**1,249,550**	-	-	-	**1,000,452**	**9,759**	**1,010,211**
Dividends paid	-	-	-	-	-	-	-	-	-	(435,000)	-	**(435,000)**	(12,108)	**(447,108)**
As of December 31, 2018	**675,728**	**468,811**	**889**	**14,507**	**(177,981)**	**1,348**	**(595,810)**	**2,871,675**	**409,115**	**3,663,309**	**851,756**	**8,183,347**	**35,815**	**8,219,162**
Balance at January 1, 2019	**675,728**	**468,811**	**889**	**14,507**	**(177,981)**	**1,348**	**(595,810)**	**2,871,675**	**409,115**	**3,663,309**	**851,756**	**8,183,347**	**35,815**	**8,219,162**
Transfers	-	-	-	-	-	-	-	-	-	851,756	(851,756)	-	-	-
Total comprehensive income	-	-	-	-	**(50,130)**	**1,095**	**(140,218)**	**739,357**	-	-	**924,833**	**1,474,937**	**38,868**	**1,513,805**
Net income	-	-	-	-	-	-	-	-	-	-	924,833	**924,833**	28,193	**953,026**
Other comprehensive income	-	-	-	-	**(50,130)**	**1,095**	**(140,218)**	**739,357**	-	-	-	**550,104**	10,675	**560,779**
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	83,002	**83,002**
As of December 31, 2019	**675,728**	**468,811**	**889**	**14,507**	**(228,111)**	**2,443**	**(736,028)**	**3,611,032**	**409,115**	**4,515,065**	**924,833**	**9,658,284**	**157,685**	**9,815,969**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

		Audited	
	Notes	**2019**	**2018**
Cash flows from operating activities:			
Net income:		**953,026**	**855,841**
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for tax expense (income)	31	161,154	93,565
Adjustments for depreciation and amortisation expense	26	1,054,934	690,414
Adjustments for impairment loss	36	88,801	65,656
Adjustments for provisions	36	383,637	289,387
Adjustments for interest expense	30	1,567,957	1,009,229
Adjustments for interest income	29	(157,339)	(61,644)
Adjustments for undistributed profits of investments accounted for using equity method	12	(21,041)	(12,226)
Adjustments for fair value (gains) losses on derivative financial instruments	29,30	(14,769)	(278,752)
Adjustments for unrealised foreign exchange losses (gains)	29,30	145,042	1,021,151
Other adjustments to reconcile profit (loss)	29,30	17,988	16,641
Adjustments for income arised from government grants	27	(72,940)	(77,722)
Adjustments for dividend (income) expenses	28	-	(94)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	28	4,320	-
Adjustments for losses (gains) on disposal of non-current assets	28	(2,580)	(6,389)
Net cash flow from operating activities before changes in operating assets and liabilities		**4,108,190**	**3,605,057**
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,548,013)	(1,283,364)
Adjustments for decrease (increase) in inventories		(287,696)	(1,348,338)
Decrease (increase) in prepaid expenses		(42,848)	(75,301)
Adjustments for increase (decrease) in trade payables		916,705	1,158,876
Increase (decrease) in employee benefit liabilities		69,978	(71,293)
Adjustments for increase (decrease) in other operating payables		(30,402)	(32,673)
Increase (decrease) in government grants and assistance		34,676	49,803
Other adjustments for other increase (decrease) in working capital		104,601	(216,048)
Income taxes refund (paid)		(150,311)	(105,810)
Cash flows from operating activities		**3,174,880**	**1,680,909**
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses	3	(406,321)	-
Purchase of property, plant, equipment and intangible assets		(1,379,604)	(1,797,305)
Proceeds from sales of property, plant, equipment and intangible assets		41,483	37,507
Advances given for fixed assets		-	9,044
Dividends received		-	26,265
Cash outflows from participations and / or joint ventures share acquisitions or capital increase	12	(167,686)	(57,237)
Cash flows from investing activities		**(1,912,128)**	**(1,781,726)**
Financing activities:			
Proceeds from borrowings	7	4,265,420	5,548,940
Repayments of borrowings	7	(3,811,499)	(2,288,445)
Dividends paid		-	(435,168)
Payments of lease liabilities	7	(281,525)	-
Interest paid		(1,434,642)	(832,947)
Interest received		147,463	58,468
Bonds issued	7	1,000,000	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(27,880)	368,123
Other inflows (outflows) of cash		(17,988)	(16,641)
Cash flows from financing activities		**(160,651)**	**2,402,330**
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**1,102,101**	**2,301,513**
Effect of currency translation differences		483,559	454,872
Net increase/(decrease) in cash and cash equivalents		**1,585,660**	**2,756,385**
Cash and cash equivalents at January 1	5	**5,337,278**	**2,580,893**
Cash and cash equivalents at December 31	5	**6,922,938**	**5,337,278**

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

(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 twenty-one manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 23).

The Company's head office is located at: Karaağaç Caddesi No: 2-6 Sütlüce 34445 Beyoğlu Istanbul / Turkey.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 1986. As of December 31, 2019, the publicly listed shares are 25.15% of the total shares. (Dec 31, 2018: 25.15%)

The average number of personnel employed by categories in the Group in 2019 is 7,568 monthly paid (2018: 6,767) and 24,603 hourly paid (2018: 23,110) totalling to 32,171 (2018: 29,877).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Wat Motor San ve Tic. A.Ş. ("Wat Motor")	Turkey	Production/Sales	Multi-Purpose Motor
Token Finansal Teknolojiler A.Ş. ("Token")	Turkey	Information Techn.	Payment Systems
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") (*)	Taiwan	Purchase	Consumer Durables/Electronics
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D	Developing technology and design
Beko A and NZ Pty Ltd. ("Beko Australia") (*)	Australia, New Zealand	Sales	Consumer Durables
Beko APAC IBC Co. ("Beko APAC") (2)	Thailand	Service	Service
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables Beko Appliances
Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Gulf FZE ("Beko Gulf")	United Arab Emirates	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") (1)	Israel	Sales	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") (1)	Morocco	Sales	Consumer Durables/Electronics
Beko Philippines Inc. ("Beko Philippines") (1)	Republic of the Philippines	Sales	Consumer Durables
Beko Plc. ("Beko UK") (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") (*)	Poland, 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	Production/Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	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 South Africa	Production/Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
International Appliances Limited ("International Appliances") (Note 3)	Bangladesh	Production/Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Retail Holdings Bhold B.V ("Retail Holdings") (Note 3)	Netherlands	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited ("Singer") (Note 3)	Bangladesh	Investment	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

(*) Branches of the Subsidiary, which operate in a different country, are separately presented.
(1) Beko Israel, Beko Morocco and Beko Philippines have been established as a sales company in year 2019.
(2) Beko APAC has been established as a service company in year 2019.

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

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

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Ceased operations as of reporting date			
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Associates			
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing /Communication
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 consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2019 has been approved for issue by the Board of Directors on 7 February 2020. These consolidated financial statements will be finalised following their approval in the General Assembly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The 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") 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 consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on April 15, 2019 by POA and the format and mandatory information recommended by CMB.

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 and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 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, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations applicable as at 31 December 2019:

Amendment to IFRS 9, 'Financial instruments': effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. This change does not have any impact on the Group's financial performance.

Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. This change does not have any impact on the Group's financial performance.

IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact on the Group's performance is explained detail in Note 2.2

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations applicable as at 31 December 2019 (Continued):

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This change does not have any impact on the Group's financial performance.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

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 consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

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

2.1 Basis of presentation (Continued)

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 recognised in the "currency translation difference" under the use of equity.

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

(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)

Consolidation principles (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 December 31, 2019 and December 31, 2018 (%) and their functional currencies:

		December 31, 2019		December 31, 2018	
	Functional currency	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arch R&D	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Beko APAC	Thai Baht ("THB")	100.00	100.00	-	-
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar ("SRD")	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Beko Deutschland	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira ("EGP")	100.00	100.00	100.00	100.00
Beko Espana	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko France	Euro ("EUR")	100.00	100.00	100,00	100.00
Beko Gulf	Dirham ("AED")	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Indonesia	Indonesian Rupiah ("IDR")	100.00	100.00	100.00	100.00
Beko Israel	New Israeli Shekel ("ILS")	100.00	100.00	-	-
Beko Italy	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Malaysia	Malaysian Ringgit ("MYR")	100.00	100.00	100.00	100.00
Beko Morocco	Moroccan Dirham ("MAD")	100.00	100.00	-	-
Beko Polska	Polish Zloty ("PLN"), Czech Koruna ("CZK")	100.00	100.00	100.00	100.00
Beko Philippines	Philippine Peso ("PHP")	100.00	100.00	-	-
Beko Russia	Russian Ruble ("RUB")	100.00	100.00	100.00	100.00
Beko Slovakia	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan ("CNY")	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko UK	British Pound ("GBP")/ Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna ("UAH")	100.00	100.00	100.00	100.00
Beko US	US Dollar ("USD")	100.00	100.00	100.00	100.00
CoVii	Euro ("EUR")	-	-	51.00	51.00
Dawlance (Private)	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Swaziland	Svazi Lilangeni ("SZL")	100.00	100.00	100.00	100.00
DEL Electronics	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro("EUR")/ Croatian Kuna ("HRK")	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone ("NOK")	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona ("SEK")	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc ("CHF")	100.00	100.00	100.00	100.00
International Appliances	Bangladeshi Taka ("BDT")	56.99	56.99	-	-
Pan Asia	US Dollar ("USD")	100.00	100.00	100.00	100.00
Pazarlama A.Ş.	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Retail Holdings	Euro ("EUR")	100.00	100.00	-	-
Singer Bangladesh	Bangladeshi Taka ("BDT")	56.99	56.99	-	-
Token	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
United Refrigeration Industries	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Vietbeko	Vietnamese Dong ("VND")	100.00	100.00	100.00	100.00
Wat Motor	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00

(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)

Consolidation principles (Continued)

(d) Associates and joint ventures are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the date of the caesura of the significant influence, the investment is carried at fair value.

