

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
JANUARY 1 - SEPTEMBER 30, 2022**

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022, AND DECEMBER 31, 2021

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

		Unaudited	Audited
	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	5	20,425,396	16,014,589
Trade receivables			
-Due from related parties	28	591,558	269,306
-Due from third parties	9	33,476,323	23,142,238
Derivative instruments	8	63,145	16,094
Inventories	11	31,948,790	16,828,699
Prepaid expenses	17	1,152,374	648,799
Current income tax assets	18	539,344	415,431
Other current assets	20	2,964,256	2,259,652
Total current assets		91,161,186	59,594,808
Non-current assets:			
Financial investments	6	30,328	10,531
Trade receivables			
-Due from third parties	9	37,588	45,865
Derivative instruments	8	-	19,157
Investments accounted for using the equity method	12	928,886	855,409
Property, plant and equipment	13	19,884,651	13,125,336
Intangible assets			
-Goodwill		3,701,898	2,844,448
-Other intangible assets	14	9,172,728	6,573,315
Prepaid expenses	17	263,366	186,057
Deferred tax assets	26	3,459,898	1,823,680
Total non-current assets		37,479,343	25,483,798
Total assets		128,640,529	85,078,606

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022, AND DECEMBER 31, 2021

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

		Unaudited	Audited
	Notes	September 30, 2022	December 31, 2021
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	19,379,986	10,584,261
Short-term portion of long-term borrowings	7	15,492,420	2,459,839
Trade payables			
-Due to related parties	28	3,504,314	1,592,704
-Due to third parties	9	27,679,439	18,076,327
Derivative instruments	8	357,678	245,292
Employee benefit obligations	19	1,718,442	775,090
Other payables			
-Due to third parties	10	1,835,830	1,245,608
Current income tax liabilities	26	241,065	55,292
Provisions			
-Other provisions	16	3,507,947	2,087,963
Other current liabilities	20	5,128,080	3,379,248
Total current liabilities		78,845,201	40,501,624
Non-current liabilities:			
Long-term borrowings	7	13,669,269	19,535,399
Provisions			
-Provision for employee benefits		1,467,038	935,609
-Other provisions	16	664,016	439,072
Deferred tax liabilities	26	2,046,997	1,528,994
Other non-current liabilities	20	6,779,373	1,082,693
Total non-current liabilities		24,626,693	23,521,767
Total liabilities		103,471,894	64,023,391

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

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

		Unaudited	Audited
	Notes	September 30, 2022	December 31, 2021
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Treasury shares	21	(3,098,160)	(1,215,266)
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		(718,711)	(396,514)
-Revaluation/ remeasurement of intangible assets		6,900	6,900
- Other gains/ losses on revaluation and remeasurement		11,894	6,109
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
Currency translation differences		17,766,670	11,381,483
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(2,630,561)	(1,835,770)
-Gains/ losses on cash flow hedges		(7,442)	15,080
Balancing account for merger capital		14,507	14,507
Restricted reserves	21	3,800,517	1,771,002
Retained earnings		5,076,450	5,425,850
Net income for the period		1,759,931	3,064,674
Equity holders of the parent		23,127,423	19,383,483
Non-controlling interest		2,041,212	1,671,732
Total equity		25,168,635	21,055,215
Total liabilities and equity		128,640,529	85,078,606

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

	Notes	Unaudited			
		January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Net sales	4	94,723,628	45,665,908	34,254,600	18,147,680
Cost of sales		(66,607,394)	(31,664,375)	(24,393,399)	(13,022,200)
Gross profit	4	28,116,234	14,001,533	9,861,201	5,125,480
General administrative expenses		(4,150,997)	(2,048,062)	(1,286,400)	(796,232)
Marketing expenses		(17,562,359)	(7,771,810)	(6,347,539)	(2,916,239)
Research and development expenses		(518,353)	(294,836)	(192,720)	(113,079)
Other income from operating activities	22	4,865,907	1,647,993	1,188,400	296,991
Other expenses from operating activities	22	(4,274,982)	(1,524,417)	(1,389,399)	(331,811)
Operating profit		6,475,450	4,010,401	1,833,543	1,265,110
Income from investment activities	23	54,312	5,130	13,551	1,707
Expenses from investment activities	23	(29,339)	(3,031)	(6,084)	(266)
Share of profit/(loss) of investments accounted for using the equity method	12	(53,514)	(11,890)	(31,345)	1,513
Operating income before financial income/(expense)		6,446,909	4,000,610	1,809,665	1,268,064
Financial income	24	5,749,451	3,407,323	1,749,160	851,615
Financial expenses	25	(10,209,653)	(4,759,700)	(3,327,472)	(1,349,240)
Profit from continuing operations before tax		1,986,707	2,648,233	231,353	770,439
Tax income/(expense), continuing operations					
- Taxes on income	26	(961,681)	(532,426)	(413,754)	(159,662)
- Deferred tax income/(expense)	26	1,034,284	242,358	677,300	106,041
Net income		2,059,310	2,358,165	494,899	716,818
Attributable to					
Non-controlling interest		299,379	83,428	159,142	65,442
Equity holders of the parent	27	1,759,931	2,274,737	335,757	651,376
Earnings per share (kurus)	27	2.858	3.382	0.553	0.977

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

	Unaudited			
	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Net income	2,059,310	2,358,165	494,899	716,818
Other comprehensive income				
Not to be reclassified to profit or loss	(403,326)	(42,823)	(89,166)	(12,713)
Gain/ loss arising from defined benefit plans	(405,244)	(41,210)	(93,807)	(13,101)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(4,172)	(425)	(187)	(175)
Other gain/ losses not to be reclassified to profit or loss	6,090	(1,188)	4,828	563
Not to be reclassified to profit or loss, tax effect	86,914	8,286	12,472	2,587
Gain/ loss arising from defined benefit plans, tax effect	87,219	8,230	12,714	2,620
Other gain/ losses not to be reclassified to profit or loss, tax effect	(305)	56	(242)	(33)
To be reclassified to profit or loss	5,722,885	1,818,844	603,712	504,226
Currency translation differences in foreign operations	6,635,313	1,981,266	1,064,855	472,343
Other comprehensive income related with hedges of net investments in foreign operations	(1,018,961)	(196,155)	(450,995)	16,881
Other comprehensive income related with cash flow hedge	(20,523)	(5,107)	(34,452)	(3,467)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	127,056	38,840	24,306	18,469
-Currency translation differences of investments accounted for using the equity method	130,867	37,955	28,006	18,983
-Gain/loss from cash flow hedges of investments accounted for using equity method	(3,811)	885	(3,700)	(514)
To be reclassified to profit or loss, tax effect	225,982	50,317	106,756	(3,353)
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	224,170	49,040	99,219	(4,220)
Other comprehensive income related with cash flow hedge, tax effect	1,812	1,277	7,537	867
Other comprehensive income/ (loss) (net of tax)	5,632,455	1,834,624	633,774	490,747
Total comprehensive income	7,691,765	4,192,789	1,128,673	1,207,565
Attributable to:				
Non-controlling interest	680,372	845,178	218,654	791,355
Equity holders of the parent	7,011,393	3,347,611	910,019	416,210

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

ARÇELİK ANONİM ŞİRKETİ**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021**

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

	Paid-in capital	Adjustment to share capital	Treasury shares	Share premium/discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Other gains/ losses on revaluation and remeasurement	Gains/losses on hedge	Revaluation fund of intangible assets	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2021	675,728	468,811	-	889	14,507	(298,280)	4,918	(969,125)	-	5,225,745	409,115	5,439,898	2,847,839	13,820,045	203,801	14,023,846
Transfers	-	-	-	-	-	-	-	-	-	-	146,621	2,701,218	(2,847,839)	-	-	-
Total comprehensive income	-	-	-	-	-	(33,405)	(1,132)	(150,060)	-	1,257,471	-	-	2,274,737	3,347,611	845,178	4,192,789
Net income	-	-	-	-	-	-	-	-	-	-	-	-	2,274,737	2,274,737	83,428	2,358,165
Other comprehensive income	-	-	-	-	-	(33,405)	(1,132)	(150,060)	-	1,257,471	-	-	-	1,072,874	761,750	1,834,624
Dividends (Note 21)	-	-	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)	(13,222)	(1,513,222)
Increase/decrease due to acquisition of treasury shares	-	-	(855,398)	-	-	-	-	-	-	-	855,398	(855,398)	-	(855,398)	-	(855,398)
As of September 30, 2021	675,728	468,811	(855,398)	889	14,507	(331,685)	3,786	(1,119,185)	-	6,483,216	1,411,134	5,785,718	2,274,737	14,812,258	1,035,757	15,848,015
Balance at January 1, 2022	675,728	468,811	(1,215,266)	889	14,507	(396,514)	6,109	(1,820,690)	6,900	11,381,483	1,771,002	5,425,850	3,064,674	19,383,483	1,671,732	21,055,215
Transfers	-	-	-	-	-	-	-	-	-	-	146,621	2,918,053	(3,064,674)	-	-	-
Total comprehensive income	-	-	-	-	-	(322,197)	5,785	(817,313)	-	6,385,187	-	-	1,759,931	7,011,393	680,372	7,691,765
Net income	-	-	-	-	-	-	-	-	-	-	-	-	1,759,931	1,759,931	299,379	2,059,310
Other comprehensive income	-	-	-	-	-	(322,197)	5,785	(817,313)	-	6,385,187	-	-	-	5,251,462	380,993	5,632,455
Dividends (Note 21)	-	-	-	-	-	-	-	-	-	-	-	(1,384,559)	-	(1,384,559)	(310,892)	(1,695,451)
Increase/decrease due to acquisition of treasury shares	-	-	(1,882,894)	-	-	-	-	-	-	-	1,882,894	(1,882,894)	-	(1,882,894)	-	(1,882,894)
As of September 30, 2022	675,728	468,811	(3,098,160)	889	14,507	(718,711)	11,894	(2,638,003)	6,900	17,766,670	3,800,517	5,076,450	1,759,931	23,127,423	2,041,212	25,168,635

