

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

ARÇELİK ANONİM ŞİRKETİ

**JANUARY 1 - JUNE 30, 2020 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS TOGETHER
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH
REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

To the General Assembly of
Arçelik Anonim Şirketi

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Arçelik Anonim Şirketi (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of other comprehensive income, changes in equity, condensed consolidated cash flows and other explanatory notes for the six-month period then ended ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the condensed consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Arçelik Anonim Şirketi is not prepared, in all material respects, in accordance with TAS 34.

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

Cihan Harman, SMMM
Partner

İstanbul, 23 July 2020

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

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

		Reviewed	Audited
	Notes	June 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	4	9,253,158	6,937,060
Trade receivables			
-Due from related parties	27	39,037	17,674
-Trade receivables, third parties	8	8,919,722	9,498,171
Derivative instruments	7	8,928	2,008
Inventories	10	5,875,181	5,630,251
Prepaid expenses	16	358,316	209,835
Current income tax assets	17	118,133	141,244
Other current assets	19	661,008	746,403
Total current assets		25,233,483	23,182,646
Non-current assets:			
Financial investments	5	4,745	3,009
Trade receivables			
-Trade receivables, third parties	8	36,768	51,543
Investments accounted for using the equity method	11	599,775	526,499
Property, plant and equipment	12	6,449,550	6,041,402
Intangible assets			
-Goodwill		853,216	808,786
-Other intangible assets	13	3,137,306	2,977,935
Prepaid expenses	16	148,139	125,390
Deferred tax assets	25	877,568	1,012,290
Total non-current assets		12,107,067	11,546,854
Total assets		37,340,550	34,729,500

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

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

		Reviewed	Audited
	Notes	June 30, 2020	December 31, 2019
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	4,792,335	4,032,534
Short-term portion of long-term borrowings	6	988,638	2,119,221
Trade payables			
-Due to related parties	27	813,130	605,967
-Trade payables, third parties	8	4,856,464	4,958,172
Derivative instruments	7	33,287	13,509
Employee benefit obligations	18	371,294	468,255
Other payables			
-Due to related parties	27	18,045	31,655
-Other payables, third parties	9	626,586	400,570
Current income tax liabilities	25	16,826	8,740
Provisions			
-Other provisions	15	993,557	713,522
Other current liabilities	19	1,323,225	1,362,780
Total current liabilities		14,833,387	14,714,925
Non-current liabilities:			
Long-term borrowings	6	10,112,550	8,803,381
Derivative instruments	7	48,372	69,097
Provisions			
-Provision for employee benefits		362,518	344,486
-Other provisions	15	161,291	139,281
Deferred tax liabilities	25	445,919	575,898
Other non-current liabilities	19	495,566	266,463
Total non-current liabilities		11,626,216	10,198,606
Total liabilities		26,459,603	24,913,531

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

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

		Reviewed	Audited
		June 30, 2020	December 31, 2019
	Notes		
EQUITY			
Equity holders of the parent		10,719,989	9,658,284
Paid-in capital	20	675,728	675,728
Adjustment to share capital	20	468,811	468,811
Balancing account for merger capital		14,507	14,507
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		(267,279)	(228,111)
- Other gains/ losses on revaluation and remeasurement		4,092	2,443
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
Currency translation differences		4,180,626	3,611,032
Gains/ losses on hedge			
- Gains/ losses on hedges of net investment in foreign operations		(802,835)	(675,927)
- Gains/ losses on cash flow hedges		(65,920)	(60,101)
Restricted reserves	20	409,115	409,115
Retained earnings		5,439,898	4,515,065
Net income for the period		662,357	924,833
Non-controlling interest		160,958	157,685
Total equity		10,880,947	9,815,969
Total liabilities and equity		37,340,550	34,729,500

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

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

	Notes	Reviewed		April 1- June 30, 2020	April 1- June 30, 2019
		January 1- June 30, 2020	January 1- June 30, 2019		
Net sales	3	15,599,657	15,329,757	7,832,129	8,427,600
Cost of sales		(10,710,595)	(10,447,728)	(5,412,862)	(5,784,268)
Gross profit	3	4,889,062	4,882,029	2,419,267	2,643,332
General administrative expenses		(903,576)	(784,704)	(416,333)	(430,451)
Marketing expenses		(2,967,479)	(2,880,673)	(1,433,104)	(1,500,715)
Research and development expenses		(144,917)	(121,543)	(72,199)	(61,998)
Other income from operating activities	21	1,007,053	515,615	432,001	167,282
Other expenses from operating activities	21	(394,881)	(307,014)	(217,394)	(153,679)
Operating profit		1,485,262	1,303,710	712,238	663,771
Income from investment activities	22	228,244	1,474	227,349	924
Expenses from investment activities	22	(1,451)	(2,153)	(776)	(1,131)
Share of profit/loss of investments accounted for using the equity method	11	24,658	16,372	17,122	1,404
Operating income before financial income/(expense)		1,736,713	1,319,403	955,933	664,968
Financial income	23	1,485,460	1,367,748	791,376	648,009
Financial expenses	24	(2,388,035)	(2,124,705)	(1,221,575)	(1,011,373)
Profit from continuing operations before tax		834,138	562,446	525,734	301,604
Tax income/(expense), continuing operations					
- Taxes on income	25	(141,749)	(182,721)	(65,670)	(122,017)
- Deferred tax income	25	(24,381)	78,364	(51,501)	52,408
Net income		668,008	458,089	408,563	231,995
Attributable to:					
Non-controlling interest		5,651	13,605	1,940	12,933
Equity holders of the parent	26	662,357	444,484	406,623	219,062
Earnings per share (kurus)	26	0.980	0.658	0.602	0.324
Diluted earnings per share (kurus)	26	0.980	0.658	0.602	0.324

