

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

ARÇELİK ANONİM ŞİRKETİ

**JANUARY 1 - JUNE 30, 2019 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

CONTENTS	PAGES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1-3
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	4
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	8-58
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	9-16
NOTE 3 BUSINESS COMBINATION.....	16-17
NOTE 4 SEGMENT REPORTING.....	17-19
NOTE 5 CASH AND CASH EQUIVALENTS.....	19-20
NOTE 6 FINANCIAL INVESTMENTS.....	20-21
NOTE 7 BORROWINGS.....	21-25
NOTE 8 DERIVATIVE INSTRUMENTS.....	26
NOTE 9 TRADE RECEIVABLES AND PAYABLES.....	27-28
NOTE 10 INVENTORIES.....	28
NOTE 11 OTHER PAYABLES.....	29
NOTE 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD.....	29-30
NOTE 13 PROPERTY, PLANT AND EQUIPMENT.....	30-31
NOTE 14 OTHER INTANGIBLE ASSETS.....	31
NOTE 15 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES.....	31-34
NOTE 16 OTHER PROVISIONS.....	34
NOTE 17 PREPAID EXPENSES.....	34
NOTE 18 CURRENT INCOME TAX ASSETS.....	34
NOTE 19 EMPLOYEE BENEFIT OBLIGATIONS.....	35
NOTE 20 OTHER ASSETS AND LIABILITIES.....	35
NOTE 21 EQUITY.....	35-37
NOTE 22 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES.....	37
NOTE 23 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES.....	38
NOTE 24 FINANCIAL INCOME.....	38
NOTE 25 FINANCIAL EXPENSES.....	39
NOTE 26 TAX ASSETS AND LIABILITIES.....	39-41
NOTE 27 EARNINGS PER SHARE.....	41
NOTE 28 RELATED PARTY DISCLOSURES.....	42-45
NOTE 29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	45-56
NOTE 30 FINANCIAL INSTRUMENTS.....	56-57
NOTE 31 SUPPLEMENTARY CASH FLOW INFORMATION.....	57-58
NOTE 32 EVENTS AFTER BALANCE SHEET DATE.....	58

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

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

	Notes	Reviewed	Audited
		June 30, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	5,787,781	5,341,524
Trade receivables			
-Due from related parties	28	31,157	12,059
-Trade receivables, third parties	9	9,454,764	7,744,252
Derivative instruments	8	237,989	28,405
Inventories	10	6,081,641	5,087,676
Prepaid expenses	17	335,535	181,987
Current income tax assets	18	102,716	118,220
Other current assets	20	720,259	681,903
Total current assets		22,751,842	19,196,026
Non-current assets:			
Financial investments	6	2,033	1,856
Trade receivables			
-Trade receivables, third parties	9	28,053	35,690
Derivate instruments	8	3,808	166,813
Investments accounted for using the equity method	12	475,289	346,605
Property, plant and equipment	13	5,735,721	4,534,276
Intangible assets			
-Goodwill		820,274	507,966
-Other intangible assets	14	2,724,856	2,600,849
Prepaid expenses		55,355	100,033
Deferred tax assets	26	978,682	878,247
Total non-current assets		10,824,071	9,172,335
Total assets		33,575,913	28,368,361

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

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

		Reviewed	Audited
	Notes	June 30, 2019	December 31, 2018
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	4,255,535	4,022,086
Short-term portion of long-term borrowings	7	1,545,620	1,494,640
Trade payables			
-Due to related parties	28	701,818	441,597
-Trade payables, third parties	9	5,502,030	4,292,847
Derivative instruments	8	280,218	251,095
Employee benefit obligations	19	333,559	344,171
Other payables			
-Due to related parties	28	30,612	27,794
-Other payables, third parties	11	328,315	241,069
Current income tax liabilities	26	68,285	42,978
Provisions			
-Other provisions	16	742,135	582,339
Other current liabilities	20	1,083,550	756,340
Total current liabilities		14,871,677	12,496,956
Non-current liabilities:			
Long-term borrowings	7	8,276,942	6,431,552
Other payables			
-Due to related parties	28	15,758	28,180
Provisions			
-Provision for employee benefits		316,901	289,560
-Other provisions	16	160,159	155,868
Deferred tax liabilities	26	523,958	511,386
Other non-current liabilities	7	245,229	235,697
Total non-current liabilities		9,538,947	7,652,243
Total liabilities		24,410,624	20,149,199

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

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

		Reviewed	Audited
	Notes	June 30, 2019	December 31, 2018
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	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		(195,503)	(177,981)
- Gains/ losses on financial assets measured at fair value through other comprehensive income		1,516	1,348
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		3,378,316	2,871,675
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(663,939)	(601,215)
-Gains/ losses on cash flow hedges		1,658	5,405
Balancing account for merger capital		14,507	14,507
Restricted reserves	21	409,115	409,115
Retained earnings		4,515,065	3,663,309
Net income for the period		444,484	851,756
Equity holders of the parent		9,050,647	8,183,347
Non-controlling interest		114,642	35,815
Total equity		9,165,289	8,219,162
Total liabilities and equity		33,575,913	28,368,361
Commitments, contingent assets and liabilities	15		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED JUNE 30, 2019

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

	Notes	Reviewed		April 1- June 30, 2019	April 1- June 30, 2018
		January 1- June 30, 2019	January 1- June 30, 2018		
Net sales	4	15,329,757	11,794,111	8,427,600	6,511,893
Cost of sales		(10,447,728)	(8,169,419)	(5,784,268)	(4,537,873)
Gross profit	4	4,882,029	3,624,692	2,643,332	1,974,020
General administrative expenses		(784,704)	(537,899)	(430,451)	(278,671)
Marketing expenses		(2,880,673)	(2,242,539)	(1,500,715)	(1,262,253)
Research and development expenses		(121,543)	(90,046)	(61,998)	(46,571)
Other income from operating activities	22	515,615	668,135	167,282	397,237
Other expenses from operating activities	22	(307,014)	(310,978)	(153,679)	(176,824)
Operating profit		1,303,710	1,111,365	663,771	606,938
Income from investment activities	23	1,474	6,747	924	4,277
Expenses from investment activities	23	(2,153)	(3,746)	(1,131)	(1,306)
Share of profit/loss of investments accounted for using the equity method	12	16,372	34,278	1,404	23,587
Operating income before financial income/(expense)		1,319,403	1,148,644	664,968	633,496
Financial income	24	1,367,748	898,573	648,009	563,946
Financial expenses	25	(2,124,705)	(1,699,951)	(1,011,373)	(1,007,997)
Profit from continuing operations before tax		562,446	347,266	301,604	189,445
Tax income/(expense), continuing operations					
- Taxes on income	26	(182,721)	(81,313)	(122,017)	(50,966)
- Deferred tax income	26	78,364	56,224	52,408	6,111
Net income		458,089	322,177	231,995	144,590
Attributable to:					
Non-controlling interest		13,605	1,497	12,933	762
Equity holders of the parent		444,484	320,680	219,062	143,828
Earnings per share (kurus)	27	0.658	0.475	0.324	0.213
Diluted earnings per share (kurus)	27	0.658	0.475	0.324	0.213

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED JUNE 30, 2019

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

	Reviewed		April 1- June 30, 2019	April 1- June 30, 2018
	January 1- June 30, 2019	January 1- June 30, 2018		
Net income	458,089	322,177	231,995	144,590
Other comprehensive income:				
Not to be reclassified to profit or loss	(21,555)	(56,524)	(11,227)	(30,918)
Gain/ loss arising from defined benefit plans	(21,035)	(55,962)	(10,690)	(30,360)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(697)	(129)	(495)	70
Gain/ loss on financial assets measured at fair value through other comprehensive income	177	(433)	(42)	(628)
Not to be reclassified to profit or loss, tax effect	4,201	11,212	2,146	6,102
Gain/ loss arising from defined benefit plans, tax effect	4,210	11,190	2,144	6,070
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	(9)	22	2	32
To be reclassified to profit or loss	426,586	559,342	69,631	313,561
Currency translation differences	502,560	668,451	129,377	367,692
Other comprehensive income related with hedges of net investments in foreign operations	(80,415)	(122,111)	(35,677)	(67,988)
Other comprehensive income related with cash flow hedge	3,808	-	(30,225)	-
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	(6,718)	4,495	6,769	6,970
Currency translation differences of investments accounted for using the equity method	7,351	8,507	(613)	6,887
To be reclassified to profit or loss, tax effect	16,854	26,864	14,499	14,957
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	17,691	26,864	7,849	14,957
Other comprehensive income related with cash flow hedge, tax effect	(837)	-	6,650	-
Other comprehensive income/ (loss) (net of tax)	426,086	540,894	75,049	303,702
Total comprehensive income	884,175	863,071	307,044	448,292
Attributable to:				
Non-controlling interest	16,875	7,404	15,242	4,036
Equity holders of the parent	867,300	855,667	291,802	444,256