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

		Unaudited January 1- September 30, 2022	Unaudited January 1- September 30, 2022
	Notes		
Cash flows from operating activities:			
Net income:		2,059,310	2,358,165
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		2,372,683	1,187,030
Adjustments for impairment loss	31	82,393	62,625
Adjustments for provisions	31	3,174,188	1,721,349
Adjustments for interest income	24	(242,076)	(171,729)
Adjustments for interest expense	25	2,752,604	1,234,393
Adjustments for income arising from government grants		(72,892)	(59,385)
Adjustments for unrealised foreign exchange differences	24, 25	1,869,268	310
Adjustments for fair value (gains) losses on derivative financial instruments	24, 25	67,784	273,567
Adjustments for undistributed profits of investments accounted for using equity method	12	53,514	11,890
Adjustments for tax expense/income	26	(72,603)	290,068
Adjustments for losses (gains) on disposal of non-current assets	22, 23	3,976	(1,982)
Other adjustments to reconcile profit (loss)		(70,169)	15,836
Adjustments for dividend (income) loss	23	(156)	(117)
Adjustments regarding net profit reconciliation for the period		11,977,824	6,922,020
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(10,003,137)	(5,579,175)
Adjustments for decrease (increase) in inventories		(13,913,446)	(4,993,662)
Decrease (increase) in prepaid expenses		(427,971)	20,610
Adjustments for increase (decrease) in trade payables		11,304,933	2,640,792
Increase (decrease) in employee benefit liabilities		526,529	28,285
Adjustments for increase (decrease) in other operating payables		571,103	203,496
Increase (decrease) in government grants and assistance		4,459	34,855
Other adjustments for other increase (decrease) in working capital		(329,711)	(622,926)
Income taxes refund (paid)		(472,909)	(307,287)
Cash flows from operating activities		(762,326)	(1,652,992)
Investing activities:			
Cashflow inflow/(outflow) to obtain control of subsidiaries	3	1,352,972	(2,055,799)
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	12	(26,725)	(38,220)
Cash outflows from purchases of property, plant and equipment and intangible assets		(3,790,081)	(1,538,862)
Cash inflows from sale of property, plant and equipment and intangible assets		219,994	28,275
Dividends received	12, 23	55,531	11,282
Cash outflows to acquire equity or fund of other entities	6	(12,010)	-
Cash flows from investing activities		(2,200,319)	(3,593,324)
Financing activities:			
Proceeds from borrowings	7	11,308,561	5,730,100
Repayments of borrowings	7	(5,995,633)	(7,003,729)
Bonds issued	7	4,525,000	5,103,496
Payments of lease liabilities	7	(799,462)	(353,369)
Dividends paid		(1,695,451)	(1,513,222)
Cash inflow/(outflows) from derivative instruments (net)		(3,816)	(89,192)
Cash outflows from acquisition of treasury shares	21	(1,882,894)	(855,398)
Interest paid		(2,000,208)	(978,801)
Interest received		243,408	185,153
Other inflows (outflows) of cash	24, 25	(12,622)	(15,836)
Cash flows from financing activities		3,686,883	209,202
Net increase/(decrease) in cash and cash equivalents before currency translation differences		724,238	(5,037,114)
Effect of currency translation differences		3,687,901	1,388,867
Net increase/(decrease) in cash and cash equivalents		4,412,139	(3,648,247)
Cash and cash equivalents at January 1	5	16,011,915	11,988,227
Cash and cash equivalents at September 30	5	20,424,054	8,339,980

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(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-eight manufacturing plants in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan, China and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company and the companies owned by Koç Family (Note 21).

The Company’s head office is located at: Karaağaç Caddesi No: 2-6 Söğütözü 34445 Beyoğlu İstanbul / Turkey. The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1986. As of September 30, 2022, the publicly listed shares are 25.15% of the total shares. (December 31, 2021: 25.15%)

The average number of personnel employed by categories in the Group in 2022 is 10,353 monthly paid (January 1 - September 30, 2021: 8,514) and 31,735 hourly paid (January 1 – September 30, 2021: 30,022) totaling to 42,088 (January 1 – September 30, 2021: 38,536).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
<i>Continuing operations as of balance sheet date:</i>			
Arçelik Pazarlama A.Ş. (“Pazarlama A.Ş.”)	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Arch R&D Co. Ltd. (“Arch R&D”)	China	R&D	Developing technology and design
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Arcwaste Collection SRL (“Arcwaste”) ⁽²⁾	Romania	Service	Service
Ardutch B.V. Taiwan (“Ardutch Taiwan”) ^(*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”)	New Zealand	Sales	Consumer Durables
Beko A and NZ Pty Ltd. New Zealand Branch (“Beko New Zealand”) ^(*)	New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko APAC IBC Co. (“Beko APAC”)	Thailand	Service	Service
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Central Asia LLC (“Beko Central Asia”)	Kazakhstan	Sales	Consumer Durables
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH (Switzerland)	Switzerland	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH Croatia Branch (“Beko Croatia”) ^(*)	Croatia	Sales	Consumer Durables/Electronics
Beko Gulf FZE (“Beko Gulf”)	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Home Appliances Portugal, Unipessoal LDA (“Beko Portugal”)	Portugal	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Israel Household Appliances Ltd. (“Beko Israel”)	Israel	Marketing	Consumer Durables
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances SARL (“Beko Morocco”)	Morocco	Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”)	England	Sales	Consumer Durables/Electronics
Beko Plc (“Beko Ireland”) ^(*)	Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. (“Beko Philippines”)	Republic of the Philippines	Sales	Consumer Durables
Beko S.A. (“Beko Polska”)	Poland	Sales	Consumer Durables/Electronics
Beko S.A., org. sl. (“Beko Czech”)	Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Beko US INC. (“Beko US”)	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Dawlance (Private) Ltd. (“DPL”)	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. (“Defy Swaziland”)	Swaziland	Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic of the South Africa	Production/Sales	Consumer Durables
Defy Sales East Africa Limited (“Defy Kenya”)	Kenya	Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Beko Grundig Österreich AG (“Beko Österreich”) ⁽¹⁾	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”) ⁽²⁾	Netherlands	Investment	Holding
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic AB Finland Branch of Nordic AB (“Grundig Finland”) ^(*)	Finland	Sales	Consumer Durables/Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic Denmark Branch of Grundig Nordic AS (“Grundig Denmark”) ^(*)	Denmark	Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. (“Pan Asia”)	British Virgin Islands	Investment	Holding
PT Home Appliances Indonesia	Indonesia	Sales	Consumer Durables
PT Beko Appliances Indonesia	Indonesia	Sales	Consumer Durables

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

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

Subsidiaries and branches (continued)	Country of incorporation	Core business	Nature of business
Continuing operations as of balance sheet date:			
Retail Holdings Bhold B.V (“Retail Holdings”)	Netherlands	Investment	Holding
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited (“Singer Bangladesh”)	Bangladesh	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables
Arçelik Üretim ve Teknoloji A.Ş. ⁽³⁾	Turkey	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances B.V.	Netherlands	Investment	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd.	China	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances (Thailand) Ltd.	Thailand	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (China) Ltd. ⁽⁴⁾	China	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd.	Singapore	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd.	Thailand	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd.	Malaysia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Middle East Fze	United Arab Emirates	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd.	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Hong Kong Limited	Hong Kong, China	Sales	Consumer Durables
Arçelik Hitachi Taiwan Home Appliances Sales Ltd.	Taiwan	Sales	Consumer Durables
PT. Arçelik Hitachi Home Appliances Sales Indonesia	Indonesia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances IBC Co. Ltd. ⁽⁵⁾	Thailand	Investment	Holding
Beko Azerbaijan MMC (“Beko Azerbaijan”) ⁽⁶⁾	Azerbaijan	Sales	Consumer Durables
Beko Grundig Croatia d.o.o (“Beko Grundig Croatia”) ⁽⁶⁾	Croatia	Sales	Consumer Durables
Beko Hungary Kft (“Beko Hungary”) ⁽⁶⁾	Hungary	Sales	Consumer Durables
Beko Egypt Home Appliances Industries LLC (“Beko Egypt LLC”) ⁽⁶⁾	Egypt	Production/Sales	Consumer Durables/Electronics
Beko Grundig Hellas Single Member SA (“Beko Greece”) ⁽⁶⁾	Greece	Sales	Consumer Durables
IHP Appliances Sales LLC ⁽⁷⁾	Russia	Sales	Consumer Durables/Electronics
IHP Appliances JSC ⁽⁷⁾	Russia	Production/Sales	Consumer Durables/Electronics
IHP Kazakhstan LLP ⁽⁷⁾	Kazakhstan	Sales	Consumer Durables/Electronics

⁽³⁾ Branches of the Subsidiary, which operate in a different country, are separately presented.

(1) The title of “Beko Grundig Österreich AG” has been registered on January 11, 2022. The former title of the company was “Elektra Bregenz AG”.

(2) Grundig Multimedia B.V merged under one of the Group’s subsidiary Ardutch B.V. as of September 2022.

(3) The simplified merger under the Group through acquisition of all the assets and liabilities of Arçelik Üretim ve Teknoloji A.Ş., which is the Group’s %100 subsidiary, has been approved by the Capital Markets Board (CMB) on June 30, 2022. The merger has been registered with the Istanbul Trade Registry Office on July 1, 2022.

(4) Legal liquidation process of the company had been completed in September 2022.

(5) Arçelik Hitachi Home Appliances IBC Co. Ltd. has started operating following the completion of share transfer and other transactions of January 2022.

(6) The companies have been registered with-in the year 2022.

(7) In accordance with the share purchase agreement which was signed with Whirlpool EMEA S.p.A, the purchase of the entire issued share capital of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC), and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) has been completed as of August 31, 2022 (Note 3).

Subsidiaries and branches (continued)	Country of incorporation	Core business	Nature of business
Ceased operations as of reporting date:			
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Portuguesa, LDA (“Grundig Portugal”) ^(*)	Portugal	-	-

^(*) Legal liquidation process of the company had been completed in July 2022.