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2020

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

	Reviewed		April 1- June 30, 2020	April 1- June 30, 2019
	January 1- June 30, 2020	January 1- June 30, 2019		
Net income	668,008	458,089	408,563	231,995
Other comprehensive income:				
Not to be reclassified to profit or loss	(47,270)	(21,555)	(18,265)	(11,227)
Gain/ loss arising from defined benefit plans	(49,153)	(21,035)	(19,553)	(10,690)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	147	(697)	(420)	(495)
Gain/ loss on financial assets measured at fair value through other comprehensive income	1,736	177	1,708	(42)
Not to be reclassified to profit or loss, tax effect	9,751	4,201	3,825	2,146
Gain/ loss arising from defined benefit plans, tax effect	9,838	4,210	3,911	2,144
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	(87)	(9)	(86)	2
To be reclassified to profit or loss	424,151	426,586	495,818	69,631
Currency translation differences	578,907	502,560	559,585	129,377
Other comprehensive income related with hedges of net investments in foreign operations	(162,704)	(80,415)	(75,873)	(35,677)
Other comprehensive income/ loss related with cash flow hedge	(7,394)	3,808	3,146	(30,225)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	15,342	633	8,960	6,156
- Currency translation differences of investments accounted for using the equity method	15,395	7,351	9,135	(613)
- Gain/loss from cash flow hedges of investments accounted for using equity method	(53)	(6,718)	(175)	6,769
-				
To be reclassified to profit or loss, tax effect	37,424	16,854	16,001	14,499
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	35,796	17,691	16,693	7,849
Other comprehensive income related with cash flow hedge, tax effect	1,628	(837)	(692)	6,650
Other comprehensive income/ (loss) (net of tax)	424,056	426,086	497,379	75,049
Total comprehensive income	1,092,064	884,175	905,942	307,044
Attributable to:				
Non-controlling interest	30,359	16,875	12,155	15,242
Equity holders of the parent	1,061,705	867,300	893,787	291,802

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

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

ARÇELİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2020**

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss	Other accumulated comprehensive income and expense to be reclassified to profit or loss				Accumulated profit					
	Paid-in capital	Adjustment to share capital	Share premium /discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through		Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non- controlling interest	Total equity
						other comprehensive income	other comprehensive income								
Balance at January 1, 2019	675,728	468,811	889	14,507	(177,981)	1,348	(595,810)	2,871,675	409,115	3,663,309	851,756	8,183,347	35,815	8,219,162	
Transfers	-	-	-	-	-	-	-	-	-	851,756	(851,756)	-	-	-	
Total comprehensive income	-	-	-	-	(17,522)	168	(66,471)	506,641	-	-	444,484	867,300	16,875	884,175	
Net income	-	-	-	-	-	-	-	-	-	-	444,484	444,484	13,605	458,089	
Other comprehensive income	-	-	-	-	(17,522)	168	(66,471)	506,641	-	-	-	422,816	3,270	426,086	
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	61,952	61,952	
As of June 30, 2019	675,728	468,811	889	14,507	(195,503)	1,516	(662,281)	3,378,316	409,115	4,515,065	444,484	9,050,647	114,642	9,165,289	
Balance at January 1, 2020	675,728	468,811	889	14,507	(228,111)	2,443	(736,028)	3,611,032	409,115	4,515,065	924,833	9,658,284	157,685	9,815,969	
Transfers	-	-	-	-	-	-	-	-	-	924,833	(924,833)	-	-	-	
Total comprehensive income	-	-	-	-	(39,168)	1,649	(132,727)	569,594	-	-	662,357	1,061,705	30,359	1,092,064	
Net income	-	-	-	-	-	-	-	-	-	-	662,357	662,357	5,651	668,008	
Other comprehensive income	-	-	-	-	(39,168)	1,649	(132,727)	569,594	-	-	-	399,348	24,708	424,056	
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(27,086)	(27,086)	
As of June 30, 2020	675,728	468,811	889	14,507	(267,279)	4,092	(868,755)	4,180,626	409,115	5,439,898	662,357	10,719,989	160,958	10,880,947	