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 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		Restricted reserves	Accumulated profit				
	Paid-in capital	Adjustmen to share capital	Share premium /discount	Balancing account for merger capita	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		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
Adjustments related to required changes in accounting policies	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	(44,901)	(411)	(90,752)	671,051	-	-	320,680	855,667	7,404	863,071
Net income	-	-	-	-	-	-	-	-	-	-	320,680	320,680	1,497	322,177
Other comprehensive income	-	-	-	-	(44,901)	(411)	(90,752)	671,051	-	-	-	534,987	5,907	540,894
Dividends paid	-	-	-	-	-	-	-	-	-	(435,000)	-	(435,000)	(11,995)	(446,995)
As of June 30, 2018	675,728	468,811	889	14,507	(157,803)	1,598	(503,204)	2,293,176	409,115	3,663,309	320,680	7,186,806	29,488	7,216,294
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	-	-	-	-	(17,522)	168	(66,471)	506,641	-	-	444,484	867,300	16,875	884,175
Net income	-	-	-	-	-	-	-	-	-	-	444,484	444,484	13,605	458,089
Other comprehensive income	-	-	-	-	(17,522)	168	(66,471)	506,641	-	-	-	422,816	3,270	426,086
Total comprehensive income	-	-	-	-	(17,522)	168	(66,471)	506,641	-	-	444,484	867,300	16,875	884,175
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	61,952	61,952
As of June 30, 2019	675,728	468,811	889	14,507	(195,503)	1,516	(662,281)	3,378,316	409,115	4,515,065	444,484	9,050,647	114,642	9,165,289

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2019

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

	Notes	Reviewed	
		January 1- June 30 2019	January 1- June 30 2018
Cash flows from operating activities:			
Net income:		458,089	322,177
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	26	104,357	25,089
Adjustments for depreciation and amortisation expense		507,083	310,575
Adjustments for impairment loss	31	42,855	20,201
Adjustments for provisions	31	451,405	250,389
Adjustments for interest expense	25	779,478	401,587
Adjustments for interest income	24	(70,082)	(18,212)
Adjustments for undistributed profits of investments accounted for using equity method	12	(16,372)	(34,278)
Adjustments for fair value (gains) losses on derivative financial instruments	24, 25	(54,410)	23,212
Adjustments for unrealised foreign exchange losses (gains)	24, 25	96,865	389,451
Other adjustments to reconcile profit (loss)	24, 25	5,106	5,340
Adjustments for income arised from government grants	22	(20,909)	(27,335)
Adjustments for dividend (income) expenses	23	-	(94)
Adjustments for losses (gains) on disposal of non-current assets	23	679	(2,907)
Net cash flow from operating activities before changes in operating assets and liabilities		2,284,144	1,665,195
<i>Changes in operating assets and liabilities:</i>			
Adjustments for decrease (increase) in trade receivables		(1,610,777)	(1,466,685)
Adjustments for decrease (increase) in inventories		(715,923)	(984,552)
Decrease (increase) in prepaid expenses		(153,548)	13,707
Adjustments for increase (decrease) in trade payables		1,481,376	1,033,780
Increase (decrease) in employee benefit liabilities		(85,291)	(81,793)
Adjustments for increase (decrease) in other operating payables		(14,597)	29,055
Increase (decrease) in government grants and assistance		29,010	6,799
Other adjustments for other increase (decrease) in working capital		105,217	(70,604)
Income taxes refund (paid)		(66,955)	(56,206)
Cash flows from operating activities		1,252,656	88,696
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses	3	(406,321)	-
Purchase of property, plant, equipment and intangible assets		(587,333)	(628,916)
Proceeds from sales of property, plant, equipment and intangible assets		6,509	7,488
Advances given for fixed assets		-	(54,639)
Dividends received		-	26,265
Cash outflows from participations and / or joint ventures share acquisitions or capital increase	12	(112,480)	(57,237)
Cash flows from investing activities		(1,099,625)	(707,039)
Financing activities:			
Proceeds from borrowings		2,996,566	3,231,983
Repayments of borrowings		(3,008,987)	(1,796,089)
Dividends paid		-	(435,000)
Payments of lease liabilities	7	(132,990)	-
Interest paid		(506,950)	(345,096)
Interest received		69,506	18,009
Bonds issued		500,000	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		40,668	(49,757)
Other inflows (outflows) of cash	24, 25	(5,106)	(5,340)
Cash flows from financing activities		(47,293)	618,710
Net increase/(decrease) in cash and cash equivalents before currency translation differences		105,738	367
Effect of currency translation differences		339,943	373,440
Net increase/(decrease) in cash and cash equivalents		445,681	373,807
Cash and cash equivalents at January 1	5	5,337,278	2,580,893
Cash and cash equivalents at June 30	5	5,782,959	2,954,700

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

(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 21).

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 June 30, 2019, the publicly listed shares are 25.15% of the total shares. (December 31, 2018: 25.15%)

The average number of personnel employed by categories in the Group in 2019 is 7,278 monthly paid (January 1-June 30, 2018: 6,709) and 23,969 hourly paid (January 1-June 30, 2018: 22,414) totalling to 31,247 (January 1-June 30, 2018: 29,123).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
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
Arduç B.V. (“Arduç”)	Netherlands	Investment	Holding
Arduç B.V. Taiwan (“Arduç Taiwan”) ^(*)	Taiwan	Purchase	Consumer Durables/Electronics
Arch R&D Co. Ltd. (“Arch R&D”) ⁽¹⁾	China	R&D	Developing technology and design
Beko A and NZ Pty Ltd. (“Beko Australia”) ^(*)	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko Appliances Indonesia, PT (“Beko Indonesia”)	Indonesia	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”) ⁽²⁾	Morocco	Sales	Consumer Durables/Electronics
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 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
Computer Vision Interaction S.A. (“CoVii”)	Portugal	R&D	Software
Dawlance Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Dawlance (Private) Ltd. (“DPL”)	Pakistan	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic of South Africa	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
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”)	Netherlands	Investment	Holding
Grundig Intermedia GmbH (“Grundig Intermedia”) ^(*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
International Appliances Limited (“International Appliances”)	Bangladesh	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Pan Asia Private Equity Ltd. (“Pan Asia”)	British Virgin Islands	Investment	Holding
Retail Holdings Bhold B.V (“Retail Holdings”)	Netherlands	Investment	Holding
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited (“Singer”)	Bangladesh	Investment	Consumer Durables/Electronics
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

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

⁽¹⁾ Branches of the Subsidiary, which operate in a different country, are separately presented.

⁽²⁾ Beko Israel, has been established as a sales company in year 2019.

⁽³⁾ Beko Morocco, has been established as a sales company in year 2019.

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
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 condensed interim consolidated financial statements as at and for the period ended June 30, 2019 has been approved for issue by the Board of Directors on July 29, 2019.

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 condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

For the period ended June 30, 2019, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2018.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its interim consolidated financial statements in accordance with this decision.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

(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)

Financial reporting standards (Continued)

The condensed interim 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.

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at 30 June 2019 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/IFRS and IFRIC interpretations effective as of 1 January 2019.

Standards, amendments and interpretations effective as of 1 January 2019:

- TFRS 9 - Financial Instruments (Amendments)
- TFRS 16 - Leases
- TAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)
- TAS 28 - Investments in Associates and Joint Venture (Amendments)
- TFRIC 23 - Uncertainty Over Income Tax Treatments
- Annual Improvements to TFRSs - 2015 - 2017 Cycle: TFRS 3, TFRS 11, TAS 12 and TAS 23.

Impacts of these amendments on the financial position or performance of the Group are explained in Note 2.2.

New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- TAS 1 - Presentation of Financial Statements (Amendments)
- TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)
- TFRS 3 - Business Combinations (Amendments)

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.

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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

(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)

Financial statements of subsidiaries operating in countries other than Turkey (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 June 30, 2019 and December 31, 2018 (%) and their functional currencies:

	Functional currency	June 30, 2019		December 31, 2018	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
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
Arch R&D	Chinese Yuan (“CYN”)	100.00	100.00	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 Espana	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira (“EGP”)	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 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 Polska	Polish Zloty (“PLN”)				
	Czech Koruna (“CZK”)	100.00	100.00	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	51.00	51.00
Dawlance Electronics	Pakistani Rupee (“PKR”)	100.00	100.00	100.00	100.00
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
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
United Refrigeration Industries	Pakistani Rupee (“PKR”)	100.00	100.00	100.00	100.00
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
Wat Motor	Turkish Lira (“TRY”)	100.00	100.00	100.00	100.00
Token	Turkish Lira (“TRY”)	100.00	100.00	100.00	100.00
Beko Morocco	Moroccan Dirham (“MAD”)	100.00	100.00	100.00	100.00
Singer Bangladesh	Bangladeshi Taka (“BDT”)	56.99	56.99	-	-
Retail Holdings	Euro (“EUR”)	100.00	100.00	-	-
International Appliances	Bangladeshi Taka (“BDT”)	56.99	56.99	-	-
Vietbeko	Vietnamese Dong (“VND”)	100.00	100.00	100.00	100.00
Beko Israel	Israeli New Shekel (“ILS”)	100.00	100.00	-	-
Ceased operations as of balance sheet date:					
Beko Cesko		-	100.00	100.00	100.00
Grundig Austria		-	100.00	100.00	100.00
Grundig Portugal		-	100.00	100.00	100.00

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019**

(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)

Going concern

The Group prepared its condensed interim 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.