Associates

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

Joint Ventures

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

Approval of condensed consolidated financial statements

These condensed interim consolidated financial statements as of and for the period January 1, – September 30, 2022 has been approved for issue by the Board of Directors on September 21, 2022.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

The Group prepared its condensed consolidated interim financial statements for the period ended June 30, 2022 in accordance with TAS 34 “Interim Reporting” standard. Interim condensed consolidated financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards (“TFRS”) will apply TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies, Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at September 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/TFRS and IFRIC interpretations effective as of January 1, 2022. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The Group's operations in Ukraine accounts for approximately 0.1% of the Group's net revenue and total assets for the period ended March 31, 2022. With the start of the Russia-Ukraine war on February 24, 2022, uncertainties regarding the Group's activities in Ukraine emerged, and as of September 30, 2022, the Group’s operations continue in Kiev, where Beko Ukraine is heavily active. However, since Ukraine operations are immaterial in terms of condensed consolidated financial statements, this do not have any impact on the Group’s going concern.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

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

- a) *Standards, amendments, and interpretations applicable as of 30 September 2022:*
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective from annual periods beginning on or after 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
 - **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective from annual periods beginning on or after 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
 - **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
 - **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial Instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

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

- b) *Standards, amendments, and interpretations that are issued but not effective as of 30 September 2022:*
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
 - **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
 - **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
 - **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

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

2.1 Basis of presentation (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of September 30, 2022 and December 31, 2021 (%) and their functional currencies:

	Functional currency	September 30, 2022		December 31, 2021	
		Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arch R&D	Chinese Yuan	100	100	100	100
Arctic	Romanian Lei	96,72	96,72	96,72	96,72
Arcwaste	Romanian Lei	96,72	96,72	96,72	96,72
Ardutch	Euro	100	100	100	100
Ardutch Taiwan	Taiwanese Dollar	100	100	100	100
Beko APAC	Thai Baht	100	100	100	100
Beko Australia	Australian Dollar	100	100	100	100
Beko New Zealand	New Zealand Dollar	100	100	100	100
Beko Balkans	Serbian Dinar	100	100	100	100
Beko China	Chinese Yuan	100	100	100	100
Beko Central Asia	Kazakhstan Tenge	100	100	100	100
Beko Grundig Deutschland	Euro	100	100	100	100
Beko Croatia	Croatian Kuna	100	100	100	100
Beko Egypt	Egyptian Lira	100	100	100	100
Beko Espana	Euro	100	100	100	100
Beko France	Euro	100	100	100	100
Beko Gulf	Dirham	100	100	100	100
Beko Portugal	Euro	100	100	100	100
Beko Hong Kong	US Dollar	100	100	100	100
Beko Israel	New Israeli Shekel	100	100	100	100
Beko Italy	Euro	100	100	100	100
Beko Malaysia	Malaysian Ringgit	100	100	100	100
Beko Morocco	Moroccan Dirham	100	100	100	100
Beko Polska	Polish Zloty	100	100	100	100
Beko Czech	Czech Koruna	100	100	100	100
Beko Philippines	Philippine Peso	100	100	100	100
Beko Russia	Russian Ruble	100	100	100	100
Beko Shanghai	Chinese Yuan	100	100	100	100
Beko Slovakia	Euro	100	100	100	100
Beko Grundig Schweiz	Swiss Franc	100	100	100	100
Beko Thailand	Thai Baht	100	100	100	100
Beko UK	British Pound	100	100	100	100
Beko Ireland	Euro	100	100	100	100
Beko Ukraine	Ukrainian Hryvna	100	100	100	100
Beko US	US Dollar	100	100	100	100
Dawlance (Private)	Pakistani Rupee	100	100	100	100
Defy	South Africa Rand	100	100	100	100
Defy Botswana	Botswana Pula	100	100	100	100
Defy Namibia	Namibian Dollar	100	100	100	100
Defy Swaziland	Svazi Lilangeni	100	100	100	100
Defy Kenya	Kenyan Shilling	100	100	100	100
DEL Electronics	Pakistani Rupee	100	100	100	100
Beko Österreich	Euro	100	100	100	100
Grundig Multimedia ⁽¹⁾	Euro	--	--	100	100
Grundig Norway	Norwegian Krone	100	100	100	100
Grundig Denmark	Danish Krone	100	100	100	100
Grundig Sweden	Swedish Krona	100	100	100	100
Grundig Finland	Euro	100	100	100	100
Grundig Switzerland	Swiss Franc	100	100	100	100
Pan Asia	US Dollar	100	100	100	100
Pazarlama A.Ş.	Turkish Lira	100	100	100	100
PT Home Appliances Indonesia ⁽²⁾	Indonesian Rupiah	100	100	67	67
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Retail Holdings	Euro	100	100	100	100
Singer Bangladesh	Bangladeshi Taka	56,99	56,99	56,99	56,99
United Refrigeration Industries	Pakistani Rupee	100	100	100	100
Vietbeko	Vietnamese Dong	100	100	100	100
Arçelik Üretim ve Teknoloji ⁽³⁾	Turkish Lira	-	-	100	100
Arçelik Hitachi	Euro	60	60	60	60
Arçelik Hitachi Shangai	Chinese Yuan	57	57	57	57
Arçelik Hitachi Thailand	Thai Baht	50,4	50,4	50,4	50,4
Arçelik Hitachi China ⁽⁴⁾	Chinese Yuan	--	--	60	60
Arçelik Hitachi Singapore	Singapore Dollar	60	60	60	60

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.1 Basis of presentation (Continued)

Continuing operations as of balance sheet date: (Continued)	Functional currency	September 30, 2022		December 31, 2021	
		Ownership Interest	Effective shareholding	Ownership Interest	Effective shareholding
Arçelik Hitachi Sales Thailand	Thai Baht	60	60	60	60
Arçelik Hitachi Malaysia	Malaysian Ringgit	60	60	60	60
Arçelik Hitachi Dubai	Dirham	60	60	60	60
Arçelik Hitachi Vietnam	Vietnamese Dong	60	60	60	60
Arçelik Hitachi Hong Kong	Hong Kong Dollar	60	60	60	60
Arçelik Hitachi Taiwan	Taiwanese Dollar	60	60	60	60
Arçelik Hitachi Indonesia	Indonesian Rupiah	40,5	40,5	40,5	40,5
Arçelik Hitachi Thailand IBC ⁽⁵⁾	Thai Baht	60	60	--	--
Beko Azerbaijan ⁽⁶⁾	Azerbaijan Manat	100	100	--	--
Beko Grundig Croatia ⁽⁶⁾	Croatia Kuna	100	100	--	--
Beko Hungary ⁽⁶⁾	Hungarian Forint	100	100	--	--
Beko Egypt LLC ⁽⁶⁾	Egyptian Lira	100	100	--	--
Beko Greece ⁽⁶⁾	Euro	100	100	--	--
IHP Appliances Sales LLC ⁽⁷⁾	Russian Ruble	100	100	--	--
IHP Appliances JSC ⁽⁷⁾	Russian Ruble	100	100	--	--
IHP Kazakhstan LLP ⁽⁷⁾	Kazakhstan Tenge	100	100	--	--
		September 30, 2022		December 31, 2021	
Ceased operations as of balance sheet date:					
Beko Cesko	-	100	100	100	100
Grundig Austria	-	100	100	100	100
Grundig Portugal ⁽⁸⁾	-	--	--	100	100

⁽¹⁾ Multimedia B.V merged under one of the Group’s subsidiary Ardutch B.V. as of September 2022.

⁽²⁾ The company’s share transfer process has been completed as of March 15, 2022 and the Group has bought remaining 33% shares.

⁽³⁾ The simplified merger under the Group through acquisition of all the assets and liabilities of Arçelik Üretim ve Teknoloji A.Ş., which is the Group’s %100 subsidiary, has been approved by the Capital Markets Board (CMB) on June 30, 2022. The merger has been registered with the Istanbul Trade Registry Office on July 1, 2022.

⁽⁴⁾ Legal liquidation process of the company had been completed in September 2022.

⁽⁵⁾ The company has started operating following the completion of share transfer and other transactions of January 2022.

⁽⁶⁾ The companies have been registered with-in the year 2022.

⁽⁷⁾ In accordance with the share purchase agreement which was signed with Whirlpool EMEA S.p.A, the purchase of the entire issued share capital of IHP Appliances Sales LLC (formerly: Whirlpool RUS LLC), IHP Appliances JSC (formerly: Indesit International JSC), and IHP Kazakhstan LLP (formerly: Whirlpool Kazakhstan LLP) has been completed as of August 31, 2022 (Note 3)

⁽⁸⁾ Legal liquidation process of the company had been completed in July 2022.

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

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

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the period ended September 30, 2022 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2022 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2021. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

NOTE 3 – BUSINESS COMBINATION

A Share Purchase Agreement ("the Agreement") was signed by Arçelik A.Ş. with Whirlpool EMEA S.p.A for the purchase of the entire issued share capital of IHP Appliances JSC and IHP Appliances Sales LLC, which operate in Russia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Georgia, Azerbaijan, Kazakhstan, Belarus, Mongolia ("Relevant Countries") and transactions are completed as of August 31, 2022. As of closing date, all shares of IHP Appliances JSC and IHP Appliances Sales LLC will be directly owned, and their wholly owned subsidiary IHP Kazakhstan LLP's shares will be indirectly owned, by Arçelik. The acquired companies own facilities in Lipetsk with a total capacity of 2.8 million units, where refrigerators and laundry products are produced, and have approximately 2,500 employees.