The table below sets out all associates and joint ventures shows their direct and indirect ownership as of December 31, 2019 and 2018 (%):

	2019	**2018**
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00
Voltbek	49.00	49.00

(e) Financial assets in which the Group has ownership interests below 20%, or in which a significant influence is not exercised by the Group that have quoted market prices in active markets and whose fair values can be reliably measured are classified as financial assets measured at fair value through other comprehensive income in the consolidated financial statements.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

Going concern

The Group prepared consolidated 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.

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

2.1 Basis of presentation (Continued)

Comparatives and restatement of prior periods' financial statements

The 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 except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

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 Group has adopted TFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first-time adoption of TFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

TFRS 16 Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.

b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.

c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

    i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;

    ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

2.2 Restatement and errors in the accounting policies and estimates *(Continued)*

TFRS 16 Leases (Continued)

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

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

2.2 Restatement and errors in the accounting policies and estimates *(Continued)*

TFRS 16 Leases (Continued)

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period. The total lease expense for the contracts with variable rent payments in the year ended as of 31 December 2019 is TRY 11,460.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group – as a lessor

The Group's activities as a lessor are not material.

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

(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 *(Continued)*

TFRS 16 Leases (Continued)

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	**407,801**
- Short term leases (-)	(14,210)
- Low value leases (-)	(811)
- Adjustments for extension or early termination options	466,677
- Finance lease obligations (+)	3,394
Total lease liabilities within the scope of TFRS 16 (non-discounted)	**862,851**
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	**743,980**
- Short term lease liabilities	209,102
- Long term lease liabilities	534,878

The weighted average of the Group's incremental borrowing rates for all currencies as at 1 January 2019 is 10.39%.

As of January 1, 2019, and December 31, 2019, the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	31 December 2019	1 January 2019
Land	1,952	-
Buildings	639,655	609,989
Machinery, equipment and installations	29,830	49,676
Motor vehicles	66,274	84,315
Total right of use	**737,711**	**743,980**

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 33).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus, these transactions are eliminated in the consolidated financial statements.

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

2.3 Summary of significant accounting policies (Continued)

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 9).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 27).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account. Factoring are not frequently performed in terms of treasury transactions. Therefore, it does not affect the "held to collect" business model of the Group.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

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

2.3 Summary of significant accounting policies (Continued)

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

2.3 Summary of significant accounting policies (Continued)

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

2.3 Summary of significant accounting policies (Continued)

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 34).

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

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

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line or unit of production methods based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 13). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 14).

a) Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

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

2.3 Summary of significant accounting policies (Continued)

Other intangible assets (Continued)

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

d) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5-10 years).

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (8, 22 and 50 years).

Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations have been accounted for by using the purchase method in the scope of TFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

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

2.3 Summary of significant accounting policies (Continued)

Business combinations and goodwill (Continued)

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 15). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 14). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 29 and Note 30).

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 31).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.3 Summary of significant accounting policies (Continued)

Current and deferred income tax (Continued)

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future;
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent can control the timing of the reversal of the temporary difference;
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 19).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

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

2.3 Summary of significant accounting policies (Continued)

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.
Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

Group recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from sale of goods

Group recognizes revenue based on the sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 25). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

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

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 24).

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

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

2.3 Summary of significant accounting policies (Continued)

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 18).

Assembly provisions

Assembly provision includes provision provided for the marketing expenses incurred for the assembly of products bought by the end users. This provision is calculated based on the past statistical information and projections for the future (Note 18).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 17).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 4).

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

2.3 Summary of significant accounting policies (Continued)

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 14 and 15). Impairment was not identified as a result of these tests.

Provision for employee termination benefits

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Not 19).

Useful lives

The Group capitalizes the tangible and intangible assets in accordance with TAS 16 and TAS 38. The Group defines useful life of its assets in terms of the assets expected utility to the Group. Economic useful lives accepted by the Group is disclosed in Note 2.3.

Warranty expenses

The Group recognizes warranty provisions for products under the scope of the warranty terms based the estimations using past statistical information (Note 18).

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

NOTE 3 – BUSINESS COMBINATIONS

On April 3, 2019 the Group has acquired 100% of the shares of Retail Holdings Bhold B.V. located in the Netherlands, who owns 56.99% share in Singer Bangladesh Ltd, (to be called as "Singer Bangladesh" hereinafter).

Singer Bangladesh is a public company and one of the leading companies in Bangladeshi home appliance market and manufactures refrigerators, TV AC's and furniture with Singer brand in its 2 manufacturing facilities in Bangladesh. This acquisition is expected to contribute to the Group's goals to grow in emerging markets.

The difference between total consideration amount and net assets acquired has been accounted in accordance with TFRS 3, "Business Combinations".

The fair values of identifiable assets and liabilities in accordance with TFRS 3 arising from the acquisition are as follows:

Consideration paid- cash	**415,713**
Cash and cash equivalents	9,392
Trade receivables (*)	163,492
Inventories	300,534
Other current assets	24,774
Tangible assets (Note 13)	162,541
Intangible assets (Note 14)	66,671
Other non-current assets	17,578
Borrowings	(260,808)
Trade and other payables	(71,491)
Lease liabilities (Note 7)	(59,551)
Other liabilities	(48,887)
Deferred tax liabilities (Note 31)	(15,486)
Total fair value of identifiable net assets	**288,759**
Total fair value of %56.99 shares acquired	164,564
Goodwill	251,149
Total Consideration	**415,713**

(*) The fair value of the trade receivables acquired in this business combination is TRY 163,492 (Gross amount is: TRY 166,730 and TRY 3,238 of provision was recognised).

The Group used independent professional assessment companies for the valuation of property plant equipment, brand and customer relationships. The acquisition accounting has been finalized as of 30 September 2019 and the assets, liabilities and contingent liabilities determined based on TFRS 3, have been recorded based on their fair values at the date of acquisition. Since the acquisition includes transfer of control, goodwill is recognized during this acquisition.

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

NOTE 3 -BUSINESS COMBINATIONS (Continued)

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements. Goodwill includes, the value of the distribution network, the synergy that will be created, revenue increase, the future benefits to be obtained as a result of growth in market and labor force. None of the goodwill recognised is expected to be deductible for income tax purposes.

Non controlling interests has been accounted as their share percentages of the net fair value of acquiree's identifiable assets on the day of acquisition.

In this acquisition, weighted average cost of capital ("WACC") -after tax, used in the revaluations has been determined as 14.5% based on the cash flows, profit and loss statements in the business plans together with the financial market data. Adding 1% relative risk factor for brand use contract, the discount rate was determined as 15.5%. Brand use contract was valued with relief-from-royalty method.

In the consolidated income statement, contribution to consolidated sales by Singer Bangladesh after the date of acquisition is TRY 873,096. The contribution by Singer Bangladesh to consolidated net profit of Arçelik Group amounts to TRY 58,664.

Had the financial statements of Singer Bangladesh been consolidated since January 1, 2019, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 1,055,454 and TRY 66,518 respectively.

As of December 31, 2019, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 2,667.

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

Total consideration in cash	415,713
Cash and cash equivalents – acquired	(9,392)
Cash outflow due to acquisition of subsidiary (net)	**406,321**

(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 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 year ended December 31, 2019 are as follows:

	White goods	**Consumer electronics**	**Other**	**Total**
Net sales (*)	24,475,896	3,250,606	4,215,271	31,941,773
Gross profit	8,274,176	762,199	1,222,732	10,259,107
Depreciation and amortization	822,335	148,153	98,687	1,069,175
Capital expenditures	1,164,656	179,577	49,612	1,393,845

(*) The Group recognised net sales amounting to TRY 31,912,505 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2019 (2018: TRY 26,882,046).

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2018 are as follows:

	White goods	**Consumer electronics**	**Other**	**Total**
Net sales	20,657,411	2,806,453	3,440,520	26,904,384
Gross profit	6,782,022	626,435	1,137,305	8,545,762
Depreciation and amortization	542,092	107,735	53,425	703,252
Capital expenditures	1,571,424	187,669	51,050	1,810,143

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31,2018
Cash in hand	976	763
Cash at banks		
- demand deposits	460,770	569,097
- time deposits	6,355,587	4,652,265
Cheques and notes	39,632	62,200
Other	65,973	52,953
Cash and cash equivalents in cash flow statement	**6,922,938**	**5,337,278**
Interest income accruals	14,122	4,246
	6,937,060	**5,341,524**

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	5,880,689	5,135,129
30-90 days	1,056,371	206,395
	6,937,060	**5,341,524**

NOTE 6 - FINANCIAL INVESTMENTS

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

	December 31, 2019	December 31, 2018
Fair value gain/losses of financial assets reflected to other comprehensive income	3,009	1,856
Total	**3,009**	**1,856**

	December 31, 2019		December 31, 2018	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	2,930	0.34	1,777
Other		79		79
		3,009		**1,856**

Available-for-sale investment of the Group includes shares of Tat Gıda Sanayi A.Ş., as a listed company, whose fair value is determined by using the remaining bid offer in BIST as of balance sheet date.