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2020

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

	Notes	Reviewed	Reviewed
		June 30, 2020	June 30, 2019
Cash flows from operating activities:			
Net income:		668,008	458,089
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		578,332	507,083
Adjustments for impairment loss	30	34,292	42,855
Adjustments for other provisions	30	136,606	451,405
Adjustments for interest income	23	(72,548)	(70,082)
Adjustments for interest expense	24	722,471	779,478
Adjustments for income arised from government grants	21	(37,521)	(20,909)
Adjustments for unrealised foreign exchange losses (gains)	23.24	54,805	96,865
Adjustments for fair value (gains) losses on derivative financial instruments	23.24	193,184	(54,410)
Adjustments for undistributed profits of investments accounted for using equity method	11	(24,658)	(16,372)
Adjustments for tax expense/income	25	166,130	104,357
Adjustments for losses (gains) on disposal of non-current assets	22	(202)	679
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	22	(226,498)	-
Other adjustments to reconcile profit (loss)	23.24	4,663	5,106
Adjustments regarding net profit reconciliation for the period		2,197,064	2,284,144
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		509,181	(1,610,777)
Adjustments for decrease (increase) in inventories		(265,909)	(715,923)
Decrease (increase) in prepaid expenses		(148,481)	(153,548)
Adjustments for increase (decrease) in trade payables		352,537	1,481,376
Increase (decrease) in employee benefit liabilities		(152,102)	(85,291)
Adjustments for increase (decrease) in other operating payables		(17,921)	(14,597)
Increase (decrease) in government grants and assistance		29,066	29,010
Other adjustments for other increase (decrease) in working capital		452,987	105,217
Income taxes refund (paid)		(51,431)	(66,955)
Cash flows from operating activities		2,904,991	1,252,656
Investing activities:			
Purchase of property, plant, equipment and intangible assets		-	(406,321)
Proceeds from sales of property, plant, equipment and intangible assets		275,778	-
Advances given for fixed assets	11	(35,228)	(112,480)
Dividends received		(584,031)	(587,333)
Cash outflows from participations and / or joint ventures share acquisitions or capital increase		34,013	6,509
Cash flows from investing activities		(309,468)	(1,099,625)
Financing activities:			
Proceeds from borrowings	6	2,571,435	2,996,566
Repayments of borrowings	6	(2,465,096)	(3,008,987)
Bonds issued	6	-	500,000
Payments of lease liabilities	6	(146,929)	(132,990)
Dividends paid		(27,086)	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(208,258)	40,668
Interest received		(784,876)	(506,950)
Interest paid		76,803	69,506
Other inflows (outflows) of cash	23.24	(4,663)	(5,106)
Cash flows from financing activities		(988,670)	(47,293)
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		1,606,853	105,738
Effect of currency translation differences		713,495	339,943
Net increase/(decrease) in cash and cash equivalents		2,320,348	445,681
Cash and cash equivalents at January 1	4	6,922,938	5,337,278
Cash and cash equivalents at June 30	4	9,243,286	5,782,959

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates twenty-one manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 20).

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 June 30, 2020, the publicly listed shares are 25.15% of the total shares. (Dec 31, 2019: 25.15%). The average number of personnel employed by categories in the Group for the six months period ended June is 7,949 monthly paid (January 1-June 30, 2019: 7,278) and 24,696 hourly paid (January 1-June 30, 2019: 23,969) totalling to 32,645 (January 1-June 30, 2019: 31,247).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Continuing operations as of reporting date			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Wat Motor San ve Tic. A.Ş. ("Wat Motor")	Turkey	Production/Sales	Multi-Purpose Motor
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D	Developing technology and design
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") ^(*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") ^(*)	Australia, New Zealand	Sales	Consumer Durables
Beko APAC IBC Co. ("Beko APAC") ⁽²⁾	Thailand	Service	Service
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables
Beko Appliances Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Gulf FZE ("Beko Gulf")	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Israel Household Appliances Ltd. ("Beko Israel")	Israel	Sales	Consumer Durables
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances SARL. ("Beko Morocco")	Morocco	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. ("Beko Philippines")	Republic of the Philippines	Sales	Consumer Durables
Beko Plc. ("Beko UK") ^(*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") ^(*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic of South Africa	Production/Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Intermedia GmbH ("Grundig Intermedia") ^(*)	Germany, Croatia	Sales	Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
International Appliances Limited ("International Appliances")	Bangladesh	Production/Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Retail Holdings Bhold B.V ("Retail Holdings")	Netherlands	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited ("Singer")	Bangladesh	Investment	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

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

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Ceased operations as of reporting date			
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Associates			
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. (“Tam Pazarlama”)	Turkey	Consultancy	Marketing /Communication
Joint Ventures			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited (“VoltBek”)	India	Production/Sales	Consumer Durables

Approval of consolidated financial statements

These condensed consolidated financial statements as of and for the period ended 30 June 2020 has been approved for issue by the Board of Directors on 23 July 2020.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The condensed 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.