The purchase price shall not exceed the upper limit determined based on the fixed assets and net working capital within the closing financial statements and ss stated in material event disclosures dated June 28, 2022 and August 31, 2022, the related upper limit, which was estimated to be approximately 220 million Euro as of the acquisition date, is approximately calculated as 273 million Euros based on fair values used provisionally according to the August 31, 2022 dated closing financial statement which is auditing. The exact upper limit has not been determined yet, and it will be determined exactly after completion of the audit of the closing financial statements. The amount of the acquisition cost for each year will be calculated and paid annually over a period of ten years. Annual calculations will be based on performance and deduction of defined liabilities and subject to regulatory authorization or confirmation accrued and paid as the acquisition cost based on the availability of distributable reserves, and the legal restrictions, if any, existing at the time the payment is due. In the event that as of the tenth year there remains any calculated amounts that have not yet been accrued and paid as the conditions have not been fulfilled. The remainder will be accrued and paid should the conditions be fulfilled over the next 5 years.

In addition to "Stinol" brand which will be transferred with the acquired companies, "Indesit" and "Hotpoint" brands in the Relevant Countries has been granted to Arçelik and acquired companies for 20 years with the option to extend up to a total of 40 years, by extending in every 10 years.

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NOTE 3 – BUSINESS COMBINATION (Continued)

The fair values of the assets and liabilities for which the purchase price is acquired, within the scope of IFRS 3, are summarized in the table below:

Cash and cash equivalents	1,352,972
Trade receivables	700,847
Inventories	1,265,873
Other current asset	131,299
Property, plant and equipment (Note 13)	2,114,302
Deferred tax assets/(liabilities), net (Note 26)	93,530
Trade and other payables	(429,160)
Other liabilities	(279,865)
Total value of identifiable net assets (100%)(provisional)	4,949,798
Goodwill	-
Total contingent consideration and deferred purchase price(provisional)	4,949,798

After the acquisition date, total sales of acquired companies were amounting to TRY 207.338 in condensed consolidated profit or loss statement while its contribution to net profit was TRY (21.225).

Had the financial statements of acquired companies been consolidated since January 1, 2022, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 2,858,874 and TRY 22,509 respectively.

As of September 30, 2022, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 13,940.

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 nine months period ended September 30, 2022 are as follows:

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

(*) The Group recognised net sales amounting to TRY 94,705,834 with respect to the performance obligations satisfied at a point in time for the year ended September 30, 2022 (2021: TRY 45,643,380).

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NOTE 4 - SEGMENT REPORTING (Continued)

- b) Operational segments which have been prepared in accordance with the reportable segments for the nine months period ended September 30, 2021 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	35,426,058	3,549,605	6,690,245	45,665,908
Gross profit	11,202,087	705,809	2,093,637	14,001,533
Depreciation and amortization	933,295	143,655	126,039	1,202,989
Capital expenditures	1,288,882	191,634	74,305	1,554,821

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

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

- (*) The Group recognised net sales amounting to TRY 34.249.053 with respect to the performance obligations satisfied at a point in time for the three-month periods between July 1 - September 30, 2022 (July 1 - September 30, 2021: TRY 18,140,485)

- d) Operational segments which have been prepared in accordance with the reportable segments for the three months period between July 1 - September 30, 2021 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	14,330,896	1,288,107	2,528,677	18,147,680
Gross profit	4,079,176	232,404	813,900	5,125,480
Depreciation and amortization	367,193	48,604	50,930	466,727
Capital expenditures	534,785	65,719	34,798	635,302

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

January 1 – September 30, 2022	Turkey	Europe	Asia Pacific	Africa	Other	Total
Total segment revenue	28,242,982	36,902,376	18,522,925	5,285,984	5,769,361	94,723,628
January 1 – September 30, 2021	Turkey	Europe	Asia Pacific	Africa	Other	Total
Total segment revenue	14,876,408	19,961,588	6,390,821	2,550,130	1,886,961	45,665,908

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NOTE 4 - SEGMENT REPORTING (Continued)

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

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

July 1 – September 30, 2021	Turkey	Europe	Asia Pacific	Africa	Other	Total
Total segment revenue	5,400,733	7,818,210	3,393,350	1,314,311	221,076	18,147,680

NOTE 5 – CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021
Cash in hand	3,262	5,068
Cash at banks		
- time deposits	14,301,721	11,964,444
- demand deposits	5,716,019	3,705,276
Cheques and notes	136,524	126,371
Other	266,528	210,756
Cash and cash equivalents in cash flow statement	20,424,054	16,011,915
Interest income accruals	1,342	2,674
	20,425,396	16,014,589

As of September 30,2022, the maturity of cash and cash equivalents are as follows:

Up to 30 days	19,767,255	15,484,875
30-90 days	658,141	529,714
	20,425,396	16,014,589

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NOTE 6 – FINANCIAL INVESTMENTS

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

	September 30, 2022	December 31, 2021
Fair value gain/losses of financial assets reflected to other comprehensive income	30,328	10,531
Total	30,328	10,531

	September 30, 2022	December 31, 2021
Tat Gıda Sanayi A.Ş.	11,669	5,582
Hoxton Ventures III	6,796	-
500 Startups Istanbul Fund II Cooperatif	4,894	-
E&E Recycling, INC (*)	3,526	2,829
Thai Refrigeration Components Co., Ltd.	2,559	2,041
Other	884	79
	30,328	10,531

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

	2022	2021
As of January 1	10,531	5,614
Additions	12,010	-
Acquisition	-	1,068
Change in fair value	6,090	(1,188)
Currency translation differences	1,697	60
As of September 30	30,328	5,554

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NOTE 7 – BORROWINGS

a) Short-term borrowings

	September 30, 2022	December 31, 2021
Short-term bank borrowings	15,828,855	10,002,990
Short-term financial bills (**)	2,608,356	-
Short-term lease liabilities	557,223	330,258
Payables from factoring activities (*)	385,552	251,013
Total short-term borrowings	19,379,986	10,584,261
Short-term portion of long-term bank borrowings and interest accruals	2,950,515	2,244,370
Short term portion of long-term bond issued and interest accruals (***)	12,541,905	215,469
Total short-term portion of long-term borrowings	15,492,420	2,459,839

(*) Factoring liabilities are amounting to TRY 241,450 (December 31, 2021: TRY 126,892) denominated in EUR and TRY 141,952 (December 31, 2021: TRY 124,121) in GBP and TRY 2,150 (December 31, 2021: None) in GBP and interest rates are between 1.85% for EUR (December 31, 2021: 0.6%), 3.4% for GBP (December 31, 2021: 0.62%) and 13.02% for RUB (December 31, 2021: None).

(**) **Short term financial bill issued:**

2022:

The Company issued financial bill amounting to TRY 600 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on September 14, 2022, Maturity of the bond is March 9, 2023 and coupon rate is 25%.

The Company issued financial bill amounting to TRY 2 billion quoted in Borsa Istanbul with fixed interest rate single coupon payment on September 30, 2022, Maturity of the bond is March 28, 2023 and coupon rate is 25%.

(***) **Long term bonds issued:**

2022:

The Company issued bond amounting to TRY 700 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on February 2, 2022, Maturity of the bond is February 7, 2023 and coupon rate is 24%.

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

The Company issued bond amounting to TRY 400 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on June 29, 2022, Maturity of the bond is July 14, 2023 and coupon rate is 33.5%.

The Company issued bond amounting to TRY 175 million quoted in Borsa Istanbul with fixed interest rate single coupon payment on July 27, 2022, Maturity of the bond is August 1, 2023 and coupon rate is 34.5%.

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NOTE 7 – BORROWINGS (Continued)

a) Short-term borrowings (Continued)

2021:

The Company issued bond amounting to TRY 1.2 billion quoted in Borsa Istanbul with quarterly interest payment on February 12, 2021, Maturity of the bond is February 10, 2023 and coupon rate is TRYREF+140.

The Company issued bond amounting to TRY 300 million quoted in Borsa Istanbul with quarterly interest payment on April 29, 2021, Maturity of the bond is April 27, 2023 and coupon rate is TRYREF+130.

The company issued green bond amounting to EUR 350 million, quoted in Ireland Stock Exchange with annual interest payment on May 25, 2021. Maturity of the bond is May 27, 2026 and coupon rate is 3%. The Group has a commitment to finance its projects within the scope of the Green Financing Framework, which it has created based on its sustainability strategy, with the funds obtained from the green bond issuance.

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 September 30, 2022, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	25.4	3,723,252,426	3,723,252
EUR	1.3	279,115,372	5,002,640
PKR	15.0	30,064,321,980	2,415,065
BDT	6.6	8,491,944,041	1,553,601
ZAR	5.9	526,506,918	542,829
USD	5.8	48,959,263	905,932
AUD	4.1	28,325,253	338,090
RON	8.0	126,535,090	455,691
PLN	7.9	118,528,439	440,274
NOK	3.4	27,779,297	47,481
SEK	1.0	92,022,225	149,867
THB	3.9	42,593,152	20,759
MYR	6.0	31,467,473	125,725
IDR	8.4	88,965,760,000	107,649
			15,828,855

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NOTE 7 – BORROWINGS (Continued)

As of December 31, 2021, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	19.1	3,169,723,003	3,169,723
EUR	0.6	242,553,933	3,561,249
PKR	9.4	19,409,154,948	1,402,736
BDT	5.1	4,655,114,297	704,784
ZAR	5.1	404,169,082	329,208
USD	1.8	20,475,360	265,719
AUD	3.3	24,265,320	227,973
RON	3.4	22,067,184	65,094
RUB	8.4	1,405,382,740	243,173
NOK	1.6	22,717,120	33,331
			10,002,990

b) Long-term borrowings

	September 30, 2022	December 31, 2021
Long-term bonds issued	6,918,250	13,119,453
Long-term bank borrowings	5,185,621	5,311,582
Long-term lease liabilities	1,565,398	1,104,364
	13,669,269	19,535,399

As of September 30, 2022, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	18,0	2,885,732,452	2,885,732
EUR	2,3	210,396,016	3,770,970
ZAR	7,2	500,000,000	515,500
PKR	15,9	11,997,179,579	963,934
			8,136,136
Short-term portion of long-term loans and interest accruals			(2,950,515)
			5,185,621

As of December 31, 2021, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	16.6	3,666,320,853	3,666,321
EUR	2.2	213,178,399	3,129,949
ZAR	5.8	500,000,000	407,265
PKR	8.1	4,876,397,137	352,417
			7,555,952
Short-term portion of long-term loans and interest accruals			(2,244,370)
			5,311,582