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 1,095 (December 31, 2018: TRY 661) and net of deferred tax effect amounting to TRY 58 (December 31, 2018: TRY 35) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets " in the year ended December 31, 2019.

The details of financial investments for the years ended December 31, are as follows:

	2019	2018
As of January 1	**1,856**	**2,552**
Change in fair value	1,153	(696)
As of December 31	**3,009**	**1,856**

NOTE 7 - BORROWINGS

a) Short-term borrowings

	December 31, 2019	December 31, 2018
Short-term bank borrowings	3,729,284	3,896,688
Short-term lease liabilities	177,283	-
Payables from factoring activities (*)	125,967	124,696
Other	-	702
Total short-term borrowings	**4,032,534**	**4,022,086**
Short-term portion of long-term bank borrowings and interest accruals	2,032,105	1,438,524
Interest accruals of long-term bond issued (**)	87,116	56,116
Total short-term portion of long-term borrowings	**2,119,221**	**1,494,640**

(*) Factoring liabilities are amounting to TRY 68,934 denominated in EUR (December 31, 2018: TRY 75,179), TRY 57,033 denominated in GBP (December 31, 2018: TRY 49,517) and interest rates are between 0.6 % for EUR (December 31, 2018: 0.6%) and 1.39 % for GBP (December 31, 2018: 1.5 %). As of December 31, 2019, there is no factoring liability denominated in USD.

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

NOTE 7 - BORROWINGS (Continued)

(**) Long term bonds issued:

2019:

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on February 15, 2019, Maturity of the bond is February 12, 2021 and coupon rate is 3MTRLIBOR+0.75.

The Company issued bond amounting to TL 500 million, quoted in Borsa Istanbul with quarterly interest payment on July 24, 2019, Maturity of the bond is July 16, 2021 and coupon rate is 3MTRLIBOR+0.50.

2014:

The Company issued bond amounting to EUR 350 million, quoted in Ireland Stock Exchange, with re-offer yield 4% and annual interest payment on September 16, 2014. Maturity of the bond is September 16, 2021 and coupon rate is 3.875%.

2013:

The Company issued bond amounting to USD 500 million, quoted in Ireland Stock Exchange, with re-offer yield 5.125% and semi-annual interest payment on April 3, 2013. Maturity of the bond is April 3, 2023 and coupon rate is 5%.

As of December 31, 2019, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	19.0	1,426,336,863	1,426,337
EUR	0.5	160,804,071	1,069,442
PKR	13.7	15,838,747,809	603,934
ROL	3.6	200,000,000	276,640
ZAR	8.0	355,070,139	149,989
BDT	9.2	1,962,728,494	137,345
AUD	3.3	13,991,317	57,970
USD	2.4	1,284,012	7,627
			3,729,284

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	21.2	2,306,188,778	2,306,189
EUR	0.5	159,429,560	961,041
PKR	9.3	14,229,053,772	532,025
ZAR	8.2	250,000,000	91,670
RON	4.9	4,478,922	5,763
			3,896,688

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

NOTE 7 - BORROWINGS (Continued)

b) Long-term borrowings

	December 31, 2019	December 31, 2018
Long-term bank borrowings	1,954,840	1,698,024
Long-term bonds issued	6,290,404	4,730,835
Long-term lease liabilities	558,137	-
Other	-	2,693
	8,803,381	**6,431,552**

As of December 31, 2019, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	18.4	3,281,760,333	3,281,760
EUR	1.9	68,043,822	452,533
ZAR	9.7	500,000,000	211,210
PKR	13.6	1,018,684,932	38,842
BDT	9.3	37,150,985	2,600
			3,986,945
Short-term portion of long-term loans and interest accruals			(2,032,105)
			1,954,840

As of December 31, 2018, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	20.0	2,333,785,861	2,333,786
EUR	2.1	90,271,178	544,155
ZAR	9.9	500,000,000	183,340
PKR	10.1	2,013,060,000	75,267
			3,136,548
Short-term portion of long-term loans and interest accruals			(1,438,524)
			1,698,024

As of December 31, 2019, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,360,564	3,001,943
EUR	4.0	353,532,537	2,351,204
TRY	19.1	1,024,373,412	1,024,373
			6,377,520
Interest accruals of long-term bonds issued			(87,116)
			6,290,404

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

NOTE 7 - BORROWINGS (Continued)

As of December 31, 2018, detail of discounted amounts of long-term bonds issued is given below:

Currency	**Effective interest rate per annum (%)**	**Original currency**	**TRY equivalent**
USD	5.1	505,002,896	2,656,770
EUR	4.0	353,381,156	2,130,181
			4,786,951
Interest accruals of long-term bonds issued			(56,116)
			4,730,835

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

	December 31, 2019	**December 31, 2018**
2020	-	1,288,120
2021	4,347,043	2,141,331
2022	184,121	63,062
2023 to 2027	3,721,487	2,945,761
	8,252,651	**6,438,274**

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

	December 31, 2019	**December 31, 2018**
Up to 3 months	3,865,250	3,214,446
3 - 12 months	2,621,375	2,145,905
1-5 years	6,872,105	5,770,250
Over 5 years	380,545	409,904
	13,739,275	**11,540,505**

As of December 31, 2019 and 2018, financial debt reconciliation is as follows:

2019	**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	**-**	**(5,516,726)**	**(6,431,552)**	**(11,948,278)**
Effect of change due to TFRS 16	(743,980)			(743,980)
Cash flows	281,525	(107,909)	(1,346,012)	(1,172,396)
Changes in interest accruals	(60,530)	(72,785)	-	(133,315)
Changes in factoring liabilities	-	(1,271)	-	(1,271)
Changes in lease liabilities	(77,669)	-	-	(77,669)
Acquisitions	(66,007)	(257,298)	(3,510)	(326,815)
Currency translation adjustments	(68,759)	(18,483)	(464,170)	(551,412)
Financial debt as of December 31	**(735,420)**	**(5,974,472)**	**(8,245,244)**	**(14,955,136)**

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

NOTE 8 - DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through marketing 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.

	December 31, 2019			December 31, 2018		
	Contract amount	**Fair value assets**	**/(liabilities)**	**Contract amount**	**Fair value assets**	**/(liabilities)**
Held for trading:						
Short-term derivative instruments						
Forward transactions	3,297,171	166	(8,212)	6,184,770	11,761	(20,200)
Foreign currency swap contracts	4,293,589	1,842	(5,297)	5,906,441	16,644	(230,895)
Short-term derivative instruments, net		**2,008**	**(13,509)**		**28,405**	**(251,095)**

Long-term derivative instruments

Held for trading:						
Cross-currency fixed interest rate swap (*)	-	-	-	3,540,742	166,813	-
Cash flow hedge:						
Interest rate swap contracts (**)	1,000,000	-	(69,097)	-	-	-
Long-term derivative instruments, net		-	**(69,097)**	-	**166,813**	-

(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long-term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in. the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April 2013.

The Company has released the related cross currency transactions on 25 July 2019.

(**) As of 31 December 2019, interest rate swap transactions consist of the exchange of floating rate instalment payments for long term bond issued on 15 February 2019 and 24 July 2019 with fixed rate instalment payments for cash flow hedging. (31 December 2018: None)

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

NOTE 8 - DERIVATIVE INSTRUMENTS (Continued)

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2019 and December 31, 2018 are as follows:

December 31, 2019	Purchase Commitments	Sales Commitments
TRY	2,491,215	81,577
USD	237,027	292,691
EUR	596,272	895,171
AUD	46,402	124,299
CZK	-	80,222
CNY	144,711	388,907
DKK	-	62,227
ZAR	-	84,501
GBP	-	814,977
SEK	75,772	-
CHF	26,052	-
CAD	-	13,613
MYR	-	33,984
NOK	63,092	1,347
PKR	-	47,892
PLN	-	177,629
ROL	52,877	510,583
RUB	54,135	38,972
THB	17,432	6,385
NZD	-	50,095
VND	-	80,701
	3,804,987	**3,785,773**

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

NOTE 8 - DERIVATIVE INSTRUMENTS (Continued)

December 31, 2018	Purchase Commitments	Sales Commitments
TRY	2,737,411	1,236,152
USD	2,799,081	576,621
EUR	1,854,102	3,594,909
AUD	33,927	185,130
CZK	-	79,655
CNY	59,464	426,737
DKK	-	64,483
ZAR	-	134,930
GBP	30,008	682,535
SEK	42,101	-
CHF	68,461	-
CAD	-	3,861
MYR	-	15,291
NOK	64,293	12,000
PKR	-	604
PLN	-	171,215
ROL	55,094	543,013
RUB	39,158	45,957
RSD	-	24,341
THB	18,986	-
NZD	-	32,433
	7,802,086	**7,829,867**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2019	December 31, 2018
Short-term trade receivables:		
Trade receivables	7,448,813	6,011,821
Notes receivables	1,956,289	1,625,067
Cheques receivables	395,263	393,722
Short-term trade receivables (gross)	**9,800,365**	**8,030,610**
Provision for doubtful receivables	(232,307)	(207,121)
Unearned credit finance income	(69,887)	(79,237)
Short-term trade receivables (net)	**9,498,171**	**7,744,252**

As of December 31, 2019, the Group has offsetted TRY 1,258,312 (December 31, 2018: TRY 1,182,846) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 99,281 related with its local bank borrowings (December 31, 2018: TRY 78,018).