For the period ended June 30, 2020, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2019.

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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at June 30, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of January 1, 2020.

Standards, amendments and interpretations applicable as at 30 June 2020:

TAS 1 – Presentation of financial statements (amendments)
TAS 8 – Accounting policies, changes in accounting estimates and errors (amendments)
TFRS 3 – Business combination (amendments)
Amendments to IFRS 9, IAS 39, IFRS 7 – Interest rate benchmark reform
TFRS 16 – Leases (amendments)

Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

TAS 1 – Presentation of financial statements
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

The new standards, amendments and improvements has no material impact on the financial position and performance of the Group.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(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 June 30, 2020 and December 31, 2019 (%) and their functional currencies:

	Functional currency	June 30, 2020		December 31, 2019	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arch R&D	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Beko APAC	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar ("SRD")	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Beko Deutschland	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira ("EGP")	100.00	100.00	100.00	100.00
Beko Espana	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko France	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Gulf	Dirham ("AED")	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Indonesia	Indonesian Rupiah ("IDR")	100.00	100.00	100.00	100.00
Beko Israel	New Israeli Shekel ("ILS")	100.00	100.00	100.00	100.00
Beko Italy	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Malaysia	Malaysian Ringgit ("MYR")	100.00	100.00	100.00	100.00
Beko Morocco	Moroccan Dirham ("MAD")	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty ("PLN"), Czech Koruna ("CZK")	100.00	100.00	100.00	100.00
Beko Philippines	Philippine Peso ("PHP")	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble ("RUB")	100.00	100.00	100.00	100.00
Beko Slovakia	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan ("CNY")	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko UK	British Pound ("GBP")/ Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna ("UAH")	100.00	100.00	100.00	100.00
Beko US	US Dollar ("USD")	100.00	100.00	100.00	100.00
Dawlance (Private)	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Swaziland	Svazi Lilangeni ("SZL")	100.00	100.00	100.00	100.00
DEL Electronics	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro("EUR")/ Croatian Kuna ("HRK")	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone ("NOK")	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona ("SEK")	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc ("CHF")	100.00	100.00	100.00	100.00
International Appliances	Bangladeshi Taka ("BDT")	56.99	56.99	56.99	56.99
Pan Asia	US Dollar ("USD")	100.00	100.00	100.00	100.00
Pazarlama A.Ş.	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Retail Holdings	Euro ("EUR")	100.00	100.00	100.00	100.00
Singer Bangladesh	Bangladeshi Taka ("BDT")	56.99	56.99	56.99	56.99
Token (*)	Turkish Lira ("TRY")	--	--	100.00	100.00
United Refrigeration Industries	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Vietbeko	Vietnamese Dong ("VND")	100.00	100.00	100.00	100.00
Wat Motor	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00

(*) The Company has sold all of its shares at Token Finansal Teknolojiler A.Ş.on 30 April 2020 (Note 22).

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the period ended June 30, 2020 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended June 30, 2020 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2019. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.4 Significant changes in the current period

The impact of Covid-19 (Coronavirus) pandemic to the Company’s operations and financial results has been monitored and actions have been immediately taken for the Company to mitigate the impacts of the pandemic. In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global economy, there have been disruptions in the supply and sales processes and especially during the lockdowns the manufacturing have been temporarily suspended. In the meantime, the Group has taken measures for stock optimization and for savings on operational and capital expenditures. Cash management strategies have been reviewed for a stronger liquidity position. As restrictions to limit the spread of the pandemic have been lifted demand especially recovered with a positive impact on the Group’s performance.

In preparation of the condensed interim consolidated financial statements as of 30 June 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories, tangible assets, goodwill and brands for a possible impairment and no impairments were identified.

NOTE 3 - SEGMENT REPORTING

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

Arçelik’s reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies. Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows.

a) Operational segments which have been prepared in accordance with the reportable segments for the six months period ended June 30, 2020 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	11,180,799	1,894,177	2,524,681	15,599,657
Gross profit	3,760,095	427,504	701,463	4,889,062
Depreciation and amortization	457,981	92,389	37,449	587,819
Capital expenditures	484,900	89,218	19,399	593,517

(*) The Group recognised net sales amounting to TRY 15,584,274 with respect to the performance obligations satisfied at a point in time for the six months period ended June 30, 2020 (June 30, 2019: TRY 15,315,938).