Comparatives and restatement of prior periods’ financial statements

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

Group has applied consistent accounting policies in the preparation of condensed interim 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:

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

(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)

IFRS 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.

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 TMS16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

(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)

IFRS 16 Leases (Continued)

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.

Variable lease payments

Group’s lease contracts also include variable lease payments which are not in the scope of IFRS 16. Variable lease payments are recognised in profit or loss in the related period.

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 IFRS 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).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

(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)

IFRS 16 Leases (Continued)

The Group – as a lessor

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

First time adoption of IFRS 16 Leases

The Group has applied IFRS 16 “Leases”, which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying IFRS 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 IFRS 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 IFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under IFRS 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 IFRS 16 (non-discounted)	862,851
Total lease liabilities within the scope of IFRS 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%.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

(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)

As of January 1, 2019 and June 30, 2019, the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	30 June 2019	1 January 2019
Lands	1,924	-
Buildings	654,511	609,989
Machinery, equipment and installations	32,719	49,547
Motor vehicles	71,829	84,315
Furnitures and fixtures	74	129
Total right of use	761,058	743,980

NOTE 3- BUSINESS COMBINATION

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 provisionally 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	92,491
Intangible assets	2,255
Other non-current assets	25,663
Borrowings	(260,808)
Trade and other payables	(71,491)
Other liabilities	(48,887)
Total fair value of identifiable net assets	237,415
Total fair value of %56.99 shares acquired	135,303
Goodwill	280,410
Total Consideration	415,713

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

In the consolidated income statement, contribution to consolidated sales by Singer Bangladesh after the date of acquisition is TRY 361,080. The contribution by Singer Bangladesh to consolidated net profit of Arçelik Group amounts to TRY 23,905.

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 548,655 and TRY 36,750, respectively.

As of June 30, 2019, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 1,513.

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

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 six-month periods ended June 30, 2019 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	11,536,097	1,484,897	2,308,763	15,329,757
Gross profit	3,839,428	363,235	679,366	4,882,029
Depreciation and amortization	391,023	69,827	52,827	513,677
Capital expenditures	504,736	68,879	20,312	593,927

(*) The Group recognised net sales amounting to TRY 15,315,938 with respect to the performance obligations satisfied at a point in time for the six-month periods ended June 30, 2019.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 4 - SEGMENT REPORTING (Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the six-month periods ended June 30, 2018 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	8,589,376	1,335,520	1,869,215	11,794,111
Gross profit	2,765,352	304,175	555,165	3,624,692
Depreciation and amortization	239,631	50,804	26,523	316,958
Capital expenditures	529,257	82,793	23,249	635,299

c) Operational segments which have been prepared in accordance with the reportable segments for the three-month periods between April 1 – June 30, 2019 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	6,344,517	759,420	1,323,663	8,427,600
Gross profit	2,061,755	194,555	387,022	2,643,332
Depreciation and amortization	198,919	34,264	28,082	261,265
Capital expenditures	217,327	36,516	11,593	265,436

(*) The Group recognised net sales amounting to TRY 8,420,281 with respect to the performance obligations satisfied at a point in time for the three-month periods between April 1- June 30, 2019.

d) Operational segments which have been prepared in accordance with the reportable segments for the three-month periods between April 1 – June 30, 2018 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	4,720,672	703,501	1,087,720	6,511,893
Gross profit	1,506,813	151,079	316,128	1,974,020
Depreciation and amortization	124,124	26,242	13,878	164,244
Capital expenditures	334,982	50,547	13,822	399,351

e) Sales revenue grouped geographically based on the location of the customers for the six-month periods ended June 30 are shown as below:

January 1 – June 30, 2019	Turkey	Europe	Africa	Asia		Total
				Pacific	Other	
Total segment revenue	5,128,802	6,835,176	1,068,397	1,673,449	623,933	15,329,757

January 1 – June 30, 2018	Turkey	Europe	Africa	Asia		Total
				Pacific	Other	
Total segment revenue	4,267,686	5,183,492	785,843	1,136,803	420,287	11,794,111

NOTE 4 - SEGMENT REPORTING (Continued)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

f) Sales revenue grouped geographically based on the location of the customers for the three-month periods between April 1 - June 30 are shown as below:

January 1 – June 30, 2019	Asia					Total
	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	2,925,826	3,543,051	560,053	1,050,461	348,209	8,427,600

January 1 – June 30, 2018	Asia					Total
	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	2,361,794	2,831,940	411,424	662,194	244,541	6,511,893

NOTE 5 - CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31,2018
Cash in hand	1,100	763
Cash at banks		
- demand deposits	477,682	569,097
- time deposits	5,089,259	4,652,265
Cheques and notes	111,429	62,200
Other	103,489	52,953
Cash and cash equivalents in cash flow statement	5,782,959	5,337,278
Interest income accruals	4,822	4,246
	5,787,781	5,341,524

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

Up to 30 days	5,680,035	5,135,129
30-90 days	107,746	206,395
	5,787,781	5,341,524

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

As of balance sheet date effective interest rates (%) of time deposits are as follows:

	June 30, 2019	December 31, 2018
TRY	23.8	23.0
USD	3.3	3.4
EUR	0.7	1.5
BWP	0.6	1.0
CZK	0.5	-
CNY	1.7	3.0
IDR	5.5	-
ZAR	6.3	5.3
HKD	0.1	0.3
GBP	0.6	0.6
SEK	(0.8)	-
CHF	(0.7)	(0.7)
EGP	5.1	10.4
NAD	5.3	5.0
NOK	1.0	0.5
PKR	8.7	4.8
ROL	0.4	0.1
RUB	7.5	7.2
RSD	2.1	3.2
THB	0.7	0.7
VND	1.0	1.0

NOTE 6 - FINANCIAL INVESTMENTS

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

	June 30, 2019	December 31, 2018
Fair value gain/losses of financial assets reflected to other comprehensive income	2,033	1,856
Total	2,033	1,856

		June 30, 2019	December 31, 2018
	(%)	TRY	(%) TRY
Tat Gıda Sanayi A.Ş.	0.34	1,954	0.34 1,777
Other		79	79
		2,033	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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

(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 168 (June 30, 2018: TRY 411) and net of deferred tax effect amounting to TRY 9 (June 30, 2018: TRY 22) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets" for the six-month periods ended June 30, 2019.

The details of financial investments for the six-month periods ended June 30, are as follows:

	2019	2018
As of January 1	1,856	2,552
Change in fair value	177	(433)
As of June 30	2,033	2,119

NOTE 7 - BORROWINGS

a) Short-term borrowings

	June 30, 2019	December 31, 2018
Short-term bank borrowings	3,947,040	3,896,688
Short-term lease liabilities	205,028	-
Payables from factoring activities (*)	103,467	124,696
Other	-	702
Total short-term borrowings	4,255,535	4,022,086
Short-term portion of long-term		
bank borrowings and interest accruals	1,423,387	1,438,524
Interest accruals of long-term bond issued (**)	122,233	56,116
Total short-term portion of long-term borrowings	1,545,620	1,494,640

(*) Factoring liabilities are amounting to TRY 58,299 denominated in EUR (December 31, 2018: TRY 75,179), TRY 45,168 denominated in GBP (December 31, 2018: TRY 49,517) and interest rates are between 0.6 % for EUR (December 31, 2018: 0.6%) and 1.37 % for GBP (December 31, 2018: 1.12%).

(**) 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 17, 2021 and coupon rate is 3MTRYIBOR+0.75.