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2019	2018
As of January, 1 - calculated under IAS 39	**207,121**	**167,090**
Impact due to the changes in TFRS 9	-	3,941
As of January, 1 – restated	**207,121**	**171,031**
Current year additions (Note 27)	44,596	35,512
Provisions no longer required (Note 28)	(4,419)	(4,844)
Acquisitions	3,238	-
Write-offs (*)	(28,136)	(12,550)
Currency translation differences	9,907	17,972
As of December, 31	**232,307**	**207,121**

(*) 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.

Long-term trade receivables	December 31, 2019	December 31, 2018
Trade receivables	60,450	41,450
Unearned credit finance income	(8,907)	(5,760)
	51,543	**35,690**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2019	December 31, 2018
Short-term trade payables:		
Trade payables	4,621,038	4,032,950
Debt accruals	370,918	314,565
Unearned credit finance charges	(33,784)	(54,668)
	4,958,172	**4,292,847**

NOTE 10 - OTHER PAYABLES

	December 31, 2019	December 31, 2018
Taxes and duties payable	225,030	175,158
Dividend payables to shareholders	21,543	20,219
Deposits and guarantees received	4,225	3,400
Other	149,772	42,292
	400,570	**241,069**

NOTE 11 - INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials and supplies	2,071,746	2,042,764
Work in progress	138,955	149,579
Finished goods	2,832,759	2,141,994
Trade goods	678,617	858,126
Inventories (gross)	**5,722,077**	**5,192,463**
Provision for impairment on inventories	(91,826)	(104,787)
Inventories (net)	**5,630,251**	**5,087,676**

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 113,327 related with its local bank borrowings (December 31, 2018: TRY 176,263).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2019	December 31, 2018
Raw materials and supplies	17,720	69,929
Finished goods	62,064	27,904
Trade goods	12,042	6,954
	91,826	**104,787**

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

NOTE 11 – INVENTORIES (Continued)

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2019	2018
As of January 1	**104,787**	**84,976**
Current year additions (Note 27)	44,205	30,144
Realized due to sales of inventory	(72,114)	(16,605)
Acquisitions	8,092	-
Currency translation differences	6,856	6,272
As of December 31	**91,826**	**104,787**

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2019		December 31, 2018	
	%	**TRY**	**%**	**TRY**
Koç Finansman	47.0	178,525	47.0	149,131
Arçelik - LG	45.0	148,984	45.0	124,716
VoltBek	49.0	188,819	49.0	64,015
Ram Dış Ticaret	33.5	8,756	33.5	5,643
Tanı Pazarlama	32.0	1,415	32.0	3,100
		526,499		**346,605**

The movements of associates for the years ended December 31, are as follows:

	2019	2018
As of January 1	**346,605**	**282,261**
Shares of income/loss of associates	21,041	12,226
Shares of other comprehensive income/loss of associates	(14,322)	(2,997)
Gross profit elimination on inventory	(5,407)	4,174
Dividends received	-	(26,171)
Share participation in joint venture	167,686	57,237
Currency translation difference	10,896	19,875
As of December 31	**526,499**	**346,605**

Shares of income/loss from associates and joint ventures:

	2019	2018
Koç Finansman	41,097	37,490
Arçelik - LG	31,678	5,115
Ram Dış Ticaret	3,157	1,989
Tanı Pazarlama	(1,115)	(2,774)
VoltBek	(53,776)	(29,594)
	21,041	**12,226**

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

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

Aggregated summary figures of the financial statements of associates and joint venture:

31 December 2019	Koç Finansman	Ram Dış Ticaret	Other	Total
Total assets	2,659,999	842,487	1,251,579	4,754,065
Total liabilities	2,280,159	816,350	530,736	3,627,245
Net sales	584,288	3,233,407	1,119,266	4,936,961

31 December 2018	Koç Finansman	Ram Dış Ticaret	Other	Total
Total assets	3,949,084	1,458,559	665,328	6,072,971
Total liabilities	3,631,783	1,441,714	247,852	5,321,349
Net sales	759,990	2,231,580	1,050,211	4,041,781

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost							
Land	175,051	38,414	4,068	(252)	-	18,549	235,830
Land improvements	46,423	-	3,727	(189)	3,121	668	53,750
Buildings	1,889,884	79,969	176,290	(10,101)	45,783	183,855	2,365,680
Machinery, equipment and moulds	5,723,707	28,590	253,518	(178,368)	492,985	277,445	6,597,877
Motor vehicles and fixtures	1,013,190	3,226	133,136	(20,036)	15,131	41,943	1,186,588
Leasehold improvements	97,150	12,342	13,252	(995)	1,928	6,027	129,704
Construction in progress	877,102	-	529,676	(189)	(559,869)	26,482	873,202
	9,822,507	**162,541**	**1,113,667**	**(210,130)**	**(921)**	**554,967**	**11,442,631**
Accumulated depreciation:							
Land improvements	(32,064)	-	(5,320)	128	-	(52)	(37,308)
Buildings	(364,849)	-	(222,347)	2,442	-	(30,179)	(614,935)
Machinery, equipment and moulds	(3,543,096)	-	(448,103)	142,970	52	(128,566)	(3,976,743)
Motor vehicles and fixtures	(546,575)	-	(142,609)	9,180	(52)	(22,382)	(702,438)
Leasehold improvements	(57,667)	-	(9,553)	835	-	(3,420)	(69,805)
	(4,544,251)		**(827,934)**	**155,555**	**-**	**(184,599)**	**(5,401,229)**
Net book value	**5,278,256 (**)**						**6,041,402**

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

(*) Consists of transfers amounting to TRY 921 from property, plant and equipment to other intangible assets (Note 14).

(**) As of January 1, 2019, the net effect of the registration of the right of use assets within the scope of TFRS 16 for the first time is TRY 743,980 and the detail is presented in Note 2.2.

As of 31 December 2019, the net book value of the right of use assets classified under tangible assets is TRY 737,711. The detail regarding the registration of the right of use assets under TFRS 16 for the first time is presented in Note 2.2.

Additions to rights-to-use assets for the year ended 31 December 2019 TRY 136,489 TL, depreciation expenses are TRY 249,932.

There is no mortgage on property, plant and equipment as of December 31, 2019 (December 31, 2018: None).

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31, 2018
Cost						
Land	145,375	88	-	-	29,588	175,051
Land improvements	44,304	2,736	(1,220)	44	559	46,423
Buildings	959,896	46,579	(307)	155,995	117,732	1,279,895
Machinery, equipment and moulds	4,714,562	234,827	(107,319)	449,852	382,238	5,674,160
Motor vehicles and fixtures	718,666	86,077	(9,413)	83,410	50,006	928,746
Leasehold improvements	64,974	4,368	(603)	20,401	8,010	97,150
Construction in progress	502,469	1,096,618	(102)	(751,797)	29,914	877,102
	7,150,246	**1,471,293**	**(118,964)**	**(42,095)**	**618,047**	**9,078,527**
Accumulated depreciation:						
Land improvements	(28,259)	(4,868)	1,094	-	(31)	(32,064)
Buildings	(300,393)	(35,592)	104	-	(28,968)	(364,849)
Machinery, equipment and moulds	(3,074,472)	(370,735)	78,344	-	(176,233)	(3,543,096)
Motor vehicles and Fixtures	(433,753)	(90,798)	8,169	-	(30,193)	(546,575)
Leasehold improvements	(48,598)	(6,195)	565	-	(3,439)	(57,667)
	(3,885,475)	**(508,188)**	**88,276**	**-**	**(238,864)**	**(4,544,251)**
Net book value	**3,264,771**					**4,534,276**

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

NOTE 14 – OTHER INTANGIBLE ASSETS

	January 1 2019	Acquisitions	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31 2019
Cost:							
Brands	1,276,325	-	-	-	-	121,668	1,397,993
Development costs	1,389,444	-	343,908	-	-	-	1,733,352
Computer software and rights	360,617	789	69,294	(2,365)	921	5,394	437,030
Trademark licenses and patents	49,026	65,882	773	(517)	-	7,307	122,224
Customer relationships	539,121	-	-	-	-	10,671	549,792
	3,614,533	**66,671**	**413,975**	**(2,882)**	**921**	**147,173**	**4,240,391**
Accumulated depreciation:							
Development costs	(703,908)	-	(165,091)	-	-	-	(868,999)
Computer software and rights	(210,047)	-	(44,182)	2,279	-	(4,352)	(256,302)
Trademark licenses and patents	(44,548)	-	(6,162)	517	-	(4,559)	(54,752)
Customer relationships	(55,181)	-	(25,808)	-	-	(1,414)	(82,403)
	(1,013,684)		**(241,243)**	**2,796**	**-**	**(10,325)**	**(1,262,456)**
Net book value	**2,600,849**						**2,977,935**

(*) Consists of transfers from property, plant and equipment.