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NOTE 7 – BORROWINGS (Continued)

b) Long-term borrowings (Continued)

As of September 30, 2022, detail of discounted amounts of bonds issued and financial bills is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5,0	512,324,042	9,479,942
EUR	3,0	353,381,731	6,333,730
TRY	23,2	6,254,839,165	6,254,839
			22,068,511
Interest accruals of bonds issued			(98,195)
			21,970,316

As of December 31, 2021, detail of discounted amounts of bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.0	505,940,653	6,565,845
EUR	3.0	353,898,916	5,225,415
TRY	19.9	1,543,662,462	1,543,662
			13,334,922
Interest accruals of bonds issued			(215,469)
			13,119,453

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

	September 30, 2022	December 31, 2021
2023	1,057,831	10,935,200
2024	1,365,662	453,368
2025	715,662	453,368
2026	6,945,164	5,550,020
2027 to 2029	2,024,422	1,047,181
	12,108,741	18,439,137

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

	September 30, 2022	December 31, 2021
Up to 3 months	14,186,815	8,833,569
3 - 12 months	22,245,764	5,036,068
1-5 years	7,757,071	14,298,812
Over 5 years	669,551	2,233,058
	44,859,201	30,401,507

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NOTE 7 – BORROWINGS (Continued)

As of September 30, 2022, and September 30, 2021, financial debt reconciliation is as follows:

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

2021	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	(916,934)	(10,029,834)	(6,128,457)	(17,075,225)
Cash flows	353,369	2,666,132	(6,495,999)	(3,476,498)
Transfers	-	(788,221)	788,221	-
Changes in interest accruals	(47,671)	(207,921)	-	(255,592)
Changes in factoring liabilities	-	(43,845)	-	(43,845)
Changes in lease liabilities	(287,680)	-	-	(287,680)
Acquisition	56,067	-	-	56,067
Currency translation adjustments	(165,593)	(314,001)	(751,403)	(1,230,997)
Financial debt as of September 30	(1,008,442)	(8,717,690)	(12,587,638)	(22,313,770)

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NOTE 8 – DERIVATIVE INSTRUMENTS

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

	September 30, 2022			December 31, 2021		
	Contract amount	Fair value assets	/(liabilities)	Contract amount	Fair value assets	/(liabilities)
<u>Short-term derivative instruments</u>						
<u>Held for trading:</u>						
Foreign currency						
forward transactions	21,783,414	22,956	(192,342)	16,679,404	14,103	(145,352)
Foreign currency						
swap contracts	15,362,966	40,189	(157,098)	6,560,163	1,991	(99,940)
<u>Cash flow hedge:</u>						
Interest rate						
swap contracts (*)	300,000	-	(8,238)	-	-	-
Short-term derivative instruments		63,145	(357,678)		16,094	(245,292)
<u>Long-term derivative instruments</u>						
<u>Cash flow hedge:</u>						
Interest rate						
swap contracts (*)	-	-	-	300,000	19,157	-
Long-term derivative instruments		-	-		19,157	-

(*) As of September 30, 2022 and December 31, 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of short term bond (December 21, 2021: long term) issued amounting to TRY 300 million on 29 April 2021 and maturity of the bond is April 27 2023, with a fixed rate instalment payment for the purpose of cash flow hedge.

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NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	September 30, 2022	December 31, 2021
Short-term trade receivables:		
Trade receivables	32,591,502	22,291,306
Notes receivables	1,249,806	1,164,206
Cheques receivables	745,619	414,337
Short-term trade receivables (gross)	34,586,927	23,869,849
Provision for expected credit loss	(798,359)	(439,696)
Unearned credit finance expense	(312,245)	(287,915)
Short-term trade receivables (net)	33,476,323	23,142,238

As of September 30, 2022, the Group has offsetted TRY 4,051,795 (December 31, 2021: TRY 2,366,439) from trade receivables that are collected from the factoring companies as part of the irrevocable factoring transactions.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 730,907 related with its local bank borrowings (December 31, 2021: TRY 338,435).

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

	2022	2021
As of January 1	439,696	300,665
Current year additions (Note 22)	55,924	23,045
Provisions no longer required (Note 22)	(27,208)	(8,729)
Acquisitions	270,860	30,575
Write-offs (*)	(34,457)	(11,007)
Currency translation differences	93,544	17,985
As of September 30	798,359	352,534

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

	September 30, 2022	December 31, 2021
Long-term trade receivables		
Trade receivables	90,471	101,746
Unearned credit finance expense	(52,883)	(55,881)
	37,588	45,865

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	September 30, 2022	December 31, 2021
Short-term trade payables:		
Trade payables	25,200,625	16,296,508
Debt accruals	2,832,120	1,986,561
Unearned credit finance charges	(353,306)	(206,742)
	27,679,439	18,076,327

NOTE 10 – OTHER PAYABLES

	September 30, 2022	December 31, 2021
Taxes and duties payable	1,702,824	971,148
Deposits and guarantees received	29,864	16,948
Dividend payables to shareholders	3,287	46,414
Other	99,855	211,098
	1,835,830	1,245,608

NOTE 11 – INVENTORIES

	September 30, 2022	December 31, 2021
Raw materials and supplies	13,152,211	6,781,587
Work in progress	972,468	466,732
Finished goods	12,837,713	7,180,847
Trade goods	5,270,087	2,626,519
Inventories (gross)	32,232,479	17,055,685
Provision for impairment on inventories	(283,689)	(226,986)
Inventories (net)	31,948,790	16,828,699

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 617,883 related with its local bank borrowings (December 31, 2021: TRY 395,880).

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NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		September 30, 2022	%	December 31, 2021
				TRY
VoltBek	49.0	293,045	49.0	307,880
Koç Finansman	47.0	309,597	47.0	289,570
Arçelik - LG	45.0	290,469	45.0	237,544
Ram Dış Ticaret	33.5	35,775	33.5	20,415
		928,886		855,409

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

	2022	2021
As of January 1	855,409	648,016
Associate capital share contribution	26,725	38,220
Shares of income/loss of associates	(53,514)	(11,890)
Shares of other comprehensive income/loss of associates	(7,983)	460
Gross profit elimination on inventory	32,757	877
Dividends received	(55,375)	(11,165)
Currency translation difference	130,867	37,955
As of September 30	928,886	702,473

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

	January 1- September 30 2022	January 1- September 30 2021	July 1- September 30 2022	July 1- September 30 2021
Koç Finansman	70,854	47,332	28,794	17,041
Arçelik – LG	24,186	45,590	1,037	11,523
Ram Dış Ticaret	23,873	7,196	11,029	1,347
Tanı Pazarlama	-	(284)	-	392
VoltBek	(172,427)	(111,724)	(72,205)	(28,790)
	(53,514)	(11,890)	(31,345)	1,513

Aggregated summary figures of the financial statements of investment accounted for using the equity method:

September 30, 2022	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	6,717,325	3,329,319	3,672,369	2,334,508	16,053,521
Total liabilities	6,058,607	3,222,527	3,074,317	1,689,101	14,044,552
Net sales	1,040,879	7,684,883	1,569,084	4,185,614	14,480,460
December 31, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	4,825,845	2,494,769	2,785,492	1,516,591	11,622,697
Total liabilities	4,209,739	2,433,828	2,157,165	988,716	9,789,448
Net sales	800,165	5,043,644	1,060,018	2,158,114	9,061,941

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2022	2021
As of January 1		
Cost	23,951,628	13,910,235
Accumulated depreciation	(10,826,292)	(6,613,667)
Net carrying value	13,125,336	7,296,568
Net carrying value at the beginning of the period	13,125,336	7,296,568
Additions	4,203,583	1,400,074
Acquisitions (Note 3)	2,114,302	1,001,552
Disposals	(270,136)	(41,033)
Transfers	(9,360)	-
Currency translation differences	2,563,396	573,674
Depreciation for the period	(1,842,470)	(956,463)
Net carrying value at the end of the period	19,884,651	9,274,372
As of September 30		
Cost	36,805,222	20,620,696
Accumulated depreciation	(16,920,571)	(11,346,324)
Net carrying value	19,884,651	9,274,372

As of September 30, 2022, the net book value of the right of use assets classified under tangible assets is TRY 2,328,986 (September 30, 2021: TRY 994,945).

Additions to rights-to-use assets for the nine months period ended September 30, 2022 TRY 1,158,604 (September 30, 2021: TRY 243,195), depreciation expenses are TRY 509,889 (September 30, 2021: TRY 270,706).