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020**

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

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the six months period ended June 30, 2019 are as follows:

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

c) Operational segments which have been prepared in accordance with the reportable segments for the three-month periods between April 1 – June 30, 2020 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	5,457,857	913,773	1,460,499	7,832,129
Gross profit	1,839,614	199,083	380,570	2,419,267
Depreciation and amortization	238,119	52,938	10,874	301,931
Capital expenditures	236,602	43,265	6,055	285,922

(*) The Group recognised net sales amounting to TRY 7,824,323 with respect to the performance obligations satisfied at a point in time for the three-month periods between April 1- June 30, 2020.

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

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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

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

January 1 – June 30, 2020	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	6,014,074	6,892,140	666,691	1,367,242	659,510	15,599,657

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

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

April 1 – June 30, 2020	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	3,245,215	3,297,608	275,010	688,441	325,855	7,832,129

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019
Cash in hand	1,237	976
Cash at banks		
- demand deposits	602,630	460,770
- time deposits	8,385,468	6,355,587
Cheques and notes	100,531	39,632
Other	153,420	65,973
Cash and cash equivalents in cash flow statement	9,243,286	6,922,938
Interest income accruals	9,872	14,122
	9,253,158	6,937,060

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

Up to 30 days	8,554,371	5,880,689
30-90 days	698,787	1,056,371
	9,253,158	6,937,060

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

TRY	7.3	10.6
USD	1.4	2.1
EUR	0.1	(0.0)
GBP	0.0	0.6
RUB	5.1	7.5
Other currencies (*)	1.3	1.5

(*) Weighted average of the interest rates in other currencies.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

NOTE 5 - FINANCIAL INVESTMENTS

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

	June 30, 2020	December 31, 2019
Fair value gain/losses of financial assets reflected to other comprehensive income	4,745	3,009
Total	4,745	3,009

	June 30, 2020		December 31, 2019	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	4,666	0.34	2,930
Other		79		79
		4,745		3,009

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

The unrealized gain arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 1,736 (June 30, 2019: TRY 177) and deferred tax effect amounting to TRY 87 (June 30, 2019: TRY 9) have been recognized in consolidated shareholders' equity under the “Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets ” in the period ended June 30, 2020.

The details of financial investments for the six months period ended June 30, are as follows:

	2020	2019
As of January 1	3,009	1,856
Change in fair value	1,736	177
As of June 30	4,745	2,033

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

NOTE 6 - BORROWINGS

a) Short-term borrowings

	June 30, 2020	December 31, 2019
Short-term bank borrowings	4,493,594	3,729,284
Short-term lease liabilities	178,171	177,283
Payables from factoring activities (*)	120,570	125,967
Total short-term borrowings	4,792,335	4,032,534
Short-term portion of long-term bank borrowings and interest accruals	348,886	2,032,105
Interest accruals of long-term bond issued (**)	639,752	87,116
Total short-term portion of long-term borrowings	988,638	2,119,221

(*) Factoring liabilities are amounting to TRY 87,840 denominated in EUR (December 31, 2019: TRY 68,934), TRY 28,072 denominated in GBP (December 31, 2019: TRY 57,033), 4,658 denominated in USD and interest rates are between 0.1% -0.6 % for EUR (December 31, 2019: 0.6%), 0.73 % for GBP (December 31, 2019: 1.39 %) and 0.9 for USD.

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

2019:

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

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

2014:

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

2013:

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED JUNE 30, 2020

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

NOTE 6 - BORROWINGS (Continued)

As of June 30, 2020, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.3	1,915,469,830	1,915,470
EUR	0.5	153,920,959	1,186,454
BDT	9.0	6,695,713,389	540,699
USD	1.9	46,378,905	317,334
PKR	10.6	6,813,400,032	276,624
ZAR	5.9	479,949,629	191,092
AUD	3.3	13,470,621	63,248
RUB	2.0	27,110,689	2,636
ROL	3.3	23,367	37
			4,493,594

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	19.0	1,426,336,863	1,426,337
EUR	0.5	160,804,071	1,069,444
PKR	13.7	15,838,747,809	603,935
ROL	3.6	200,000,000	276,640
ZAR	8.0	355,070,139	149,989
BDT	9.2	1,962,728,494	137,342
AUD	3.3	13,991,317	57,970
USD	2.4	1,284,012	7,627
			3,729,284

b) Long-term borrowings

	June 30, 2020	December 31, 2019
Long-term bank borrowings	2,810,002	1,954,840
Long-term bonds issued	6,613,134	6,290,404
Long-term lease liabilities	689,414	558,137
	10,112,550	8,803,381

As of June 30, 2020, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.9	2,267,625,889	2,267,626
EUR	1.9	68,040,168	524,467
ZAR	7.8	500,000,000	199,075
PKR	9.1	4,078,800,189	165,601
BDT	9.5	26,243,489	2,119
			3,158,888
Short-term portion of long-term loans and interest accruals			(348,886)
			2,810,002

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NOTE 6 - BORROWINGS (Continued)

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

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

As of June 30, 2020, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,559,754	3,459,141
EUR	4.0	360,433,624	2,778,294
TRY	19.1	1,015,451,396	1,015,451
			7,252,886
Interest accruals of long-term bonds issued			(639,752)
			6,613,134