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%.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 7 – BORROWINGS (Continued)

a) Short-term borrowings (Continued)

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 June 30, 2019, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	27.6	1,735,585,201	1,735,585
EUR	0.5	184,789,439	1,210,500
PKR	11.5	14,951,024,381	529,864
BDT	9.5	3,880,307,535	264,529
ZAR	8.5	250,000,000	101,610
AUD	3.3	15,108,692	60,809
ROL	5.0	32,080,344	44,143
			3,947,040

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
ROL	4.9	4,478,922	5,763
			3,896,688

b) Long-term borrowings

	June 30, 2019	December 31, 2018
Long-term bank borrowings	2,028,371	1,698,024
Long-term bonds issued	5,661,318	4,730,835
Long-term lease liabilities	587,253	-
Other	-	2,693
	8,276,942	6,431,552

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 7 - BORROWINGS (Continued)

b) Long-term borrowings (Continued)

As of June 30, 2019, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	23.4	2,691,016,083	2,691,016
EUR	2.0	79,150,088	518,488
ZAR	10.1	500,000,000	203,220
PKR	11.6	1,015,294,247	35,982
BDT	9.3	44,760,267	3,052
			3,451,758
Short-term portion of long-term loans and interest accruals			(1,423,387)
			2,028,371

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 June 30, 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	505,217,242	2,907,576
EUR	4.0	360,116,266	2,359,013
TRY	27.5	516,962,033	516,962
			5,783,551
Interest accruals of long-term bonds issued			(122,233)
			5,661,318

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 7 - BORROWINGS (Continued)

b) Long-term 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:

	June 30, 2019	December 31, 2018
2020	630,000	1,288,120
2021	3,261,556	2,141,331
2022	183,076	63,062
2023 to 2027	3,624,034	2,945,761
	7,698,666	6,438,274

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

	June 30, 2019	December 31, 2018
Up to 3 months	3,480,163	3,214,446
3 - 12 months	1,980,144	2,145,905
1-5 years	6,729,719	5,770,250
Over 5 years	468,947	409,904
	12,658,973	11,540,505

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 7 - BORROWINGS (Continued)

Net financial debt reconciliation

As of June 30, 2019, and December 31, 2018, the net financial debt reconciliation is as follows:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	5,787,781	5,341,524
Borrowings and bill of exchange – repayable within one year	(5,596,127)	(5,516,726)
Borrowings and bill of exchange – repayable after one year	(7,689,689)	(6,431,552)
Lease Liabilities – repayable within one year	(205,028)	-
Lease Liabilities – repayable after one year	(587,253)	-
	(8,290,316)	(6,606,754)

Cash and cash equivalents	5,787,781	5,341,524
Borrowings and bill of exchange - fixed interest rates	(10,874,945)	(10,425,912)
Borrowings and bill of exchange – floating interest rate	(2,410,871)	(1,522,366)
Lease Liabilities	(792,281)	-
	(8,290,316)	(6,606,754)

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	132,990	409,601	(897,180)	(355,639)
Changes in interest accruals	(29,273)	(243,259)	-	(272,532)
Changes in factoring liabilities	-	21,230	-	21,230
Changes in lease liabilities	(66,764)	-	-	(66,764)
Acquisitions	(57,803)	(257,298)	(3,510)	(324,296)
Currency translation adjustments	(27,451)	(9,675)	(357,449)	(388,891)
Financial debt as of June 30	(792,281)	(5,596,127)	(7,689,689)	(14,078,097)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

(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.

	June 30, 2019			December 31, 2018		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
<i>Short-term derivative instruments</i>						
<i>Held for trading:</i>						
Forward transactions	2,917,081	1,302	(5,547)	6,184,770	11,761	(20,200)
Foreign currency swap contracts	7,972,079	11,636	(274,671)	5,906,441	16,644	(230,895)
Cross-currency fixed interest rate swap	3,864,303	225,051	-	-	-	-
		237,989	(280,218)		28,405	(251,095)
<i>Long-term derivative instruments</i>						
<i>Held for trading:</i>						
Cross-currency fixed interest rate swap ^(*)	-	-	-	3,540,742	166,813	-
<i>Cash flow hedge:</i>						
Interest rate swap contracts	500,000	3,808	-	-	-	-
		3,808	-		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 and reclassified the fair values of these derivatives in short term assets as of the reporting date.

^(**) As of 30 June 2019, interest rate swap transactions consist of exchange of floating rate instalment payments of long term bond issued amounting to TL 500,000 with fixed rate instalment payments for cash flow hedging.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2019	December 31, 2018
Short-term trade receivables:		
Trade receivables	7,855,187	6,011,821
Notes receivables	1,639,634	1,625,067
Cheques receivables	315,658	393,722
Short-term trade receivables (gross)	9,810,479	8,030,610
Provision for doubtful receivables	(236,224)	(207,121)
Unearned credit finance income	(119,491)	(79,237)
Short-term trade receivables (net)	9,454,764	7,744,252

As of June 30, 2019, the Group has offsetted TRY 957,435 (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 105,747 related with its local bank borrowings (December 31, 2018: TRY 78,018).

The movements of provision for doubtful receivables for the six-month periods ended June 30, are as follows:

	2019	2018
As of January, 1	207,121	171,031
Current year additions (Note 22)	24,929	14,104
Provisions no longer required (Note 22)	(2,104)	(1,830)
Write-offs (*)	(3,156)	(284)
Acquisitions	3,296	-
Currency translation differences	6,138	9,649
As of June, 30	236,224	192,670

(*) 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.

	June 30, 2019	December 31, 2018
Long-term trade receivables		
Trade receivables	32,792	41,450
Unearned credit finance income	(4,739)	(5,760)
	28,053	35,690

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	June 30, 2019	December 31, 2018
Short-term trade payables:		
Trade payables	5,129,515	4,032,950
Debt accruals	451,073	314,565
Unearned credit finance charges	(78,558)	(54,668)
	5,502,030	4,292,847

NOTE 10 - INVENTORIES

	June 30, 2019	December 31, 2018
Raw materials and supplies	2,184,084	2,042,764
Work in progress	156,453	149,579
Finished goods	2,848,628	2,141,994
Trade goods	1,019,374	858,125
Inventories (gross)	6,208,539	5,192,462
Provision for impairment on inventories	(126,898)	(104,786)
Inventories (net)	6,081,641	5,087,676

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 125,394 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:

	June 30, 2019	December 31, 2018
Raw materials and supplies	70,118	69,929
Finished goods	47,011	27,904
Trade goods	9,769	6,950
	126,898	104,783

Movements of provision for impairment on inventories for the six-month periods ended June 30 are as follows:

	2019	2018
As of January 1	104,786	84,976
Current year additions (Note 22)	17,926	6,097
Realized due to sales of inventory	(8,720)	(4,630)
Acquisitions	8,236	-
Currency translation differences	4,670	3,928
As of June 30	126,898	90,371

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 11 - OTHER PAYABLES

	June 30, 2019	December 31, 2018
Taxes and duties payable	246,633	175,158
Dividend payables to shareholders	24,838	20,219
Deposits and guarantees received	4,195	3,400
Other	52,649	42,292
	328,315	241,069

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2019		December 31, 2018	
	%	TRY	%	TRY
Koç Finansman	47.0	168,569	47.0	149,131
VoltBek	49.0	154,422	49.0	64,015
Arçelik - LG	45.0	143,058	45.0	124,716
Ram Dış Ticaret	33.5	6,869	33.5	5,643
Tanı Pazarlama	32.0	2,371	32.0	3,100
		475,289		346,605

The movements of associates for the six-month periods ended June 30, are as follows:

	2019	2018
As of January, 1	346,605	282,261
Share participation in joint venture	112,480	57,237
Shares of income/loss of associates	16,372	34,278
Currency translation difference	7,351	8,507
Gross profit elimination on inventory	(104)	2,201
Shares of other comprehensive income/loss of associates	(7,415)	4,366
Dividends received	-	(26,170)
As of June, 30	475,289	362,680

Shares of income/loss from associates and joint venture:

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Koç Finansman	26,159	21,724	11,426	9,955
Arçelik – LG	18,845	14,762	7,873	12,571
Ram Dış Ticaret	1,239	999	316	475
Tanı Pazarlama	(448)	(2,198)	(1,560)	(994)
VoltBek	(29,423)	(1,009)	(16,651)	1,580
	16,372	34,278	1,404	23,587

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

(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:

			June 30, 2019	December 31, 2018
Total assets			5,851,620	6,072,971
Total liabilities			4,831,995	5,321,349
	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Total sales	2,666,899	1,750,924	1,501,216	1,049,994
Net income for the period	39,556	77,971	19,006	59,813

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2019	2018
As of January 1		
Cost	9,078,527	7,150,246
Accumulated depreciation	(4,544,251)	(3,885,475)
Net carrying value	4,534,276	3,264,771
Effect of change due to TFRS 16^(**)	743,980	-
Net carrying value at the beginning of the period	5,278,256	3,264,771
Acquisitions	150,294	-
Additions	454,172	482,943
Transfers ^(*)	(335)	(39,003)
Disposals	(13,732)	(4,180)
Currency translation differences	265,337	216,493
Depreciation for the period	(398,271)	(227,129)
Net carrying value at the end of the period	5,735,721	3,693,895
As of June 30		
Cost	10,792,930	7,907,182
Accumulated depreciation	(5,057,209)	(4,213,287)
Net carrying value	5,735,721	3,693,895

(*) Consists of transfers amounting to TRY 335 from property, plant and equipment to other intangible assets (Note 14).