There is no mortgage on property, plant and equipment as of September 30, 2022 (December 31, 2021: None)

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NOTE 14 – OTHER INTANGIBLE ASSETS

	2022	2021
As of January 1		
Cost	8,730,660	5,130,667
Accumulated amortization	(2,157,345)	(1,566,723)
Net carrying value	6,573,315	3,563,944
Net carrying value at the beginning of the period	6,573,315	3,563,944
Additions	763,551	397,942
Acquisitions	-	37,279
Transfers	9,360	-
Disposals	(1,452)	(2,799)
Currency translation differences	2,376,617	346,616
Amortization for the period	(548,663)	(246,526)
Net carrying value at the end of the period	9,172,728	4,096,456
As of September 30		
Cost	12,032,567	6,117,313
Accumulated amortization	(2,859,839)	(2,020,857)
Net carrying value	9,172,728	4,096,456

As of September 30, 2022, total amount of capitalized borrowing cost is TRY 8,948 (September 30, 2021: 1,386)

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NOTE 15 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2022, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,293,483,757 (December 31, 2021: USD 2,360,301,160). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	September 30, 2022	December 31, 2021
Collaterals obtained	13,517,780	7,103,500

Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
CPMB’s given by the Company		
A. CPMB’s given for Company’s own legal personality	2,897,617	610,026
B. CPMB’s given on behalf of fully consolidated companies	5,121,243	3,004,407
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	8,018,860	3,614,433

TRY equivalents of CPMB given as of September 30, 2022 and December 31, 2021 are as follows on original currency basis are as follows:

	September 30, 2022	December 31, 2021
CPMB's given by the Company		
TRY	406,004	147,587
EUR	1,940,387	1,032,546
USD	2,519,660	464,887
Other currencies	3,152,809	1,969,413
	8,018,860	3,614,433

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NOTE 16 – OTHER PROVISIONS

	September 30, 2022	December 31, 2021
Other short-term provisions		
Warranty provision	1,455,645	1,122,271
Provision for transportation cost	804,741	261,457
Assembly provision	498,614	235,378
Provision for lawsuit risks	35,143	74,102
Other	713,804	394,755
	3,507,947	2,087,963
	September 30, 2022	December 31, 2021
Other long-term provisions		
Warranty provision	660,772	391,073
Other	3,244	47,999
	664,016	439,072

NOTE 17 – PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Short-term prepaid expenses		
Prepaid expenses for following months	726,716	390,723
Advances given for inventories	425,658	258,076
	1,152,374	648,799
	September 30, 2022	December 31, 2021
Long-term prepaid expenses		
Advances given for property, plant and equipment	263,366	186,057
	263,366	186,057

NOTE 18 – CURRENT INCOME TAX ASSETS

	September 30, 2022	December 31, 2021
Prepaid taxes and funds	539,344	415,431
	539,344	415,431

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2022	December 31, 2021
Payables to personnel	1,056,409	469,368
Social security payables	358,272	180,880
Accruals for bonuses and premiums	303,761	124,842
	1,718,442	775,090

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NOTE 20 – OTHER ASSETS AND LIABILITIES

	September 30, 2022	December 31, 2021
Other current assets:		
Value added tax and private consumption tax receivable	1,162,902	969,225
Taxes and funds deductible	1,075,163	940,168
Deposits and guarantees given	204,586	93,577
Income accruals	91,208	131,787
Other	430,397	124,895
	2,964,256	2,259,652
Other current liabilities:		
Accruals for customer premiums	4,287,127	2,706,865
Value added tax and private consumption tax payable	144,310	4,823
Advances received	493,092	368,674
Deferred income	98,527	82,915
Liabilities related to acquisitions (*)	-	94,705
Other	105,024	121,266
	5,128,080	3,379,248

(*) As a result of agreement signed between the Group and Whirlpool Global, contingent payment price amounting to TRY 94.7 million which had been calculated according to the best estimates made by the Group and result of VAT receivables of Arçelik Üretim ve Teknoloji (former title: Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi)’s closing balance will be collected or set off until 2023 as of December 31, 2021 was paid as TRY 65.9 million and the difference TRY 28.8 (Note 23) million was recognized as “income from change of contingent liabilities” on the consolidated financial statements.

	September 30, 2022	December 31, 2021
Other long-term liabilities:		
Liabilities related to acquisitions (*)	5,320,574	-
Deferred income	1,201,075	905,778
Other	257,724	176,915
	6,779,373	1,082,693

(*) The fair value of the provisional contingent consideration as of September 30, 2022 (August 31, 2022 TRY 4,949,798) which have been determined based on August 31, 2022 dated closing financial statements of IHP Appliances JSC and IHP Appliances Sales LLC.

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NOTE 21 – EQUITY

Paid-in capital

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

	September 30, 2022	December 31, 2021
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	September 30, 2022		December 31, 2021	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.56	274,070	40.56	274,070
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	51.98	351,237	51.98	351,237
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.12	809	0.12	809
Treasury Shares (*)	10.19	68,876	5.39	36,432
Other	14.96	101,084	19.76	133,528
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (**)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) The amount is related to the shares that buyback and are publicly listed by the Company as of September 30, 2022.

(**) “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.

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NOTE 21 – EQUITY (Continued)

Treasury Shares

Pursuant to the decision of the Board of Directors of the Company on July 1, 2021, treasury share procedures have been initiated and pursuant to the decision of the Board of Directors of the Company on May 24, 2022 for Company to continue to the share buyback program. Within the scope of the decision, the shares with a nominal value of TRY 68,876, corresponding to 10.19% of the Company’s capital, has been bought back at the amount of TRY 3,098,160 including transaction costs as of September 30, 2022 (31 December 2021: TRY 1,215,266). As of the report date, there are no treasury shares that have been sold.

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	September 30, 2022	December 31, 2021
Legal reserves	702,357	555,736
Reserves for treasury shares	3,098,160	1,215,266
	3,800,517	1,771,002

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No, II-19.1 issued by the CMB which is effective from February 1, 2014.

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

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

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NOTE 21 – EQUITY (Continued)

Dividend distribution (Continued)

As agreed in the ordinary general meeting dated March 23, 2022, the decision to pay dividends as cash has been taken and the TRY 1,5 Billion (excluding treasury shares: TRY 1,4 Billion) payment was made in March 2021. The dividend details are as follows: 221.98274% (2021: 221.98274%) corresponding to gross TRY 2.2198274 (full) (2021: 2.2198274) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 221.98274% (2021: 221.98274%) corresponding to gross TRY 2.2198274 (full) (2021: TRY 2.2198274) and 199,78446% corresponding to net TRY 1.9978446 (full) per share of TRY 1.00 (full) nominal value to the other shareholders.

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Other income from operating activities:				
Foreign exchange gains arising from trading activities	4,621,082	1,532,303	1,076,498	248,271
Income from claims and grants	79,077	59,385	24,027	26,945
Credit finance income arising from trading	71,932	41,013	21,812	11,727
Expected credit loss provisions no longer required (Note 9)	27,208	8,729	7,212	6,589
Other (*)	66,608	6,563	58,851	3,459
	4,865,907	1,647,993	1,188,400	296,991

(*) The amount TRY 53,998 part is from income related to dividends that had been distributed by Arctic, subsidiary of the Group, in previous years but have not been received by shareholders for more than 3.5 years and that the shareholders have no legal right to claim the dividend.

Other expenses from operating activities:

Foreign exchange losses arising from trading activities	(3,569,119)	(1,259,988)	(1,096,480)	(267,987)
Credit finance charges arising from trading activities	(636,323)	(213,231)	(260,732)	(46,375)
Provision for expected credit lose (Note 9)	(55,924)	(23,045)	(30,991)	(11,930)
Other	(13,616)	(28,153)	(1,196)	(5,519)
	(4,274,982)	(1,524,417)	(1,389,399)	(331,811)

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NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Income from investment activities:				
Income from change of contingent liabilities (*)	28,793	-	-	-
Income from sales of property plant and equipment	25,363	5,013	13,551	1,707
Dividends received from financial investments	156	117	-	-
	54,312	5,130	13,551	1,707
Expenses from investment activities:				
Loss from sales of property plant and equipment	(29,339)	(3,031)	(6,084)	(266)
	(29,339)	(3,031)	(6,084)	(266)

(*) As a result of agreement signed between the Group and Whirlpool Global, contingent payment price amounting to TRY 94.7 million which had been calculated according to the best estimates made by the Group and result of VAT receivables of Arçelik Üretim ve Teknoloji (former title: Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi)’s closing balance will be collected or set off until 2023 as of December 31, 2021 was paid as TRY 65.9 million and the difference TRY 28.8 (Note 20) million was recognized as “income from change of contingent liabilities” on the consolidated financial statements.

NOTE 24 – FINANCIAL INCOME

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Foreign exchange gains (*)	3,138,358	2,262,841	806,766	480,780
Gains on derivative instruments	2,308,118	955,333	837,703	336,077
Interest income	242,076	171,729	84,082	25,638
Other	60,899	17,420	20,609	9,120
	5,749,451	3,407,323	1,749,160	851,615

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

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NOTE 25 – FINANCIAL EXPENSES

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Foreign exchange losses (*)	(5,007,626)	(2,263,151)	(1,407,079)	(490,059)
Interest expenses (**)	(2,752,604)	(1,234,393)	(1,063,832)	(481,350)
Losses on derivative instruments	(2,375,902)	(1,228,900)	(828,567)	(364,392)
Other	(73,521)	(33,256)	(27,994)	(13,439)
	(10,209,653)	(4,759,700)	(3,327,472)	(1,349,240)

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

(**) TRY 95,693 of the interest expenses consists of the interest expense related to lease liabilities (2021: TRY 47,671).

NOTE 26 – TAX ASSETS AND LIABILITIES

	September 30, 2022	December 31, 2021
Corporation and income taxes	1,086,755	582,801
Prepaid tax	(845,690)	(527,509)
Tax liabilities (net)	241,065	55,292
Deferred tax assets	3,459,898	1,823,680
Deferred tax liabilities	(2,046,997)	(1,528,994)
Deferred tax assets, net	1,412,901	294,686

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

As of September 30, 2022, the corporate tax rate is 23% in Turkey (December 31, 2021: 25%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

Income tax expense for the periods ended September 30 is as follows:

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Tax (expense)/income				
- Current period tax expense	(961,681)	(532,426)	(413,754)	(159,662)
- Deferred tax income	1,034,284	242,358	677,300	106,041
Total tax (expense)/income, net	72,603	(290,068)	263,546	(53,621)

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

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Property, plant and equipment and intangible assets	11,087,063	6,808,897	(2,640,859)	(1,893,703)
Unused tax advantages (*)	-	-	863,176	386,422
Unused tax credits	(2,260,490)	(1,876,782)	927,278	512,674
Provision for warranty, assembly and transportation expenses	(1,666,662)	(1,261,212)	395,400	285,256
Inventories	(1,227,753)	(1,079,533)	338,295	315,910
Provision for employment termination benefits	(1,150,502)	(862,252)	245,819	185,139
Provision for expected credit lose	(248,328)	(201,855)	69,358	54,707
Derivative instruments	(553,039)	(196,369)	121,519	44,912
Other	(4,807,854)	(1,763,098)	1,092,915	403,369
Deferred tax assets, net			1,412,901	294,686

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of September 30, 2022 the tax advantage of TRY 863,176 (December 31, 2021: TRY 386,422) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the condensed consolidated financial statements.