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

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

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

	June 30, 2020	December 31, 2019
2021	3,945,463	4,347,043
2022	895,185	184,121
2023 to 2027	4,588,324	3,721,487
	9,428,972	8,252,651

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NOTE 6 - BORROWINGS (Continued)

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

	June 30, 2020	December 31, 2019
Up to 3 months	3,015,136	3,865,250
3 - 12 months	2,780,888	2,621,375
1-5 years	8,205,441	6,872,105
Over 5 years	638,704	380,545
	14,640,169	13,739,275

As of June 30, 2020 financial debt reconciliation is as follows:

2020	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	(735,420)	(5,974,472)	(8,245,244)	(14,955,136)
Cash flows	146,929	275,427	(381,766)	40,590
Changes in interest accruals	(28,441)	90,846	-	62,405
Changes in factoring liabilities	-	5,397	-	5,397
Changes in lease liabilities	(197,147)	-	-	(197,147)
Currency translation adjustments	(53,506)	-	(796,126)	(849,632)
Financial debt as of June 30	(867,585)	(5,602,802)	(9,423,136)	(15,893,523)

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NOTE 7 - DERIVATIVE INSTRUMENTS

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

	June 30, 2020		December 31, 2019	
	Contract amount	Fair value assets / (liabilities)	Contract amount	Fair value assets / (liabilities)
<i>Held for trading:</i>				
<i>Short-term derivative instruments</i>				
Forward transactions	1,365,228	4,891 (568)	3,297,171	166 (8,212)
Foreign currency Swap contracts	5,257,041	4,037 (4,602)	4,293,589	1,842 (5,297)
<i>Cash flow hedge:</i>				
Interest rate swap contracts (*)	500,000	- (28,117)	-	- -
Short-term derivative instruments, net		8,928 (33,287)		2,008 (13,509)
<i>Long-term derivative instruments</i>				
<i>Cash flow hedge:</i>				
Interest rate swap contracts (*)	500,000	- (48,372)	1,000,000	- (69,097)
Long-term derivative instruments, net		(48,372)		(69,097)

(*) As of 30 June 2020, and 31 December 2019 interest rate swap transactions consist of the exchange of floating rate instalment payments for bond issued on 15 February 2019 and 24 July 2019 with fixed rate instalment payments for cash flow hedging.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2020	December 31, 2019
Short-term trade receivables:		
Trade receivables	7,857,619	7,448,813
Notes receivables	1,156,289	1,956,289
Cheques receivables	239,556	395,263
Short-term trade receivables (gross)	9,253,464	9,800,365
Provision for doubtful receivables	(259,205)	(232,307)
Unearned credit finance income	(74,537)	(69,887)
Short-term trade receivables (net)	8,919,722	9,498,171

As of June 30, 2020, the Group has offsetted TRY 1,105,020 (December 31, 2019: TRY 1,223,982) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 55,604 related with its local bank borrowings (December 31, 2019: TRY 99,281).

The movements of provision for doubtful receivables for the six months period ended June 30, are as follows:

	2020	2019
As of January, 1	232,307	207,121
Current year additions (Note 21)	21,118	24,929
Provisions no longer required (Note 21)	(1,079)	(2,104)
Write-offs (*)	(4,165)	(3,156)
Acquisitions	-	3,296
Currency translation differences	11,024	6,138
As of June, 30	259,205	236,224

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

	June 30, 2020	December 31, 2019
Long-term trade receivables		
Trade receivables	42,318	60,450
Unearned credit finance income	(5,550)	(8,907)
	36,768	51,543
Short-term trade payables:		
Trade payables	4,492,527	4,621,038
Debt accruals	388,991	370,918
Unearned credit finance charges	(25,054)	(33,784)
	4,856,464	4,958,172

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NOTE 9 - OTHER PAYABLES

	June 30, 2020	December 31, 2019
Taxes and duties payable	489,275	225,030
Dividend payables to shareholders	26,360	21,543
Deposits and guarantees received	3,377	4,225
Other	107,574	149,772
	626,586	400,570

NOTE 10 - INVENTORIES

Raw materials and supplies	2,445,622	2,071,746
Work in progress	157,458	138,955
Finished goods	2,624,513	2,832,759
Trade goods	739,381	678,617
Inventories (gross)	5,966,974	5,722,077
Provision for impairment on inventories	(91,793)	(91,826)
Inventories (net)	5,875,181	5,630,251

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 95,664 related with its local bank borrowings (December 31, 2019: TRY 113,327).