(**) As of June 30, 2019, the net book value of the right of use assets included in property, plant and equipment is TRY 761,058. The details of the initial recognition of the right of use assets under TFRS 16 are presented in Note 2.2.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019**

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Additions to right of use assets are TRY 43,661 and depreciation expenses are TRY 119,532 for the six-month periods ended June 30, 2019.

There is no mortgage on property, plant and equipment as of June 30, 2019 (December 31, 2018: None).

NOTE 14 – OTHER INTANGIBLE ASSETS

	2019	2018
As of January 1		
Cost	3,614,533	2,944,381
Accumulated amortization	(1,013,684)	(804,043)
Net carrying value	2,600,849	2,140,338
Net carrying value at the beginning of the period		
Acquisitions	2,255	-
Additions	183,415	152,356
Transfers ^(*)	335	39,003
Disposals	(8)	(401)
Currency translation differences	53,416	167,788
Amortization for the period	(115,406)	(89,829)
Net carrying value at the end of the period	2,724,856	2,409,255
As of June, 30		
Cost	3,858,472	3,316,560
Accumulated amortization	(1,133,616)	(907,305)
Net carrying value	2,724,856	2,409,255

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

Net carrying value of the development costs as of June 30, 2019 is TRY 771,196 (December 31, 2018: TRY 685,536) and capitalized development costs for the period is TRY 163,267 (January 1 - March 31, 2018: TRY 62,725).

As of June 30, 2019 total amount of borrowing costs capitalized is none (December 31, 2018: none).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2019, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 845,340,724 (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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of June 30, 2019 and December 31, 2018 are as follows:

June 30, 2019	Purchase Commitments	Sales Commitments
TRY	2,721,854	1,509,807
USD	2,305,770	1,222,453
EUR	1,909,737	2,164,473
AUD	48,945	126,781
CZK	-	28,964
CNY	69,348	445,816
DKK	-	44,691
ZAR	-	107,562
GBP	-	654,565
SEK	65,184	-
CHF	56,994	-
CAD	-	19,752
MYR	-	23,760
NOK	44,739	6,543
PKR	-	9,316
PLN	-	128,942
ROL	70,843	720,149
RUB	48,987	54,456
THB	60,281	-
NZD	-	51,111
VND	-	31,640
	7,402,682	7,350,781

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (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

June 30, 2019 December 31, 2018

Collaterals obtained	3,773,390	3,616,758
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Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of June 30, 2019 and December 31, 2018 are as follows:

CPMB’s given by the Company	June 30, 2019	December 31, 2018
A. CPMB’s given for Company’s own legal personality	182,723	160,425
B. CPMB’s given on behalf of fully consolidated companies	1,474	1,356
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	184,197	161,781

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

TRY equivalents of CPMB given as of June 30, 2019 and December 31, 2018 are as follows on original currency basis are as follows:

	June 30, 2019	December 31, 2018
CPMB's given by the Company		
TRY	71,477	68,845
USD	46,208	27,160
EUR	45,440	43,203
Other currencies	21,072	22,573
	184,197	161,781

NOTE 16 – OTHER PROVISIONS

	June 30, 2019	December 31, 2018
Other short-term provisions		
Warranty provision	391,186	333,359
Assembly provision	138,285	108,248
Provision for transportation cost	53,893	41,996
Provision for lawsuit risks	23,730	15,648
Provision for returns	16,645	14,946
Other	118,396	68,142
	742,135	582,339
Other long-term provisions		
Warranty provision	157,546	155,747
Other	2,613	121
	160,159	155,868

NOTE 17 – PREPAID EXPENSES

	June 30, 2019	December 31, 2018
Short-term prepaid expenses	293,220	156,879
Advances given for inventories	42,315	25,108
	335,535	181,987

NOTE 18 – CURRENT INCOME TAX ASSETS

	June 30, 2019	December 31, 2018
Prepaid taxes and funds	102,716	118,220
	102,716	118,220

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	June 30, 2019	December 31, 2018
Payables to personnel	138,318	201,246
Social security payables	108,866	103,214
Accruals for bonuses and premiums	86,375	39,711
	333,559	344,171

NOTE 20 - OTHER ASSETS AND LIABILITIES

	June 30, 2019	December 31, 2018
Other current assets:		
Taxes and funds deductible	476,486	127,534
Value added tax and private consumption tax receivables	157,983	460,277
Income accruals	3,896	27,739
Other	81,894	66,353
	720,259	681,903
Other current liabilities:		
Accruals for customer premiums	887,116	620,521
Advances received	91,807	90,532
Deferred income	89,549	35,144
Other	15,078	10,143
	1,083,550	756,340
Other long-term liabilities:		
Deferred income	187,853	178,871
Other	57,376	56,826
	245,229	235,697

NOTE 21 – EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of kurus1. Registered and issued share capital of the Company is as follows:

	June 30, 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 21 - EQUITY(Continued)

The shareholding structure of the Company is as follows:

	June 30, 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/IFRS 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.

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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 21 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	June 30, 2019	December 31, 2018
Legal reserves	409,115	409,115

Dividends

In General Assembly on 19 March 2019, the Company approved not to distribute 2018 profits, in line 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 on 27 March 2014.

NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Other income from operating activities:				
Foreign exchange gains arising from trading activities	455,713	558,371	144,408	326,206
Credit finance income arising from trading	31,127	29,924	8,358	21,910
Income from claims and grants	20,909	27,335	8,554	22,793
Reversal of provisions for doubtful receivables (Note 9)	2,104	1,830	1,378	1,323
Other	5,762	50,675	4,584	25,005
	515,615	668,135	167,282	397,237
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(174,389)	(205,565)	(79,333)	(142,805)
Cash discount expenses	(50,514)	(18,373)	(26,220)	(8,999)
Provision expense for doubtful receivables (Note 9)	(24,929)	(14,104)	(14,419)	(2,700)
Provision expense for inventory impairment (Note 10)	(17,926)	(6,097)	(13,038)	(4,014)
Credit finance charges arising from trading activities	(17,051)	(41,627)	(12,266)	(4,760)
Other	(22,205)	(25,212)	(8,403)	(13,546)
	(307,014)	(310,978)	(153,679)	(176,824)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Income from investment activities:				
Income from sales of property plant and equipment	1,474	6,653	924	4,277
Dividends received from financial investments	-	94	-	-
	1,474	6,747	924	4,277
Expenses from investment activities:				
Loss from sales of property plant and equipment	(2,153)	(3,746)	(1,131)	(1,306)
	(2,153)	(3,746)	(1,131)	(1,306)

NOTE 24- FINANCIAL INCOME

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Foreign exchange gains (*)	827,594	657,680	387,810	373,542
Gains on derivative instruments	465,068	222,620	220,701	181,334
Interest income	70,082	18,212	35,539	9,044
Other	5,004	61	3,959	26
	1,367,748	898,573	648,009	563,946

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 25 - FINANCIAL EXPENSES

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Foreign exchange losses (*)	(924,459)	(1,047,131)	(407,358)	(692,236)
Interest expenses	(779,478)	(401,587)	(400,696)	(218,529)
Losses on derivative instruments	(410,658)	(245,832)	(197,560)	(94,137)
Other	(10,110)	(5,401)	(5,759)	(3,095)
	(2,124,705)	(1,699,951)	(1,011,373)	(1,007,997)

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

NOTE 26 - TAX ASSETS AND LIABILITIES

	June 30, 2019	December 31, 2018
Corporation and income taxes	160,382	164,206
Prepaid tax	(92,097)	(121,228)
Tax liabilities (net)	68,285	42,978
Deferred tax assets	978,682	878,247
Deferred tax liabilities	(523,958)	(511,386)
Deferred tax assets, net	454,724	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.

Income tax expense for the six-month periods ended June 30 is as follows:

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Tax (expense)/income				
- Current period tax expense	(182,721)	(81,313)	(122,017)	(50,966)
- Deferred tax income	78,364	56,224	52,408	6,111
Total tax (expense)/income, net	(104,357)	(25,089)	(69,609)	(44,855)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

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 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.