As of December 31, 2019, there are no borrowing costs capitalized (December 31, 2018: None).

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency translation differences	December 31, 2018
Cost						
Brands	1,052,282	-	-	-	224,043	1,276,325
Development costs	1,119,297	270,147	-	-	-	1,389,444
Computer software and rights	249,726	64,406	(6,240)	42,095	10,630	360,617
Trademark licenses and patents	33,988	4,297	(650)	-	11,391	49,026
Customer relationships	489,088	-	-	-	50,033	539,121
	2,944,381	**338,850**	**(6,890)**	**42,095**	**296,097**	**3,614,533**
Accumulated amortization						
Development costs	(574,775)	(129,133)	-	-	-	(703,908)
Computer software and rights	(168,418)	(38,777)	5,862	-	(8,714)	(210,047)
Trademark licenses and patents	(33,748)	(116)	598	-	(11,282)	(44,548)
Customer relationships	(27,102)	(27,038)	-	-	(1,041)	(55,181)
	(804,043)	**(195,064)**	**6,460**	**-**	**(21,037)**	**(1,013,684)**
Net book value	**2,140,338**					**2,600,849**

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

NOTE 14 – OTHER INTANGIBLE ASSETS (Continued)

The carrying values of the brands of the Group are as below:

	December 31, 2019	**December 31, 2018**
Grundig (*)	572,364	518,782
Defy (*)	440,249	382,156
Dawlance(*)	271,702	266,429
Beko	81,040	81,040
Other brands (*)	32,638	27,918
	1,397,993	**1,276,325**

(*) Values of brands in their original currencies are same as of December 31, 2019 and 2018 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2019. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value. Sales forecast beyond the five-year period is extrapolated between 3% and 5.3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% - 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 8.15 % to 16.50 % discount rates.

Fair value of brands is around 8.7 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management's estimate, fair value of brands would be 7.3 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 15 – GOODWILL

	2019	**2018**
As of January 1	**507,966**	**438,112**
Acquisitons	251,149	-
Disposals	(6,051)	-
Currency translation differences	55,722	69,854
As of December 31	**808,786**	**507,966**

Details of goodwill are as follows:

	December 31, 2019	**December 31, 2018**
Defy	343,316	298,014
Singer	256,563	-
Dawlance	198,340	194,491
Other	10,567	15,461
	808,786	**507,966**

NOTE 15 – GOODWILL (Continued)

Goodwill impairment test

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2019.

The projection period for the purposes of goodwill impairment testing is approved by the board of directors as 5 years between January 1, 2020 and December 31, 2024.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3% - 5.3% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 8.15% - 16.50% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 53% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 17.3%. Had the compound average growth rate been assumed to be 16.3%, the recoverable amount would have been calculated as 35% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5.3%. Had the rate been assumed to be 4.3%, the recoverable amount would have been 42% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 13.80%. Had the rate been assumed to be 14.80%, the recoverable amount would have been 33% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 15 – GOODWILL (Continued)

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 38% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 27.2%. Had the compound average growth rate been assumed to be 26.2%, the recoverable amount would have been calculated as 18% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 22% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 16.50%. Had the rate been assumed to be %17.50, the recoverable amount would have been 16% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Singer Group operations as a cash generating unit in impairment test

Since there is not any material changes in assumption used in calculation of goodwill between acquisition date and December 31, 2019, impairment provision for goodwill is not foreseen.

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

NOTE 16 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Trade.
j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2019.

Grants which are accounted for under other income from operating activities for year ended December 31, 2019 are as follows:

i) Research and development incentive premiums taken or certain to be taken amounts to TRY 5,470 (December 31, 2018: TRY 10,642).

ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Trade amounts to TRY 13,105 (December 31, 2018: TRY 26,210).

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2019, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 916,265,215 (December 31, 2018: USD 255,196,533). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	December 31, 2019	December 31, 2018
Collaterals obtained	4,078,530	3,616,758

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2019 and December 31, 2018 are as follows:

CPMB's given by the Company	**December 31, 2019**	**December 31, 2018**
A. CPMB's given for Company's own legal personality	190,353	257,751
B. CPMB's given on behalf of fully consolidated companies	1,602,128	1,056,351
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	**1,792,481**	**1,314,102**

TRY equivalents of CPMB given as of December 31, 2019 and December 31, 2018 are as follows on original currency basis are as follows:

CPMB's given by the Company	**December 31, 2019**	**December 31, 2018**
TRY	81,836	68,845
EUR	491,791	453,373
USD	110,082	183,935
Other currencies	1,108,772	607,949
	1,792,481	**1,314,102**

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

NOTE 18 – OTHER PROVISIONS

	December 31, 2019	December 31, 2018
Other short-term provisions		
Warranty provision	413,306	333,359
Assembly provision	116,356	108,248
Provision for transportation cost	55,148	41,996
Provision for lawsuit risks	21,724	15,648
Provision for returns	14,678	14,946
Other	92,310	68,142
	713,522	**582,339**

	December 31, 2019	December 31, 2018
Other long-term provisions		
Warranty provision	139,207	155,747
Other	74	121
	139,281	**155,868**

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	**2019**	**2018**
As of January 1	**489,106**	**447,345**
Additions	914,897	723,400
Disposals	(887,484)	(752,618)
Acquisitions	4,768	-
Currency translation differences	31,226	70,979
As of December 31	**552,513**	**489,106**

Assembly provision	**2019**	**2018**
As of January 1	**108,248**	**98,210**
Additions	350,063	307,055
Disposals	(341,955)	(297,017)
As of December 31	**116,356**	**108,248**

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2019	December 31, 2018
Provision for employment termination benefits	304,252	254,904
Provision for vacation pay liability	40,234	34,656
	344,486	**289,560**

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 6,379.86 as of December 31, 2019 (December 31, 2018: full TRY 5,434.42) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, the provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2019	2018
Net discount rate (%)	4.67	5.65
Turnover rate related the probability of retirement (%)	96.56	96.36

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 6,730.15 (January 1, 2018: full TRY 6,017.60) which is effective from January 1, 2019 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2019	2018
As of January 1	**254,904**	**211,995**
Interest expense	12,219	6,742
Actuarial losses	59,288	79,884
Service cost	20,139	16,965
Payments during the year	(43,479)	(62,452)
Currency translation differences	1,181	1,770
As of December 31	**304,252**	**254,904**

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	296,364	249,190
Non – Turkey	7,888	5,714
	304,252	**254,904**

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2019 is below:

	Net discount rate		**Turnover rate related the probability of retirement**	
Sensitivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	4.2%	5.2%	96.1%	97.1%
Change in employee benefits liability	14,196	(13,091)	(10,019)	11,021

NOTE 20 – PREPAID EXPENSES

	December 31, 2019	December 31, 2018
Short-term prepaid expenses	161,977	156,411
Advances given for inventories	47,858	25,108
	209,835	**181,519**

	December 31, 2019	December 31, 2018
Long-term prepaid expenses	125,390	100,501
	125,390	**100,501**

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

NOTE 21 – CURRENT INCOME TAX ASSETS

	December 31, 2019	December 31, 2018
Prepaid taxes and funds	141,244	118,220
	141,244	**118,220**

NOTE 22 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2019	December 31, 2018
Payables to personnel	290,599	201,246
Social security payables	139,266	103,214
Accruals for bonuses and premiums	38,390	39,711
	468,255	**344,171**

NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2019	December 31, 2018
Other current assets:		
Value added tax and private consumption tax receivable	221,139	460,277
Taxes and funds deductible	344,573	127,534
Income accruals	98,323	27,739
Other	82,368	66,353
	746,403	**681,903**
Other current liabilities:		
Accruals for customer premiums	876,990	620,521
Advances received	262,383	90,532
Deferred income	207,951	35,144
Other	15,456	10,143
	1,362,780	**756,340**
Other long-term liabilities:		
Deferred income	210,182	178,871
Other	56,281	56,826
	266,463	**235,697**

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

NOTE 24 - 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 kurus1, Registered and issued share capital of the Company is as follows:

	December 31, 2019	December 31, 2018
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	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:

	December 31, 2019		December 31, 2018	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
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	**51.93**	**350,909**	**51.93**	**350,909**
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	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
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**

(*) "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.

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

NOTE 24 – EQUITY (Continued)

Contribution to shareholders' equity related to the merger

Contribution to shareholders' equity related to the merger with Grundig Elektronik A.Ş. at June 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:

	December 31, 2019	**December 31, 2018**
Legal reserves	409,115	409,115

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

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.

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

NOTE 24 – EQUITY (Continued)

Dividend distribution (Continued)

As agreed in the ordinary general meeting dated March 19, 2019, in accordance with the Capital Markets legislation and Article 18 of the Company's Articles of Association and the Profit Distribution policy approved at the General Assembly dated March 27, 2014. In 2019, it was decided not to distribute dividends from profit for the 2018 accounting period.