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

Raw materials and supplies	23,705	17,720
Finished goods	56,845	62,064
Trade goods	11,243	12,042
	91,793	91,826

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

	2020	2019
As of January 1	91,826	104,786
Current year additions (Note 21)	13,174	17,926
Realized due to sales of inventory	(21,403)	(8,720)
Acquisitions	-	8,236
Currency translation differences	8,196	4,670
As of June 30	91,793	126,898

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2020		December 31, 2019	
	%	TRY	%	TRY
VoltBek	49.0	208,415	49.0	188,819
Koç Finansman	47.0	195,744	47.0	178,525
Arçelik - LG	45.0	179,228	45.0	148,984
Ram Dış Ticaret	33.5	13,910	33.5	8,756
Tanı Pazarlama	32.0	2,478	32.0	1,415
		599,775		526,499

The movements of associates for the six months period ended June 30, are as follows:

	2020	2019
As of January 1	526,499	346,605
Share participation in joint venture	35,228	112,480
Shares of income/loss of associates	24,658	16,372
Shares of other comprehensive income/loss of associates	94	(7,415)
Gross profit elimination on inventory	(2,099)	(104)
Currency translation difference	15,395	7,351
As of June 30	599,775	475,289

Shares of income/loss from associates and joint ventures:

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Koç Finansman	17.279	26.159	6.015	11.426
Arçelik - LG	32.617	18.845	21.013	7.873
Ram Dış Ticaret	5.125	1.239	4.194	316
Tanı Pazarlama	663	(448)	690	(1.560)
VoltBek	(31.026)	(29.423)	(14.790)	(16.651)
	24.658	16.372	17.122	1.404

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

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

30 June 2020	Koç Finansman	Arçelik - LG	Voltbek	Other	Total
Total assets	2,313,102	832,477	1,005,004	1,075,055	5,225,638
Total liabilities	1,896,625	434,187	579,671	1,025,791	3,936,274
Net sales	216,078	748,630	88,860	1,626,286	2,679,854

31 December 2019	Koç Finansman	Arçelik - LG	Voltbek	Other	Total
Total assets	2,659,999	545,969	682,042	866,055	4,754,065
Total liabilities	2,280,159	214,888	296,698	835,500	3,627,245
Net sales	584,288	848,839	223,206	3,280,628	4,936,961

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2020	2019
As of January 1		
Cost	11,502,131	9,078,527
Accumulated depreciation	(5,460,729)	(4,544,251)
Net carrying value	6,041,402	4,534,276
Effect of change due to TFRS 16	-	743,980
Net carrying value at the beginning of the period	6,041,402	5,278,256
Acquisitions	-	150,294
Subsidiary sale	(7,939)	-
Additions	613,045	454,172
Transfers ^(*)	120	(335)
Disposals	(74,020)	(13,732)
Currency translation differences	330,896	265,337
Depreciation for the period	(453,954)	(398,271)
Net carrying value at the end of the period	6,449,550	5,735,721
As of June 30		
Cost	12,510,423	10,792,930
Accumulated depreciation	(6,060,873)	(5,057,209)
Net carrying value	6,449,550	5,735,721

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 30 June 2020, the net book value of the right of use assets classified under tangible assets is TRY 834,866.

Additions to rights-to-use assets for the six months period ended 30 June 2020 TRY 209,034 TL, depreciation expenses are TRY 128,478.

There is no mortgage on property, plant and equipment as of June 30, 2020 (December 31, 2019: None).

NOTE 13 – OTHER INTANGIBLE ASSETS

	2020	2019
As of January 1		
Cost	4,242,324	3,614,533
Accumulated amortization	(1,264,389)	(1,013,684)
Net carrying value	2,977,935	2,600,849
Net carrying value at the beginning of the period	2,977,935	2,600,849
Acquisitions	-	2,255
Subsidiary sale	(40,132)	-
Additions	189,507	183,415
Transfers ^(*)	(226)	335
Disposals	(79)	(8)
Currency translation differences	144,166	53,416
Amortization for the period	(133,865)	(115,406)
Net carrying value at the end of the period	3,137,306	2,724,856
As of June 30		
Cost	4,541,231	3,858,472
Accumulated amortization	(1,403,925)	(1,133,616)
Net carrying value	3,137,306	2,724,856

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2020, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 886,818,282 (December 31, 2019: USD 916,265,215). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	June 30, 2020	December 31, 2019
Collaterals obtained	4,339,699	4,078,530

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of June 30, 2020 and December 31, 2019 are as follows:

A. CPMB's given for Company's own legal personality	354,887	190,353
B. CPMB's given on behalf of fully consolidated companies	1,624,928	1,602,128
C. CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	1,979,815	1,792,481

TRY equivalents of CPMB given as of June 30, 2020 and December 31, 2019 are as follows on original currency basis are as follows:

TRY	106,273	81,836
EUR	557,370	491,791
USD	508,777	110,082
Other currencies	807,395	1,108,772
	1,979,815	1,792,481