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NOTE 26 – TAX ASSETS AND LIABILITIES (Continued)

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

	2022	2021
Balance as of January 1	294,686	270,213
Deferred tax income recognized		
in statement of profit or loss	1,034,284	242,358
Acquisitions (Note 3)	93,530	123,454
Deferred tax income recognized directly in the equity	88,725	9,563
Currency translation differences	(98,324)	(68,887)
Balance as of September 30	1,412,901	576,701

NOTE 27 – EARNINGS PER SHARE

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

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

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

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
Profit for the year attributable to shareholders of the Company	1,759,931	2,274,737	335,757	651,376
Weighted average number of ordinary shares with nominal value (kurus 1 each one) (*)	61,582,528,941	67,266,715,915	60,735,009,026	66,664,488,415
Earnings per share (kurus)	2.858	3.382	0.553	0.977

(*) Refer to Note 21 for further details of treasury shares.

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NOTE 28 – RELATED PARTY DISCLOSURES

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

(i) Balances with related parties

	September 30, 2022	December 31, 2021
(a) Due from related parties:		
Wat Motor Sanayi ve Ticaret A.Ş. (“Wat Motor”) ⁽¹⁾	235,114	145,996
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	169,831	-
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	99,975	37,722
Voltbek ⁽²⁾	55,788	74,604
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	22,974	-
Other	7,876	10,984
	591,558	269,306

(b) Due to related parties:

Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	1,366,221	661,144
Arçelik-LG ⁽⁴⁾	1,063,722	218,194
Ram Dış Ticaret A.Ş. ⁽²⁾	675,941	452,200
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	69,158	58,414
Ingage Dijital Pazarlama Hizmetleri A.Ş. ⁽¹⁾	42,227	61,149
Koç Holding A.Ş. ⁽³⁾	-	52,078
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	-	48,805
Other	287,045	40,720
	3,504,314	1,592,704

(c) Deposits:

	September 30, 2022	December 31, 2021
Yapı ve Kredi Bankası A.Ş, and its subsidiaries ⁽¹⁾	3,322,118	4,503,113

(¹) Koç Holding group companies

(e) Derivative instruments

	Contract	Fair value
September 30, 2022	Amount	assets/(liabilities)
Yapı ve Kredi Bankası A.Ş,	2,139,627	- (38,725)
	Contract	Fair value
December 31, 2021	amount	assets/(liabilities)
Yapı ve Kredi Bankası A.Ş,	2,083,556	- (72,835)

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NOTE 28 – RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
(a) Sales of goods and services:				
Bilkom Bilişim Hizmetleri A.Ş.	393,874	121,775	156,102	81,502
Token Finansal Teknolojiler A.Ş.	296,379	83,815	150,311	28,742
WAT Motor (**)	230,599	-	48,774	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	175,570	70,559	42,769	19,681
Voltbek	2,025	129,616	355	10,509
Other	79,017	18,249	56,334	11,307
	1,177,464	424,014	454,645	151,741
(b) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4,916,922	2,004,351	2,052,197	762,890
Arçelik-LG	2,614,160	1,008,215	519,649	332,856
Ram Dış Ticaret	2,127,135	704,724	849,826	355,097
Bilkom Bilişim Hizmetleri A.Ş.	516,902	138,287	212,153	43,155
Token Finansal Teknolojiler A.Ş.	372,609	75,976	188,412	26,826
WAT Motor (**)	236,289	-	58,925	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	186,383	121,421	59,919	51,310
Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*)	124,090	65,210	216	-
Ingage Dijital Pazarlama Hizmetleri	99,334	83,326	54,475	30,272
Other	336,247	161,218	130,510	70,494
	11,530,071	4,362,728	4,126,282	1,672,900

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 of insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

(1) Koç Holding group companies

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

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company for the nine month ended September 30, 2022 amounts to TRY 33,794 (January 1 -September 30, 2021 TRY 26,032).

There is no redundancy payment made to the senior executives and the remaining amount is short-term benefits (September 30, 2021: 3,998).

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NOTE 28 – RELATED PARTY DISCLOSURES (Continued)

(d) Other transactions:

	January 1- September 30, 2022	January 1- September 30, 2021	July 1- September 30, 2022	July 1- September 30, 2021
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş.	82,903	52,139	23,224	4,634
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş.	(27,378)	(1,866)	(8,021)	(1,866)

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.

ARÇELİK ANONİM ŞİRKETİ

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

Funding risk

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

Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of September 30, 2022 and December 31, 2021 are as follows:

	Trade receivables			
	Related parties	Third parties	Bank deposits	Derivative instruments
September 30, 2022				
Maximum exposed credit risk as of reporting date ⁽¹⁾	591,558	33,513,911	20,019,082	63,145
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(17,522,809)	-	-
A. Net book value of financial asset either are not due or not impaired	591,558	32,181,310	20,019,082	63,145
-Secured portion by guarantees, etc.	-	(16,835,521)	-	-
B. Net book value of overdue but not impaired financial assets	-	1,338,909	-	-
- Secured portion by guarantees, etc.	-	(673,955)	-	-
C. Net book value of the impaired assets	-	13,333	-	-
- Overdue (Gross book value)	-	792,051	-	-
- Impairment (-)	-	(778,718)	-	-
- Secured portion of the net value by guarantees, etc.	-	(13,333)	-	-
D. Expected credit losses (-)	-	(19,641)	-	-

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

Details of credit and receivable risk as of December 31, 2021 are as follows:

December 31, 2021	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	269,306	23,188,103	15,672,394	16,094
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(16,739,334)	-	-
A. Net book value of financial asset either are not due or not impaired	269,306	22,408,668	15,672,394	16,094
-Secured portion by guarantees, etc.	-	(16,252,587)	-	-
B. Net book value of overdue but not impaired financial assets	-	778,237	-	-
- Secured portion by guarantees, etc.	-	(471,914)	-	-
C. Net book value of the impaired assets	-	14,833	-	-
- Overdue (Gross book value)	-	440,894	-	-
- Impairment (-)	-	(426,061)	-	-
- Secured portion of the net value by guarantees, etc.	-	(14,833)	-	-
D. Expected credit losses (-)	-	(13,635)	-	-

⁽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.

	September 30, 2022	December 31, 2021
Group 1	583,300	464,638
Group 2	31,490,769	21,339,824
Group 3	698,799	873,512
	32,772,868	22,677,974

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

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

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

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

	September 30, 2022	December 31, 2021
0-1 month	935,810	386,789
1-3 months	140,930	76,944
3-12 months	107,535	169,652
1-5 years	154,635	144,852
	1,338,910	778,237

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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.

Details of the calculation as of September 30, 2022 are as follows:

September 30, 2022	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.005	0.07	0.38	1.53	
Gross carrying amount	31,852,424	1,156,910	586,585	991,008	34,586,927
Loss allowance provision	(1,490)	(792)	(2,241)	(15,118)	(19,641)

Details of the calculation as of December 31, 2021 are as follows:

December 31, 2021	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.005	0.18	1.11	1.49	
Gross carrying amount	22,650,718	409,010	76,944	733,177	23,869,849
Loss allowance provision	(1,122)	(735)	(854)	(10,924)	(13,635)

Foreign exchange risk

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued and Ruble dominated contingent liabilities as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe and Russia from Euro and Ruble to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of September 30, 2022, a portion of bank borrowings amounting to EUR 200,000,000 and contingent liabilities RUB 16,694,091,285 (before tax) was designated as a net investment hedging instrument (December 31, 2021: EUR 200,000,000).

Foreign currency position

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

	September 30, 2022	December 31, 2021
Assets	27,745,294	25,180,708
Liabilities	(42,903,397)	(28,596,052)
Net position of financial statement	(15,158,103)	(3,415,344)
Net position of derivative instruments	15,881,763	2,021,214
Foreign currency position (net)	723,660	(1,394,130)

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of September 30, 2022 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	402,222	332,469	82,319	755,100	277,204	70,856	1,778,559	4,407	1,167	628,247	17,134,532
Monetary financial assets	109,598	416,330	123	51	2,586	73	248,644	7,213	-	9,186	9,811,294
Other	256	31,675	-	-	6,865	-	-	1,069	-	3,677	625,769
Non Current Assets	-	-	-	-	-	-	-	-	-	-	-
Trade receivables	1,046	8,374	-	-	-	-	-	-	-	-	173,699
Total Assets	513,122	788,848	82,442	755,151	286,655	70,929	2,027,203	12,689	1,167	641,110	27,745,294
Current Liabilities											
Trade payables	298,166	429,147	4,799	195,716	46,700	-	141,301	1,109	19,910,499	151,086	13,762,072
Financial liabilities	109,913	573,585	-	-	-	-	-	1,046	-	-	12,596,978
Other monetary liabilities	4,800	11,589	2	-	-	-	180,418	593	-	-	331,165
Non-Current Liabilities											
Trade payables	-	7,168	-	-	-	-	-	-	-	-	132,725
Financial liabilities	600,279	-	-	-	-	-	-	-	-	-	10,758,921
Other monetary liabilities	-	52	-	16,694,091	-	-	-	-	-	-	5,321,536
Toplam Liabilities	1,013,163	1,021,541	4,801	16,889,807	46,700	-	321,719	2,748	19,910,499	151,086	42,903,397
Net Position of Financial Statement	(500,041)	(232,693)	77,641	(16,134,656)	239,955	70,929	1,705,484	9,941	(19,909,332)	490,024	(15,158,104)
Off-balance sheet											
derivative assets (*)	544,421	423,747	-	16,694,091	-	-	-	2,250	-	143,232	23,091,504
Off-balance sheet											
derivative liabilities (*)	(51,775)	(150,975)	(69,200)	(650,000)	(275,000)	(65,000)	(2,000,000)	(9,000)	-	(578,746)	(7,209,741)
Net position of											
off-balance sheet items	492,646	272,772	(69,200)	16,044,091	(275,000)	(65,000)	(2,000,000)	(6,750)	-	(435,514)	15,881,763
Net Asset/(Liability) Position											
of Foreign Currency	(7,395)	40,079	8,441	(90,565)	(35,045)	5,929	(294,516)	3,191	(19,909,332)	54,510	723,660
Net Asset/(Liability)											
Position of Foreign											
Currency Monetary Items	(500,041)	(232,693)	77,641	(16,134,656)	239,955	70,929	1,705,484	9,941	(19,909,332)	490,024	(15,158,104)
Hedged Amount of Foreign Currency Assets	51,775	150,975	69,200	650,000	275,000	65,000	2,000,000	9,000	-	578,746	7,209,742
Hedged Amount of Foreign Currency											
Liabilities	544,421	423,747	-	16,694,091	-	-	-	2,250	-	143,232	23,091,504