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)	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Property, plant and equipment and intangible assets	3,494,021	3,274,756	(834,823)	(800,105)
Unearned credit finance income/expense (net)	39,529	81,580	(8,696)	(17,948)
Fair value gain/losses of financial assets reflected to other comprehensive income	1,597	1,420	(80)	(71)
Unused tax advantages (*)	-	-	637,131	639,641
Provision for doubtful receivables	(62,623)	(36,233)	16,723	9,736
Derivative instruments	(30,189)	(59,079)	6,733	12,929
Provision for impairment on inventories	(91,869)	(69,048)	19,944	14,879
Provision for employment termination benefits	(263,562)	(248,744)	52,859	49,881
Provision for warranty, assembly and transportation expenses	(714,135)	(607,584)	156,046	132,421
Unused tax credits	(640,596)	(566,644)	180,811	157,065
Other	(899,944)	(599,881)	228,076	168,433
Deferred tax assets, net			454,724	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 June 30, 2019 the tax advantage of TRY 637,131 (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 condensed interim consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax asset / (liabilities) for the six-month periods ended June 30 are as follows:

	2019	2018
Balance as of January 1-reported	366,861	208,098
Adjustments from changes in accounting policies	-	30,760
Balance as of January 1-revised	366,861	238,858
Deferred tax income recognized		
in statement of profit or loss	78,364	56,224
Deferred tax income recognized directly in the equity	3,364	11,212
Acquisitions	1,629	-
Currency translation differences	4,506	(26,263)
Balance as of June 30	454,724	280,031

NOTE 27 - EARNINGS PER SHARE

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

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

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

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
Profit for the year attributable to shareholders of the Company	444,484	320,680	219,062	143,828
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.658	0.475	0.324	0.213
Diluted earnings per share (kurus) (*)	0.658	0.475	0.324	0.213

(*) 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2019	December 31, 2018
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	24,370	8,487
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	5,418	3,340
Setur Servis Turistik A.Ş. ⁽¹⁾	461	-
Other	908	232
	31,157	12,059
(b) Due to related parties:		
<i>Current:</i>		
Arçelik-LG ⁽³⁾	286,348	41,068
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	259,394	236,701
Ram Dış Ticaret A.Ş. ⁽²⁾	109,583	95,226
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	18,977	16,132
Eltek Elektrik Enerjisi İth. İh.ve Toptan Tic. A.Ş. ⁽¹⁾	8,829	-
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	4,646	7,832
Koç Holding A.Ş. ⁽⁴⁾	2,137	24,813
Other	11,904	19,825
	701,818	441,597

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Joint ventures

⁽⁴⁾ Parent company

	June 30, 2019	December 31, 2018
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	30,025	27,253
Other	587	541
	30,612	27,794
Other payables to related parties – Non-Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	15,171	27,641
Other	587	539
	15,758	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 June 30, 2019 (December 31, 2018: TRY 81,040).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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

	June 30, 2019	December 31, 2018
Other payables to related parties (gross)		
Up to 1 year	31,193	28,426
1 to 5 years	15,919	28,424
	47,112	56,850
Future finance charges on other liabilities	(742)	(876)
Present value of other payables to related parties (net)	46,370	55,974

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

	June 30, 2019	December 31, 2018
Up to 1 year	30,612	27,794
1 to 5 years	15,758	28,180
	46,370	55,974

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	2,195,518	2,433,594
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	-	-
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⁽¹⁾ Koç Holding group companies

(e) Derivative instruments

	Contract amount	Fair value assets/(liabilities)	
June 30, 2019			
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	161,339	40	(170)
December 31, 2018			
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,583,952	5,080	(2,001)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 28 - RELATED PARTY DISCLOSURES

(ii) Transactions with related parties

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
(a) Sales of goods and services:				
Koçtaş Yapı Marketleri Ticaret A.Ş.	24,865	14,507	18,424	8,592
Yapı ve Kredi Bankası A.Ş.	10,863	9,530	6,357	5,174
Zer Merkezi Hizmetler ve Ticaret A.Ş.	670	2,510	170	1,150
Other	3,024	2,736	882	1,286
	39,422	29,283	25,833	16,202

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
(b) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	601,449	835,034	322,112	640,980
Arçelik-LG	196,576	1,032,304	127,409	870,542
Ram Dış Ticaret	171,978	314,273	102,028	248,258
Bilkom Bilişim Hizmetleri A.Ş.	80,031	84,836	60,672	58,056
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)}	51,883	49,951	2,549	34,969
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	43,275	56,631	17,762	47,790
Koç Holding A.Ş. (**)	26,275	17,865	7,784	8,803
Ark İnşaat Sanayi ve Ticaret A.Ş.	6,957	153,483	2,990	128,694
Other	86,086	78,192	60,011	59,645
	1,264,510	2,622,569	703,317	2,097,737

⁽¹⁾ Koç Holding group companies

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

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

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

(**) The amount is charged by the main shareholder Koç holding A.Ş. for the financial, legal, planning, tax and management services provided to the Company in line with the Transfer Pricing Communiqué No 1 - “Intra-group transactions”,

(a) 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 six-month periods ended June 30, 2019 amounts to TRY 9,210 (January 1-June 30, 2018: TRY 9,470). Compensation includes only short-term benefits. There is no redundancy payments made to the senior executives as of June 30, 2019 (January 1-June 30, 2018: None).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(b) Other transactions:

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	26,231	8,285	10,127	3,774
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,772	5,840	264	67

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

Interest Rate Risk

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

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

Funding risk

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

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.

Details of credit and receivable risk as of June 30, 2019 and December 31, 2018 are as follows:

June 30, 2019	Trade receivables			
	Related parties	Third parties	Bank deposits	Derivative instruments
Maximum exposed credit risk as of reporting date ⁽¹⁾	31,157	9,482,817	5,571,763	241,797
Secured portion of the maximum credit risk by guarantees, etc, ⁽²⁾	-	(7,523,477)	-	-
A. Net book value of financial asset either are not due or not impaired	31,157	8,827,785	5,571,763	241,797
-Secured portion by guarantees, etc,	-	(6,989,636)	-	-
B. Net book value of overdue but not impaired financial assets	-	610,793	-	-
- Secured portion by guarantees, etc,	-	(480,616)	-	-
C. Net book value of the impaired assets	-	53,225	-	-
- Overdue (Gross book value)	-	280,457	-	-
- Impairment (-)	-	(227,238)	-	-
- Secured portion of the net value by guarantees, etc.	-	(53,225)	-	-
D. Expected credit losses (-)	-	(8,986)	-	-

⁽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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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

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

December 31, 2018	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
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.

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

	June 30, 2019	December 31, 2018
Group 1	214,951	19,717
Group 2	8,377,341	6,849,922
Group 3	266,650	293,921
	8,858,942	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

	June 30, 2019	December 31, 2018
0-1 month	372,771	298,221
1-3 months	87,227	157,045
3-12 months	90,664	97,192
1-5 years	60,131	41,969
	610,793	594,427

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

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.

The calculation as of June 30, 2019 is as follows:

	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate %	0.02	0.06	1.92	1.30	
Gross carrying amount	8,858,942	374,624	87,227	429,399	9,750,192
Loss allowance provision	1,519	218	1,672	5,577	8,986

The calculation as of December 31, 2018 is as follows:

	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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued 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 June 30, 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:

	June 30, 2019	December 31, 2018
Assets	8,660,377	8,419,230
Liabilities	(9,267,311)	(8,169,123)
Net position of financial statement	(606,934)	250,107
Net position of derivative instruments	338,342	(347,860)
Foreign currency position (net)	(268,592)	(97,753)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of June 30, 2019 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	VND	PKR	TRY Equivalent	
Current Assets																						
Trade receivables	387,557	182,654	90,746	610,165	92,297	-	114,974	-	-	6	43,040	31,590	1,381	-	4,426	-	529,996	-	128,154,069	385	5,141,350	
Monetary financial assets	175,164	344,348	367	-	-	25	7	-	-	-	646	153	3	-	-	-	11,940	-	-	-	3,143,058	
Other	18,968	41,386	32	-	-	-	-	-	-	-	-	-	-	-	-	-	11,757	595	-	-	375,969	
Total Assets	581,689	568,388	91,145	610,165	92,297	25	114,981	-	-	6	43,686	31,743	1,384	-	4,426	-	553,693	595	128,154,069	385	8,660,377	
Current Liabilities																						
Trade payables	232,724	258,896	522	-	-	-	-	182	270	-	123	-	-	-	-	714	50,112	621	882,443	-	3,064,445	
Financial liabilities	64,170	9,141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	472,965	
Other monetary liabilities	739	9,323	-	-	-	-	-	-	-	-	9,566	515	-	-	-	-	-	-	-	-	98,987	
Non-Current Liabilities																						
Financial liabilities	418,000	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,615,743	
Other monetary liabilities	-	2,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,171	
Total Liabilities	715,633	779,996	522	-	-	-	-	182	270	-	123	9,566	515	-	-	714	50,112	621	882,443	-	9,267,311	
Net Position of Financial Statement	(133,944)	(211,608)	90,623	610,165	92,297	25	114,981	(182)	(270)	6	43,563	22,177	869	-	4,426	(714)	503,581	(26)	127,271,626	385	(606,934)	
Off-balance sheet																						
derivative assets (*)	441,971	400,648	-	-	-	-	-	-	-	-	-	9,000	-	-	-	-	11,875	-	-	-	5,247,109	
Off-balance sheet																						
derivative liabilities (*)	(327,846)	(212,412)	(89,845)	(600,000)	(83,658)	-	(112,436)	-	-	-	(51,000)	(31,500)	(800)	-	(4,500)	-	(535,000)	-	(127,814,954)	-	(4,908,767)	
Net position of																						
off-balance sheet items	114,126	188,236	(89,845)	(600,000)	(83,658)	-	(112,436)	-	-	-	(51,000)	(22,500)	(800)	-	(4,500)	-	(523,125)	-	(127,814,954)	-	338,342	
Net Asset/(Liability) Position of Foreign Currency	(19,818)	(23,372)	778	10,165	8,639	25	2,545	(182)	(270)	6	(7,437)	(323)	69	-	(74)	(714)	(19,544)	(26)	(543,328)	385	(268,592)	
Net Asset/(Liability) Position of Foreign																						
Currency Monetary Items	(152,912)	(252,994)	90,591	610,165	92,297	25	114,981	(182)	(270)	6	43,563	22,177	869	-	4,426	(714)	491,824	(621)	127,271,626	385	(982,903)	
Fair Value of Financial Instruments Used																						
for Foreign Exchange Hedge																						(42,230)
Hedged Amount of Foreign Currency Assets	327,846	212,412	89,845	600,000	83,658	-	112,436	-	-	-	51,000	31,500	800	-	4,500	-	535,000	-	127,814,954	-	4,908,767	
Hedged Amount of Foreign Currency																						
Liabilities	288,125	400,648	-	-	-	-	-	-	-	-	-	9,000	-	-	-	-	11,875	-	-	-	4,239,309	