As of December 31, 2019, total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 1,752,267 (December 31, 2018: TRY 1,417,696).

NOTE 25 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2019	**Turkey**	**Europe**	**Africa**	**Asia Pasific**	**Other**	**Total**
Total segment revenue	10,326,217	15,066,835	2,112,454	3,146,165	1,290,102	31,941,773

2018	**Turkey**	**Europe**	**Africa**	**Asia Pasific**	**Other**	**Total**
Total segment revenue	8,425,038	13,271,626	1,925,939	2,299,255	982,526	26,904,384

The Group recognised net sales amounting to TRY 31,912,505 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2019.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 240,910. The Group expects that TRY 210,075 portion of amount will be recorded as revenue to financial statements within six years.

The movements of performance obligations for the years ended December 31, 2019 is as follows:

	2019	**2018**
Impact due to the changes in TFRS 15	-	179,295
As of January, 1	**208,329**	**179,295**
Recognized as revenue	(29,268)	(22,338)
Increases due to changes in measurements	61,849	51,372
As of December, 31	**240,910**	**208,329**

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

NOTE 26 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2019	**2018**
Raw materials, supplies and trade goods	19,508,766	16,860,787
Changes in finished goods, work in process and trade goods	(500,633)	(745,233)
Personnel expenses	3,572,033	2,924,665
Transportation, distribution and storage expenses	1,901,478	1,714,956
Warranty and assembly expenses	1,264,960	1,030,455
Advertising and promotion expenses	1,072,420	849,010
Depreciation and amortization expenses	1,054,936	690,414
Energy expenses	223,641	165,176
Repair and maintenance expenses	145,945	116,480
Insurance expenses	108,714	90,372
Legal consultancy and audit expenses	108,902	71,306
Other	1,197,174	1,098,932
	29,658,336	**24,867,320**

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

Depreciation and amortisation expenses	**2019**	**2018**
Cost of sales	459,016	379,124
Marketing expenses	310,041	122,590
General administrative expenses	128,841	54,464
Research and development expenses	157,038	134,236
	1,054,936	**690,414**

Total depreciation charges capitalised in 2019 is TRY 14,241 (2018: TRY 12,838).

Personnel expenses	**2019**	**2018**
Cost of sales	1,632,065	1,402,131
Marketing expenses	1,089,876	861,582
General administrative expenses	783,427	617,080
Research and development expenses	66,665	43,872
	3,572,033	**2,924,665**

Total research and development expenditures incurred in 2019 excluding amortization amounts to TRY 429,380 thousand (2018: TRY 327,865).

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

NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2019	2018
Other income from operating activities:		
Foreign exchange gains arising from trading activities	709,273	1,078,169
Income from claims and grants	72,940	77,722
Credit finance income arising from trading activities	69,602	58,142
Reversal of provisions for doubtful receivables (Note 9)	4,419	4,844
Other	62,501	105,938
	918,735	**1,324,815**

Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(301,854)	(471,119)
Credit finance charges arising from trading activities	(9,721)	(65,560)
Cash discounts expenses	(106,845)	(62,687)
Provision expense for doubtful receivables (Note 9)	(44,596)	(35,512)
Provision expense for inventory impairment (Note 10)	(44,205)	(30,144)
Other	(41,193)	(59,535)
	(548,414)	**(724,557)**

NOTE 28 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2019	2018
Income from investment activities:		
Income from sales of property plant and equipment	6,816	13,184
Dividends received from financial investments	-	94
	6,816	**13,278**
Expenses from investment activities:		
Loss from sales of property plant and equipment	(4,236)	(6,795)
Loss from sales financial assets	(4,320)	
	(8,556)	**(6,795)**

NOTE 29- FINANCIAL INCOME

	2019	2018
Foreign exchange gains (*)	1,694,007	1,739,314
Gains on derivative instruments	1,255,352	1,163,350
Interest income	157,339	61,644
Other	7,625	911
	3,114,323	**2,965,219**

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

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

NOTE 30 - FINANCIAL EXPENSES

	2019	**2018**
Foreign exchange losses (*)	(1,839,049)	(2,760,465)
Interest expenses	(1,567,957)	(1,009,229)
Losses on derivative instruments	(1,240,583)	(884,598)
Other	(25,613)	(17,552)
	(4,673,202)	**(4,671,844)**

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

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2019	**December 31, 2018**
Corporation and income taxes	172,980	164,206
Prepaid tax	(164,240)	(121,228)
Tax liabilities (net)	**8,740**	**42,978**
Deferred tax assets	1,012,290	878,247
Deferred tax liabilities	(575,898)	(511,386)
Deferred tax assets, net	**436,392**	**366,861**

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.

The corporation tax rate is 22% in Turkey (December 31, 2018: 22%). 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 regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Income tax expense for the years ended December 31 is as follows:

	2019	**2018**
Tax income		
- Current period tax expense	(244,526)	(248,748)
- Deferred tax income	83,372	155,183
Tax income	**(161,154)**	**(93,565)**

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

	2019	2018
Profit before tax	1,114,180	949,406
Less: Share of profit/loss of equity accounted investments	(21,041)	(12,226)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	**1,093,143**	**937,180**
Tax expense calculated using 22% local tax rate	**(240,491)**	**(206,180)**
Exemptions	72,501	77,256
Tax losses and other tax advantages (net effect)	25,943	58,588
Impact of different tax rates in other countries	13,329	5,963
Expenses not deductible for tax purposes	(30,818)	(26,984)
Other	(1,618)	(2,208)
Taxation income recognized in statement of profit or loss	**(161,154)**	**(93,565)**

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/TFRS 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/TFRS 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)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Property, plant and equipment and intangible assets	3,841,065	3,274,756	(914,141)	(800,105)
Unused tax advantages (*)	-	-	649,149	639,641
Provision for doubtful receivables	(66,862)	(36,233)	18,278	9,736
Derivative instruments	(84,840)	(59,079)	18,672	12,929
Inventories	(326,795)	(320,826)	95,687	93,921
Provision for employment termination benefits	(294,991)	(248,744)	59,150	49,881
Provision for warranty, assembly and transportation expenses	(742,723)	(607,584)	169,878	132,421
Unused tax credits	(866,128)	(529,934)	231,692	150,445
Other	(426,140)	(265,103)	108,027	71,372
Deferred tax assets, net			**436,392**	**366,861**

(*) 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 December 31, 2019 the tax advantage of TRY 639,641 (December 31, 2018: TRY 639,641) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2019	2018
Balance as of January 1– reported	**366,861**	**208,098**
Impact due to the changes in accounting policies	-	30,760
Balance as of January 1– restated	**366,861**	**238,858**
Deferred tax income recognized in statement of profit or loss	83,372	155,183
Deferred tax income recognized directly in the equity	27,013	15,979
Acquisitions (Note 3)	(15,486)	-
Currency translation differences	(25,368)	(43,159)
Balance as of December 31	**436.392**	**366,861**

Group's total deductible loss of which deferred tax assets have not been calculated and related maturity analysis of this amount is as follows:

	December 31, 2019
2020	18,799
2021	59,897
2022	62,448
2023 and after	751,050
	892,194

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued.

NOTE 32 - 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:

	December 31, 2019	December 31, 2018
Profit for the year attributable to shareholders of the Company	924,833	851,756
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	**1.369**	**1.261**
Diluted earnings per share (kurus) (*)	**1.369**	**1.261**

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

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

NOTE 33 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2019	December 31, 2018
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	15,625	8,487
Yapı ve Kredi Bankası A.Ş. (1)	1,612	3,340
Other	437	232
	17,674	**12,059**
(b) Due to related parties:		
Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	265,601	236,701
Ram Dış Ticaret (2)	120,949	95,226
Arçelik-LG (4)	98,455	41,068
Koç Holding A.Ş. (3)	31,437	24,813
Bilkom Bilişim Hizmetleri A.Ş. (1)	28,989	7,832
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	23,137	16,132
Other	37,399	19,825
	605,967	**441,597**

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

	December 31, 2019	December 31, 2018
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	31,212	27,253
Other	443	541
	31,655	**27,794**
Other payables to related parties – Non-Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	-	27,641
Other	-	539
	-	**28,180**

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2019. (December 31, 2018: TRY 81,040).