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2021 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	JPY	SGD	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	563,375	268,388	119,032	667,887	357,820	158,188	1,208,209	5,904	242,705,336	566,834	16,061,465
Monetary financial assets	217,653	385,116	12	-	-	2	553,223	9,989	-	25,739	8,377,553
Other	525	36,159	-	8	56,364	-	-	2,425	-	-	614,382
Non-Current Assets											
Trade receivables	60	9,742	-	-	-	-	-	-	-	-	127,308
Total Assets	781,613	699,405	119,044	667,895	414,184	158,190	1,761,432	18,318	242,705,336	592,573	25,180,708
Current Liabilities											
Trade payables	380,354	426,050	4,833	19,175	353,018	-	265,656	2,440	19,800,898	60,691	12,040,150
Financial liabilities	94,082	48,253	-	-	-	-	-	873	-	-	2,015,925
Other monetary liabilities	4,610	15,509	2	-	-	-	145,668	1,227	-	-	297,147
Non-Current Liabilities											
Trade payables	-	5,473	-	-	-	-	-	-	-	-	71,026
Financial liabilities	523,084	500,000	-	-	-	-	-	-	-	-	14,168,826
Other monetary liabilities	-	229	-	-	-	-	-	-	-	-	2,978
Total Liabilities	1,002,130	995,514	4,835	19,175	353,018	-	411,324	4,540	19,800,898	60,691	28,596,052
Net Position of Financial Statement	(220,517)	(296,109)	114,209	648,720	61,166	158,190	1,350,108	13,778	222,904,438	531,882	(3,415,344)
Off-balance sheet derivative assets (*)	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741
Off-balance sheet derivative liabilities (*)	(139,935)	(142,850)	(114,000)	(845,000)	(375,000)	(165,000)	(1,250,000)	-	-	(601,501)	(8,073,527)
Net position of off-balance sheet items	197,876	236,188	(114,000)	(845,000)	(301,071)	(165,000)	(1,250,000)	-	-	(535,274)	2,021,214
Net Asset/(Liability) Position of Foreign Currency	(22,641)	(59,921)	209	(196,280)	(239,905)	(6,810)	100,108	13,778	222,904,438	(3,392)	(1,394,130)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(220,517)	(296,109)	114,209	648,720	61,166	158,190	1,350,108	13,778	222,904,438	531,882	(3,415,344)
Hedged Amount of Foreign Currency Assets	139,935	142,850	114,000	845,000	375,000	165,000	1,250,000	-	-	601,501	8,073,527
Hedged Amount of Foreign Currency Liabilities	337,811	379,038	-	-	73,929	-	-	-	-	66,227	10,094,741

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

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

As of September 30, 2022, and December 31, 2021, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
September 30, 2022				
USD net asset/liability	(430,570)	430,570	(477,335)	477,335
Secured portion from USD risk	504,732	(504,732)	504,732	(504,732)
USD Net effect	74,162	(74,162)	27,397	(27,397)
EUR net asset/liability	(537,770)	537,770	(625,292)	625,292
Secured portion from EUR risk	524,515	(524,515)	882,979	(882,979)
EUR Net effect	(13,255)	13,255	257,687	(257,687)
GBP net asset/liability	155,278	(155,278)	174,150	(174,150)
Secured portion from GBP risk	(138,397)	138,397	(138,397)	138,397
GBP Net effect	16,881	(16,881)	35,753	(35,753)
JPY net asset/liability	21,756	(21,756)	21,756	(21,756)
Secured portion from JPY risk	(25,513)	25,513	(25,513)	25,513
JPY Net effect	(3,757)	3,757	(3,757)	3,757
PLN net asset/liability	26,347	(26,347)	56,001	(56,001)
Secured portion from PLN risk	(24,144)	24,144	(24,144)	24,144
PLN Net effect	2,203	(2,203)	31,857	(31,857)
RUB net asset/liability	17,829	(17,829)	(262,051)	262,051
Secured portion from RUB risk	(20,716)	20,716	511,341	(511,341)
RUB Net effect	(2,887)	2,887	249,290	(249,290)
VND net asset/liability	(1,553)	1,553	(11,632)	11,632
Secured portion from VND risk	-	-	-	-
VND Net effect	(1,553)	1,553	(11,632)	11,632
CNY net asset/liability	61,577	(61,577)	44,344	(44,344)
Secured portion from CNY risk	(70,571)	70,571	(70,571)	70,571
CNY Net effect	(8,994)	8,994	(26,227)	26,227
SGD net asset/liability	12,814	(12,814)	12,814	(12,814)
Secured portion from SGD risk	(8,700)	8,700	(8,700)	8,700
SGD Net effect	4,114	(4,114)	4,114	(4,114)
Other net asset/liability	49,004	(49,004)	999,251	(999,251)
Secured portion from other currency risk	(43,552)	43,552	(43,551)	43,551
Other Currency Net effect	5,452	(5,452)	955,700	(955,700)
	72,366	(72,366)	1,520,182	(1,520,182)

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

December 31, 2021	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(384,276)	384,276	(407,368)	407,368
Secured portion from USD risk	306,513	(306,513)	306,513	(306,513)
USD Net effect	(77,763)	77,763	(100,855)	100,855
EUR net asset/liability	(30,124)	30,124	(222,929)	222,929
Secured portion from EUR risk	(3,119)	3,119	290,527	(290,527)
EUR Net effect	(33,243)	33,243	67,598	(67,598)
GBP net asset/liability	199,329	(199,329)	240,908	(240,908)
Secured portion from GBP risk	(198,964)	198,964	(198,964)	198,964
GBP Net effect	365	(365)	41,944	(41,944)
JPY net asset/liability	15,180	(15,180)	15,180	(15,180)
Secured portion from JPY risk	(14,054)	14,054	(14,054)	14,054
JPY Net effect	1,126	(1,126)	1,126	(1,126)
PLN net asset/liability	50,607	(50,607)	74,667	(74,667)
Secured portion from PLN risk	(52,785)	52,785	(52,785)	52,785
PLN Net effect	(2,178)	2,178	21,882	(21,882)
RUB net asset/liability	11,225	(11,225)	107,697	(107,697)
Secured portion from RUB risk	(14,621)	14,621	(14,621)	14,621
RUB Net effect	(3,396)	3,396	93,076	(93,076)
VND net asset/liability	11,368	(11,368)	9,331	(9,331)
Secured portion from VND risk	-	-	-	-
VND Net effect	11,368	(11,368)	9,331	(9,331)
CNY net asset/liability	12,386	(12,386)	(1,236)	1,236
Secured portion from CNY risk	(60,967)	60,967	(60,967)	60,967
CNY Net effect	(48,581)	48,581	(62,203)	62,203
SGD net asset/liability	13,229	(13,229)	13,229	(13,229)
Secured portion from SGD risk	-	-	-	-
SGD Net effect	13,229	(13,229)	13,229	(13,229)
Other net asset/liability	53,188	(53,188)	1,044,281	(1,044,281)
Secured portion from other currency risk	(53,528)	53,528	(53,528)	53,528
Other Currency Net effect	(340)	340	990,753	(990,753)
	(139,413)	139,413	1,075,881	(1,075,881)

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

Import and exports performed to / from Turkey for the year ended as of September 30, 2022 and September 30, 2021 are as follows:

	September 30, 2022 TRY	December 31, 2021 TRY
EUR	14,754,658	7,975,024
USD	6,782,011	2,882,035
GBP	4,869,211	3,075,499
Other	3,343,059	1,359,706
Total exports	29,748,939	15,292,264
EUR	6,423,357	3,143,527
USD	11,729,124	7,472,840
Other	37,316	17,805
Total imports	18,189,797	10,634,172

NOTE 30 – FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

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NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (continued)

As of September 30, 2022, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 27,596,292 (December 31, 2021: TRY 20,890,874) (Note 7) and TRY 25,694,919 (December 31, 2021: TRY 21,853,025) 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 maximize the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of September 30, 2022 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	63,145	-
Financial investments (Note 6)	26,885	2,559	884

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 8)	-	(357,678)	-
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Fair value hierarchy table as of December 31, 2021 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)	-	35,251	-
Financial investments (Note 6)	8,411	2,041	79

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 8)	-	(245,292)	-
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 31 – SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	January 1- September 30, 2022	January 1- September 30, 2021
Adjustments for provisions:		
Accrual for customer premiums	1,460,139	986,381
Provision for assembly and transportation cost	790,345	204,494
Warranty provision	586,911	187,720
Accrual for bonuses and premiums	158,287	131,715
Provision for employment termination benefits	131,344	40,147
Provision for vacation pay liability	85,476	55,236
Other provisions	(38,314)	115,656
	3,174,188	1,721,349
	January 1- September 30, 2022	January 1- September 30, 2021
Adjustments for impairment loss:		
Provision for impairment on inventories (Note 11)	26,469	39,580
Provision for expected credit lose (Note 9)	55,924	23,045
	82,393	62,625

NOTE 32 – EVENTS AFTER BALANCE SHEET DATE

In order to expand operations of Arçelik A.Ş. in Europe; a share transfer agreement was signed by Ardutch B.V., subsidiary of the Group, on October 17, 2022 to purchase of Asogem N.V. and Asogem Nederland B.V. which were distributors of the Group. With this acquisition, it is aimed to continue to expand operations in the Benelux region.