(*) 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

Net foreign currency positions against the functional currencies are as follows:

June 30, 2019	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	VND	PKR equivalent	TRY
Against TRY	(15,508)	(1,527)	396	10,165	8,639	25	2,538	-	-	-	(112)	108	-	-	(74)	-	(5,004)	(26)	-	385	(96,861)
Against EUR	-	(392)	-	-	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	(2,254)
Against RUB	(405)	539	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	-	-	503
Against PLN	(1,519)	(101)	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,530)
Against GBP	831	32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,628
Against RON	3,020	1,377	327	-	-	-	-	-	-	-	(11)	-	-	-	-	-	-	-	-	-	30,080
Against CZK	(3,350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,945)
Against NOK	(619)	-	-	-	-	-	-	-	(270)	-	(7,314)	-	-	-	-	-	-	-	-	-	(10,631)
Against SEK	(502)	-	-	-	-	-	-	(182)	-	-	-	-	-	-	-	-	-	-	-	-	(3,411)
Against CNY	41	692	55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,653
Against ZAR	203	(2,534)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,253)
Against AUD	(185)	(91)	-	-	-	-	-	-	-	-	-	-	69	-	-	-	-	-	-	-	(1,469)
Against EGP	(34)	(1,478)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,729)
Against UAH	(2,248)	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,899)
Against CHF	230	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,478
Against BWP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Against NZD	(2)	(46)	-	-	-	-	-	-	-	-	-	(431)	-	-	-	-	-	-	-	-	(2,013)
Against USD	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,310
Against RSD	478	(2,282)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,002)
Against HUF	-	(453)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,607)
Against THB	(28)	900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(543,328)	4,864
Against MYR	-	(97)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(558)
Against VND	-	(8,812)	-	-	-	-	-	-	-	-	-	-	-	-	-	(714)	-	-	-	-	(50,848)
Against AED	-	2,748	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,815
Against PKR	(422)	(11,812)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,605)	-	-	-	(82,913)
	(19,819)	(23,372)	778	10,165	8,639	25	2,545	(182)	(270)	6	(7,437)	(323)	69	-	(74)	(714)	(19,544)	(26)	(543,328)	385	(268,592)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2018 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																				
Trade receivables	428,626	184,618	105,679	621,748	124,607	-	314,323	-	-	155,964	51,586	49,663	1,276	-	1,146	-	560,922	-	385	5,272,472
Monetary financial assets	349,882	115,207	23	-	-	6	-	-	1,019	5	28,505	-	18	-	-	-	1	4	-	2,739,003
Other	20,919	47,406	27	-	-	-	-	-	-	-	-	14	-	504	-	-	37,878	588	-	407,755
Total Assets	799,427	347,231	105,729	621,748	124,607	6	314,323	-	1,019	155,969	80,091	49,677	1,294	504	1,146	-	598,801	592	385	8,419,230
Current Liabilities																				
Trade payables	214,069	225,131	908	18	-	-	-	1,861	1,756	-	2,145	761	-	9,866	-	714	54,671	619	-	2,533,080
Financial liabilities	56,997	6,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,727
Other monetary liabilities	795	8,464	-	-	-	-	-	-	-	-	-	8,858	515	-	-	-	-	-	-	83,939
Non-Current Liabilities																				
Financial liabilities	417,765	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,148,737
Other monetary liabilities	-	5,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,640
Total Liabilities	689,626	744,960	908	18	-	-	-	1,861	1,756	-	2,145	9,619	515	9,866	-	714	54,671	619	-	8,169,123
Net Position of Financial Statement	109,801	(397,729)	104,821	621,730	124,607	6	314,323	(1,861)	(737)	155,969	77,946	40,058	779	(9,362)	1,146	(714)	544,130	(27)	385	250,107
Off-balance sheet																				
derivative assets (*)	450,463	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	5,542,842
Off-balance sheet																				
derivative liabilities (*)	(596,368)	(109,605)	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(50,000)	(1,300)	-	(1,000)	-	(560,000)	-	-	(5,890,702)
Net position of																				
off-balance sheet items	(145,905)	422,449	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(42,500)	(1,300)	-	(1,000)	-	(559,212)	-	-	(347,860)
Net Asset/(Liability) Position of Foreign Currency	(36,104)	24,720	2,227	11,730	2,607	6	(25,677)	(1,861)	(737)	5,969	(2,054)	(2,442)	(521)	(9,362)	146	(714)	(15,082)	(27)	385	(97,753)
Net Asset/(Liability) Position of Foreign																				
Currency Monetary Items	88,882	(445,135)	104,794	621,730	124,607	6	314,323	(1,861)	(737)	155,969	77,946	40,044	779	(9,866)	1,146	(714)	506,252	(615)	385	(157,648)
Fair Value of Financial Instruments Used																				
for Foreign Exchange Hedge																				(55,877)
Hedged Amount of Foreign Currency	596,368	109,605	102,594	610,000	122,000	-	340,000	-	-	150,000	80,000	50,000	1,300	-	1,000	-	560,000	-	-	5,890,702
Hedged Amount of Foreign Currency																				
Liabilities	296,617	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	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.

ARÇELİK ANONİM ŞİRKETİ**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019**

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

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

Net foreign currency positions against the functional currencies are as follows:

December 31, 2018	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent	
Against TRY	(22,243)	53,018	2,030	11,730	2,607	6	(25,677)	-	-	-	(56)	(1,085)	-	(8,756)	146	-	742	(27)	385	153,401	
Against EUR	-	400	-	-	-	-	-	-	-	5,969	-	-	-	-	-	-	-	-	-	-	4,293
Against RUB	413	(1,252)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,175)	-	-	-	(8,041)
Against PLN	(4)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Against GBP	(2,808)	72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,548)
Against RON	(4,839)	(3,780)	266	-	-	-	-	-	-	-	(90)	-	-	-	-	-	-	-	-	-	(47,358)
Against CZK	(265)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,597)
Against NOK	(1,901)	-	-	-	-	-	-	-	(737)	-	(1,908)	-	-	-	-	-	-	-	-	-	(13,428)
Against SEK	3,985	-	-	-	-	-	-	(1,861)	-	-	-	-	-	-	-	-	-	-	-	-	22,904
Against CNY	318	1,352	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,571
Against ZAR	145	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,079
Against AUD	1,123	(522)	-	-	-	-	-	-	-	-	-	-	(521)	-	-	-	-	-	-	-	2,181
Against EGP	5	(461)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,395)
Against UAH	(3,093)	(29)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,798)
Against CHF	603	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,598
Against BWP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Against NZD	(519)	(1,100)	-	-	-	-	-	-	-	-	-	(1,357)	-	-	-	-	-	-	-	-	(13,940)
Against USD	377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,273
Against RSD	(5,306)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,985)
Against THB	33	329	-	-	-	-	-	-	-	-	-	-	-	(606)	-	-	-	-	-	-	1,901
Against MYR	-	612	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,220
Against VND	-	(12,671)	-	-	-	-	-	-	-	-	-	-	-	-	-	(714)	-	-	-	-	(66,776)
Against AED	(28)	1,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,343
Against PKR	(2,100)	(13,094)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,649)	-	-	-	(89,659)
	(36,104)	24,720	2,227	11,730	2,607	6	(25,677)	(1,861)	(737)	5,969	(2,054)	(2,442)	(521)	(9,362)	146	(714)	(15,082)	(27)	385	(97,753)	