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

Maturity breakdown of gross future minimum payables of other payables to related parties is as follows:

	December 31, 2019	December 31, 2018
Other payables to related parties (gross)		
Up to 1 year	31,926	28,426
1 to 5 years	-	28,424
	31,926	**56,850**
Future finance charges on other liabilities	(271)	(876)
Present value of other payables to related parties (net)	**31,655**	**55,974**

Maturity analysis of the present value of other payables to related parties is as follows:

	December 31, 2019	December 31, 2018
Up to 1 year	31,655	27,794
1 to 5 years	-	28,180
	31,655	**55,974**

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	947,607	2,433,594

(1) Koç Holding group companies

(d) Derivative instruments

December 31, 2019	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	647,594	132	(1,491)

December 31, 2018	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,583,952	5,080	(2,001)

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	2019	2018
(a) Sales of goods and services:		
Koçtaş Yapı Marketleri Ticaret A.Ş.	44,534	30,165
Yapı ve Kredi Bankası A.Ş.	24,145	14,747
Zer Merkezi Hizmetler ve Ticaret A.Ş.	980	3,938
Other	9,774	6,949
	79,433	**55,799**

	2019	2018
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,474,587	1,291,196
Arçelik-LG	463,123	798,644
Ram Dış Ticaret	370,945	367,168
Bilkom Bilişim Hizmetleri A.Ş.	187,376	124,792
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	102,893	86,143
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	52,654	18,451
Other	280,287	328,198
	2,931,865	**3,014,592**

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

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

(*) As at December 31, 2019, the amount consists 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

(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 during the year ended December 31, 2019 amounts to TRY 75,402 (December 31, 2018: TRY 65,242). Compensation includes only short-term benefits. There is no redundancy payments made to the senior executives as of December 31, 2018 (December 31, 2018: None)

(d) Other transactions:

	2019	2018
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	46,125	27,211
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,778	5,840

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

NOTE 34 - 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.

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.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2019 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	14,955,136	17,716,868	3,315,199	3,980,978	9,808,752	611,939
Trade payables	5,564,069	5,598,394	5,375,460	222,934	-	-
Other payables, related parties	31,655	31,926	8,165	23,761	-	-
Other payables, third parties	400,570	400,567	373,337	27,230	-	-
	20,951,430	**23,747,755**	**9,072,161**	**4,254,903**	**9,808,752**	**611,939**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows	-	3,804,986	3,723,180	81,806	-	-
Derivative cash outflows	-	(3,785,776)	(3,702,657)	(83,119)	-	-
Derivative instruments (net)	**(80,598)**	**19,210**	**20,523**	**(1,313)**	**-**	**-**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2018 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year- 5 years**	**More than 5 years**
Financial liabilities	11,948,278	13,483,739	3,312,933	2,868,771	7,038,747	263,288
Trade payables	4,734,444	4,789,337	4,652,447	136,890	-	-
Other payables, related parties	55,974	56,850	6,974	21,452	28,424	-
Other payables, third parties	241,069	241,069	220,426	20,643	-	-
	16,979,765	**18,570,995**	**8,192,780**	**3,047,756**	**7,067,171**	**263,288**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year- 5 years**	**More than 5 years**
Derivative cash inflows	-	8,205,070	5,282,213	697,496	2,225,361	-
Derivative cash outflows	-	(8,022,122)	(5,229,922)	(1,053,294)	(1,738,906)	-
Derivative instruments (net)	**(55,877)**	**182,948**	**52,291**	**(355,798)**	**486,455**	**-**

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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk (Continued)

Average effective annual interest rates of statement of financial position accounts as of December 31, 2019 and 2018 are as follows:

December 31, 2019 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	HKD	BDT	AED
Cureent Assets																							
Cash and cash equivalents	10.64	(0.00)	2.14	0.63	0.26	7.47	1.61	-	0.75	(0.75)	5.26	1.19	4.75	(0.75)	0,00	1.35	0.70	0.55	1.00	11.25	0.13	-	1.50
Trade receivables	4.86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																							
Short-term bank borrowings	19.04	0.45	2.39	-	3.62	-	-	8.03	-	-	-	-	-	-	3.25	-	-	-	-	13.74	-	9.21	-
Trade payables	9.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																							
Long term bank borrowings	18.41	1.95	-	-	-	-	-	9.74	-	-	-	-	-	-	-	-	-	-	-	13.64	-	9.32	-
Long term bonds issued	19.07	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

December 31, 2018 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	HKD	BDT	AED
Cureent Assets																							
Cash and cash equivalents	23.02	1.54	3.44	0.62	0.06	7.25	2.96	5.25	-	-	10.39	0.46	5.00	(0.75)	0,00	0,00	0.70	1.00	1.00	4.83	0.25	-	-
Trade receivables	12.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																							
Short-term bank borrowings	21.22	0.45	-	-	4.94	-	-	8.23	-	-	-	-	-	-	-	-	-	-	-	9.31	-	-	-
Trade payables	12.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																							
Long term bank borrowings	20.02	2.63	-	-	-	-	-	9.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2019	2018
Financial instruments with fixed interest rates		
Time deposits	5,125,211	3,211,005
Borrowings and bonds issued	11,320,264	10,297,821
Other	125,967	128,091
Financial instruments with variable interest rates		
Time deposits	1,244,498	1,445,506
Borrowings	2,773,485	1,522,366

At December 31, 2019, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 15,290 (2018: TRY 769lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2019 and December 31, 2018 are as follows:

	Trade receivables			
December 31, 2019	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**17,674**	**9,549,714**	**6,830,479**	**2,008**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(7,443,494)	-	-
A. Net book value of financial asset either are not due or not impaired	17,674	8,869,904	6,830,479	2,008
-Secured portion by guarantees, etc.	-	(6,888,335)	-	-
B. Net book value of overdue but not impaired financial assets	-	627,870	-	-
- Secured portion by guarantees, etc.	-	(498,736)	-	-
C. Net book value of the impaired assets	-	56,423	-	-
- Overdue (Gross book value)	-	284,247	-	-
- Impairment (-)	-	(227,824)	-	-
- Secured portion of the net value by guarantees, etc.	-	(56,423)	-	-
D. Expected credit losses (-)	-	(4,483)	-	-

	Trade receivables			
December 31, 2018	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**12,059**	**7,779,942**	**5,225,608**	**195,218**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(6,537,570)	-	-
A. Net book value of financial asset either are not due or not impaired	12,059	7,151,501	5,225,608	195,218
-Secured portion by guarantees, etc.	-	(6,072,337)	-	-
B. Net book value of overdue but not impaired financial assets	-	594,427	-	-
- Secured portion by guarantees, etc.	-	(426,948)	-	-
C. Net book value of the impaired assets	-	38,285	-	-
- Overdue (Gross book value)	-	241,135	-	-
- Impairment (-)	-	(202,850)	-	-
- Secured portion of the net value by guarantees, etc.	-	(38,285)	-	-
D. Expected credit losses (-)	-	(4,271)	-	-

(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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2019	December 31, 2018
Group 1	151,125	19,717
Group 2	8,470,945	6,849,922
Group 3	265,508	293,921
	8,887,578	**7,163,560**

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

	December 31, 2019	December 31, 2018
0-1 month	301,664	298,221
1-3 months	133,773	157,045
3-12 months	147,167	97,192
1-5 years	45,266	41,969
	627,870	**594,427**

c) Geographical concentration of the trade receivables

	December 31, 2019	December 31, 2018
Turkey	4,389,145	3,608,325
Europe	3,152,228	2,383,813
Other	2,026,015	1,799,863
	9,567,388	**7,792,001**

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.

December 31, 2019	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.04	0.34	0.53	
Gross carrying amount	8,887,578	311,941	133,773	466,403	**9,799,695**
Loss allowance provision	1,425	133	452	2.473	**4,483**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2018	**Undue**	**Overdue 0-1 month**	**Overdue 1-3 months**	**Overdue more than 3 months**	**Total**
Expected loss rate (%)	0.04	0.08	0.38	0.51	
Gross carrying amount	7,151,501	298,221	157,045	139,161	**7,745,928**
Loss allowance provision	2,740	229	591	711	**4,271**

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.

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued 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 from Euro 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 December 31, 2019, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2018: EUR 153,846,154).

Foreign currency position

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

	December 31, 2019	**December 31, 2018**
Assets	10,015,946	8,419,230
Liabilities	(9,079,570)	(8,169,123)
Net position of financial statement	**936,376**	**250,107**
Net position of derivative instruments	(1,058,778)	(347,860)
Foreign currency position (net)	**(122,402)**	**(97,753)**

NOTE 34 - 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 December 31, 2019 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets									
Trade receivables	428,385	192,969	107,633	408,465	464,057	115,882	206	387,131	5,831,996
Monetary financial assets	127,453	542,613	22	-	-	1	73	3,408	4,074,481
Other	832	14,704	-	-	19,539	-	170	-	109,469
Total Assets	**556,670**	**750,286**	**107,655**	**408,465**	**483,596**	**115,883**	**449**	**390,539**	**10,015,946**
Current Liabilities									
Trade payables	224,845	239,301	4,993	-	108,551	-	12	8,716	3,056,175
Financial liabilities	15,958	9,216	-	-	-	-	72	-	160,905
Other monetary liabilities	843	9,129	-	-	-	-	139	38,642	98,535
Non-Current Liabilities									
Financial liabilities	420,050	500,000	-	-	-	-	10	-	5,763,689
Other monetary liabilities	-	-	-	-	-	-	630	-	266
Toplam Liabilities	**661,696**	**757,646**	**4,993**	**-**	**108,551**	**-**	**863**	**47,358**	**9,079,570**
Net Position of Financial Statement	**(105,027)**	**(7,360)**	**102,662**	**408,465**	**375,045**	**115,883**	**(414)**	**343,181**	**936,376**
Off-balance sheet derivative assets (*)	240,096	39,902	-	-	55,870	-	-	33,146	1,914,188
Off-balance sheet derivative liabilities (*)	(134,600)	(49,273)	(104,800)	(408,000)	(460,000)	(113,646)	-	(364,621)	(2,972,966)
Net position of off-balance sheet items	105,496	(9,371)	(104,800)	(408,000)	(404,130)	(113,646)	-	(331,475)	(1,058,778)
Net Asset/(Liability) Position of Foreign Currency	**470**	**(16,731)**	**(2,138)**	**465**	**(29,085)**	**2,237**	**(414)**	11,706	**(122,402)**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(105,859)	(22,064)	102,662	408,465	355,506	115,883	(584)	343,181	826,907
Hedged Amount of Foreign Currency Ass	134,600	49,273	104,800	408,000	460,000	113,646	-	364,621	2,972,968
Hedged Amount of Foreign Currency Liabilities	86,250	39,902	-	-	55,870	-	-	33,146	891,019

(*) 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.

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

NOTE 34 - 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, 2018 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets									
Trade receivables	428,626	184,618	105,679	621,748	560,922	124,607	155,964	308,053	5,272,472
Monetary financial assets	349,882	115,207	23	-	1	-	5	23,665	2,739,003
Other	20,919	47,406	27	-	37,878	-	-	3,213	407,755
Total Assets	**799,427**	**347,231**	**105,729**	**621,748**	**598,801**	**124,607**	**155,969**	**334,931**	**8,419,230**
Current Liabilities									
Trade payables	214,069	225,131	908	18	54,671	-	-	10,577	2,533,080
Financial liabilities	56,997	6,111	-	-	-	-	-	-	375,727
						-	-	-	-
Other monetary liabilities	795	8,464	-	-	-	-	-	34,619	83,939
Non-Current Liabilities						-	-	-	-
Financial liabilities	417,765	500,000	-	-	-	-	-	-	5,148,737
Other monetary liabilities	-	5,254	-	-	-	-	-	-	27,640
	-								
Toplam Liabilities	**689,626**	**744,960**	**908**	**18**	**54,671**	**-**	**-**	**45,196**	**8,169,123**
Net Position of Financial Statement	**109,801**	**(397,729)**	**104,821**	**621,730**	**544,130**	**124,607**	**155,969**	**289,735**	**250,107**
Off-balance sheet derivative assets (*)	450,463	532,054	-	-	788	-	-	27,770	5,542,842
Off-balance sheet derivative liabilities (*)	(596,368)	(109,605)	(102,594)	(610,000)	(560,000)	(122,000)	(150,000)	(337,726)	(5,890,702)
Net position of off-balance sheet items	(145,905)	422,449	(102,594)	(610,000)	(559,212)	(122,000)	(150,000)	(309,956)	(347,860)
Net Asset/(Liability) Position of Foreign Currency	**(36,104)**	**24,720**	**2,227**	**11,730**	**(15,082)**	**2,607**	**5,969**	**(20,221)**	**(97,753)**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	88,882	(445,135)	104,794	621,730	506,252	124,607	155,969	286,522	(157,648)
Hedged Amount of Foreign Currency As	596,368	109,605	102,594	610,000	560,000	122,000	150,000	337,726	5,890,702
Hedged Amount of Foreign Currency Liabilities	296,617	532,054	-	-	788	-	-	27,770	4,615,457

(*) 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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2019, and December 31, 2018, 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	
December 31, 2019	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(4,372)	4,372	(7,353)	7,353
Secured portion from USD risk	(5,567)	5,567	(5,567)	5,567
USD Net effect	**(9,939)**	**9,939**	**(12,920)**	**12,920**
EUR net asset/liability	32,470	(32,470)	(44,253)	44,253
Secured portion from EUR risk	(32,156)	32,156	70,161	(70,161)
EUR Net effect	**314**	**(314)**	**25,908**	**(25,908)**
GBP net asset/liability	79,835	(79,835)	92,853	(92,853)
Secured portion from GBP risk	(81,498)	81,498	(81,498)	81,498
GBP Net effect	**(1,663)**	**1,663**	**11,355**	**(11,355)**
RUB net asset/liability	3,902	(3,902)	87,377	(87,377)
Secured portion from RUB risk	(3,897)	3,897	(3,897)	3,897
RUB Net effect	**5**	**(5)**	**83,480**	**(83,480)**
PLN net asset/liability	18,113	(18,113)	34,153	(34,153)
Secured portion from PLN risk	(17,763)	17,763	(17,763)	17,763
PLN Net effect	**350**	**(350)**	**16,390**	**(16,390)**
ZAR net asset/liability	(17)	17	121,211	(121,211)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	**(17)**	**17**	**121,211**	**(121,211)**
CNY net asset/liability	31,708	(31,708)	41,364	(41,364)
Secured portion from CNY risk	(34,167)	34,167	(34,167)	34,167
CNY Net effect	**(2,459)**	**2,459**	**7,197**	**(7,197)**
Other net asset/liability	34,316	(34,316)	396,614	(396,614)
Secured portion from other currency	(33,147)	33,147	(33,147)	33,147
Other Currency Net effect	**1,168**	**(1,168)**	**363,467**	**(363,467)**
	(12,240)	**12,240**	**616,088**	**(616,088)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Gain/Loss		Other Comprehensive Income	
December 31, 2018	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(209,241)	209,241	(209,377)	209,377
Secured portion from USD risk	222,248	(222,248)	222,246	(222,246)
USD Net effect	**13,007**	**(13,007)**	**12,869**	**(12,869)**
EUR net asset/liability	158,927	(158,927)	105,281	(105,281)
Secured portion from EUR risk	(180,690)	180,690	(87,952)	87,952
EUR Net effect	**(21,763)**	**21,763**	**17,329**	**(17,329)**
GBP net asset/liability	69,735	(69,735)	86,654	(86,654)
Secured portion from GBP risk	(68,253)	68,253	(68,253)	68,253
GBP Net effect	**1,482**	**(1,482)**	**18,401**	**(18,401)**
RUB net asset/liability	4,684	(4,684)	63,241	(63,241)
Secured portion from RUB risk	(4,596)	4,596	(4,596)	4,596
RUB Net effect	**88**	**(88)**	**58,645**	**(58,645)**
PLN net asset/liability	17,487	(17,487)	30,264	(30,264)
Secured portion from PLN risk	(17,121)	17,121	(17,121)	17,121
PLN Net effect	**366**	**(366)**	**13,143**	**(13,143)**
ZAR net asset/liability	5,719	(5,719)	106,333	(106,333)
Secured portion from ZAR risk	(5,500)	5,500	(5,500)	5,500
ZAR Net effect	**219**	**(219)**	**100,833**	**(100,833)**
CNY net asset/liability	41,464	(41,464)	53,086	(53,086)
Secured portion from CNY risk	(42,614)	42,614	(42,614)	42,614
CNY Net effect	**(1,150)**	**1,150**	**10,472**	**(10,472)**
Other net asset/liability	28,972	(28,972)	344,351	(344,351)
Secured portion from other currency :	(30,996)	30,996	(30,996)	30,996
Other Currency Net effect	**(2,024)**	**2,024**	**313,355**	**(313,355)**
	(9,775)	**9,775**	**545,047**	**(545,047)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2019 and 2018 are as follows:

	December 31, 2019 TRY	December 31, 2018 TRY
EUR	6.666.868	5.646.399
USD	1.774.060	1.807.807
GBP	2.265.015	1.995.487
Other	1.157.970	1.089.671
Total exports	**11.863.913**	**10.539.364**
EUR	2.034.602	1.930.426
USD	4.485.139	4.227.079
GBP	7.118	8.848
Other	3.439	4.671
Total imports	**6.530.298**	**6.171.024**

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Total financial liabilities (Note 6)	14,955,136	11,948,278
Cash and cash equivalents (Note 4)	(6,937,060)	(5,341,524)
Net financial liabilities	8,018,076	6,606,754
Equity	9,815,969	8,219,162
Total capital invested	**17,834,045**	**14,825,916**
Gearing ratio	**45%**	**45%**

NOTE 35 - 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 uncollectibility 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.

As of December 31, 2019, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 10,364,465 (December 31, 2019: TRY 7,923,499) (Note 7) and TRY 10,526,745 (December 31, 2018: TRY 7,712,416) 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.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

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 maximise 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

Fair value hierarchy table as of December 31, 2019 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)	-	2,008	-
Financial investments (Note 6)	2,930	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	82,606	-

Fair value hierarchy table as of December 31, 2018 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)	-	195,218	-
Financial investments (Note 6)	1,777	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	251,095	-

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

NOTE 36 - 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-December 31, 2019	1 January-December 31, 2018
Adjustments for provisions:		
Accrual for customer premiums	256,468	188,993
Warranty provision	63,407	41,763
Provision for employment termination benefits	32,432	23,707
Provision for assembly and transportation cost	21,263	2,728
Provision for legal claims	6,077	6,052
Provision for vacation pay liability	5,579	4,893
Return provisions	(268)	4,704
Accrual for bonuses and premiums	(1,321)	16,547
	383,637	**289,387**

	1 January-December 31, 2019	1 January-December 31, 2018
Adjustments for impairment loss:		
Provision for doubtful receivables	44,596	35,512
Provision for impairment on inventories	44,205	30,144
	88,801	**65,656**

NOTE 37 – EVENTS AFTER BALANCE SHEET DATE

None.