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

As of June 30, 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	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
June 30, 2019				
USD net asset/liability	(121,783)	121,783	(123,245)	123,245
Secured portion from USD risk	108,332	(108,332)	108,332	(108,332)
USD Net effect	(13,451)	13,451	(14,913)	14,913
EUR net asset/liability	13,038	(13,038)	(40,183)	40,183
Secured portion from EUR risk	(26,020)	26,020	74,760	(74,760)
EUR Net effect	(12,982)	12,982	34,577	(34,577)
GBP net asset/liability	66,023	(66,023)	86,120	(86,120)
Secured portion from GBP risk	(65,456)	65,456	(65,456)	65,456
GBP Net effect	567	(567)	20,664	(20,664)
RUB net asset/liability	5,538	(5,538)	79,950	(79,950)
Secured portion from RUB risk	(5,446)	5,446	(5,446)	5,446
RUB Net effect	92	(92)	74,504	(74,504)
RON net asset/liability	3	(3)	117,461	(117,461)
Secured portion from RON risk	-	-	-	-
RON Net effect	3	(3)	117,461	(117,461)
PLN net asset/liability	14,226	(14,226)	28,472	(28,472)
Secured portion from PLN risk	(12,894)	12,894	(12,894)	12,894
PLN Net effect	1,332	(1,332)	15,578	(15,578)
CZK net asset/liability	2,962	(2,962)	8,635	(8,635)
Secured portion from CZK risk	(2,896)	2,896	(2,896)	2,896
CZK Net effect	66	(66)	5,739	(5,739)
NOK net asset/liability	(12)	12	2,297	(2,297)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(12)	12	2,297	(2,297)
SEK net asset/liability	(17)	17	7,956	(7,956)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	(17)	17	7,956	(7,956)
NZD net asset/liability	336	(336)	336	(336)
Secured portion from NZD risk	(309)	309	(309)	309
NZD Net effect	27	(27)	27	(27)
ZAR net asset/liability	-	-	112,693	(112,693)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	-	-	112,693	(112,693)
AUD net asset/liability	8,926	(8,926)	673	(673)
Secured portion from AUD risk	(9,056)	9,056	(9,056)	9,056
AUD Net effect	(130)	130	(8,383)	8,383
DKK net asset/liability	3,817	(3,817)	3,817	(3,817)
Secured portion from DKK risk	(4,469)	4,469	(4,469)	4,469
DKK Net effect	(652)	652	(652)	652
JPY net asset/liability	-	-	17,467	(17,467)
Secured portion from JPY risk	-	-	-	-
JPY Net effect	-	-	17,467	(17,467)
CAD net asset/liability	1,943	(1,943)	1,943	(1,943)
Secured portion from CAD risk	(1,975)	1,975	(1,975)	1,975
CAD Net effect	(32)	32	(32)	32
THB net asset/liability	(13)	13	58,860	(58,860)
Secured portion from THB risk	-	-	-	-
THB Net effect	(13)	13	58,860	(58,860)
EGP net asset/liability	-	-	5,756	(5,756)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	5,756	(5,756)
UAH net asset/liability	-	-	2,211	(2,211)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	2,211	(2,211)
CNY net asset/liability	41,963	(41,963)	53,218	(53,218)
Secured portion from CNY risk	(43,592)	43,592	(43,592)	43,592
CNY Net effect	(1,629)	1,629	9,626	(9,626)
CHF net asset/liability	(15)	15	30,084	(30,084)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(15)	15	30,084	(30,084)
BWP net asset/liability	-	-	(110)	110
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(110)	110
RSD net asset/liability	-	-	7,174	(7,174)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	7,174	(7,174)
MYR net asset/liability	-	-	19	(19)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	19	(19)
VND net asset/liability	3,150	(3,150)	2,542	(2,542)
Secured portion from VND risk	(3,164)	3,164	(3,164)	3,164
VND Net effect	(14)	14	(622)	622
PKR net asset/liability	1	(1)	103,665	(103,665)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	1	(1)	103,665	(103,665)
AED net asset/liability	-	-	1,879	(1,879)
Secured portion from AED risk	-	-	-	-
AED Net effect	-	-	1,879	(1,879)
IDR net asset/liability	-	-	1,381	(1,381)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	-	-	1,381	(1,381)
	(26,859)	26,859	604,906	(604,906)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
December 31, 2018				
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)
RON net asset/liability	1	(1)	106,047	(106,047)
Secured portion from RON risk	-	-	-	-
RON Net effect	1	(1)	106,047	(106,047)
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)
CZK net asset/liability	7,364	(7,364)	12,507	(12,507)
Secured portion from CZK risk	(7,966)	7,966	(7,966)	7,966
CZK Net effect	(602)	602	4,541	(4,541)
NOK net asset/liability	(112)	112	883	(883)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(112)	112	883	(883)
SEK net asset/liability	(43)	43	7,468	(7,468)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	(43)	43	7,468	(7,468)
NZD net asset/liability	275	(275)	275	(275)
Secured portion from NZD risk	(460)	460	(460)	460
NZD Net effect	(185)	185	(185)	185
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)
AUD net asset/liability	14,832	(14,832)	8,225	(8,225)
Secured portion from AUD risk	(15,736)	15,736	(15,736)	15,736
AUD Net effect	(904)	904	(7,511)	7,511
DKK net asset/liability	6,283	(6,283)	6,283	(6,283)
Secured portion from DKK risk	(6,448)	6,448	(6,448)	6,448
DKK Net effect	(165)	165	(165)	165
JPY net asset/liability	(45)	45	(45)	45
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(45)	45	(45)	45
CAD net asset/liability	442	(442)	442	(442)
Secured portion from CAD risk	(386)	386	(386)	386
CAD Net effect	56	(56)	56	(56)
THB net asset/liability	(12)	12	53,181	(53,181)
Secured portion from THB risk	-	-	-	-
THB Net effect	(12)	12	53,181	(53,181)
EGP net asset/liability	-	-	4,493	(4,493)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	4,493	(4,493)
UAH net asset/liability	-	-	1,688	(1,688)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	1,688	(1,688)
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)
CHF net asset/liability	(14)	14	25,552	(25,552)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(14)	14	25,552	(25,552)
BWP net asset/liability	-	-	109	(109)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	109	(109)
RSD net asset/liability	-	-	5,325	(5,325)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	5,325	(5,325)
MYR net asset/liability	-	-	689	(689)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	689	(689)
VND net asset/liability	-	-	886	(886)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	886	(886)
PKR net asset/liability	1	(1)	106,993	(106,993)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	1	(1)	106,993	(106,993)
AED net asset/liability	-	-	1,604	(1,604)
Secured portion from AED risk	-	-	-	-
AED Net effect	-	-	1,604	(1,604)
IDR net asset/liability	-	-	1,746	(1,746)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	-	-	1,746	(1,746)
	(9,775)	9,775	545,047	(545,047)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

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

Import and exports performed to / from Turkey for the six-month periods ended as of June 30 are as follows:

	June 30, 2019		June 30, 2018	
	Original Amount	TRY equivalent	Original amount	TRY equivalent
EUR	475,789,863	3,015,941	450,172,672	2,228,178
USD	167,161,685	941,059	185,452,174	771,692
GBP	141,321,668	1,024,202	133,720,667	756,079
Other		525,321		434,731
Total exports		5,506,523		4,190,680
EUR	155,728,985	1,018,171	175,782,408	930,963
USD	386,721,344	2,303,135	442,113,342	1,947,916
GBP	259,671	1,972	465,583	2,837
Other		1,826		1,806
Total imports		3,325,104		2,883,522

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

The carrying values of trade receivables along with the related allowances for 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019

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

NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

As of June 30, 2019, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 9,235,309 (December 31, 2018: TRY 7,923,499) (Note 7) and TRY 9,340,183 (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.

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 June 30, 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)	-	241,797	-
Financial investments (Note 6)	1,954		-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	280,218	-

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	-

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2019**

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

NOTE 31 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	January 1- June 30, 2019	January 1- June 30, 2018
Adjustments for provisions:		
Accrual for customer premiums	266,594	128,634
Warranty provision	59,626	8,875
Accrual for bonuses and premiums	46,664	43,076
Provision for assembly and transportation cost	41,934	49,627
Provision for employment termination benefits	15,306	10,537
Provision for vacation pay liability	11,500	3,784
Provision for legal claims	8,082	2,691
Return provisions	1,699	3,165
	451,405	250,389
Adjustments for impairment loss:		
Provision for doubtful receivables	24,929	14,104
Provision for impairment on inventories	17,926	6,097
	42,855	20,201

NOTE 32 – EVENTS AFTER BALANCE SHEET DATE

The Company has issued bond amounting to TL 500 million, quoted in Istanbul Stock Exchange with quarterly interest payment on July 23, 2019. Maturity of the bond is July 16, 2021 and the coupon rate is 3MTRYIBOR+0.50. As of the same day, for cash flow hedging purposes, the Company has completed swap transactions consisting of the exchange of floating rate instalment with fixed rate instalment payments.