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NOTE 15 – OTHER PROVISIONS

	June 30, 2020	December 31, 2019
Other short-term provisions		
Warranty provision	482,890	413,306
Assembly provision	148,000	116,356
Provision for transportation cost	81,789	55,148
Provision for lawsuit risks	18,512	21,724
Provision for returns	15,191	14,678
Other	247,175	92,310
	993,557	713,522
Other long-term provisions		
Warranty provision	160,001	139,207
Other	1,290	74
	161,291	139,281

NOTE 16 – PREPAID EXPENSES

Short term:

Short-term prepaid expenses	254,556	161,977
Advances given for inventories	103,760	47,858
	358,316	209,835

Long term:

Long-term prepaid expenses	148,139	125,390
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NOTE 17 – CURRENT INCOME TAX ASSETS

Prepaid taxes and funds	118,133	141,244
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	June 30, 2020	December 31, 2019
Payables to personnel	240,415	290,599
Social security payables	102,559	139,266
Accruals for bonuses and premiums	28,320	38,390
	371,294	468,255

NOTE 19 - OTHER ASSETS AND LIABILITIES

Other current assets:

Taxes and funds deductible	336,372	344,573
Value added tax and private consumption tax receivable	206,010	221,139
Income accruals	35,557	98,323
Other	83,069	82,368
	661,008	746,403

Other current liabilities:

Accruals for customer premiums	931,365	876,990
Advances received	289,039	262,383
Deferred income	72,347	207,951
Other	30,474	15,456
	1,323,225	1,362,780

Other long-term liabilities:

Deferred income	400,895	210,182
Other	94,671	56,281
	495,566	266,463

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NOTE 20 - EQUITY

Paid-in capital

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

	June 30, 2020	December 31, 2019
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:

	June 30, 2020		December 31, 2019	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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NOTE 20 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	June 30, 2020	December 31, 2019
Legal reserves	409,115	409,115

Dividends

In General Assembly on 25 March 2020, the Company approved not to distribute 2019 profits in year 2020.

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NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Other income from operating activities:				
Foreign exchange gains arising from trading activities	660,235	455,713	327,778	144,408
Income from claims and grants	321,897	20,909	93,087	8,554
Credit finance income arising from trading	20,746	31,127	9,654	8,358
Reversal of provisions for doubtful receivables (Note 8)	1,079	2,104	41	1,378
Other	3,096	5,762	1,441	4,584
	1,007,053	515,615	432,001	167,282
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(288,641)	(174,389)	(149,406)	(79,333)
Cash discount expenses	(55,555)	(50,514)	(36,369)	(26,220)
Provision expense for doubtful receivables (Note 8)	(21,118)	(24,929)	(7,804)	(14,419)
Provision expense for inventory impairment (Note 10)	(13,174)	(17,926)	(10,738)	(13,038)
Credit finance charges arising from trading activities	(12,467)	(17,051)	(11,030)	(12,266)
Other	(3,926)	(22,205)	(2,047)	(8,403)
	(394,881)	(307,014)	(217,394)	(153,679)

(*) Upon European Commission's decision to apply a penalty to a group of CRT producers due to violation of competition, the Company and its subsidiaries have filed a lawsuit against related suppliers for the compensation of loss. In the course of the lawsuit, a total compensation income of TRY 284.376 thousands was obtained from CRT suppliers by settlement. The amount is presented in income from claims and grants line (January 1-June 30, 2019: None).

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NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Income from investment activities:				
Profit from sales of subsidiary (*)	226,498	-	226,498	-
Dividends received from financial investments	1,653	1,474	851	924
Income from sales of property plant and equipment	93	-	-	-
	228,244	1,474	227,349	924
Expenses from investment activities:				
Loss from sales of property plant and equipment	(1,451)	(2,153)	(776)	(1,131)
	(1,451)	(2,153)	(776)	(1,131)

NOTE 23- FINANCIAL INCOME

Foreign exchange gains (*)	1,054,953	827,594	535,542	387,810
Gains on derivative instruments	351,884	465,068	212,680	220,701
Interest income	72,548	70,082	39,081	35,539
Other	6,075	5,004	4,073	3,959
	1,485,460	1,367,748	791,376	648,009

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

NOTE 24 - FINANCIAL EXPENSES

Foreign exchange losses (*)	(1,109,758)	(924,459)	(558,617)	(407,358)
Interest expenses (**)	(722,471)	(779,478)	(348,994)	(400,696)
Losses on derivative instruments	(545,068)	(410,658)	(308,086)	(197,560)
Other	(10,738)	(10,110)	(5,878)	(5,759)
	(2,388,035)	(2,124,705)	(1,221,575)	(1,011,373)

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

(**) TRY 27,773 of interest expenses consists of interest expenses regarding lease liabilities (June 30, 2019: TRY 30.221).

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NOTE 25 - TAX ASSETS AND LIABILITIES

	June 30, 2020	December 31, 2019
Corporation and income taxes	246,525	172,980
Prepaid tax	(229,699)	(164,240)
Tax liabilities (net)	16,826	8,740
Deferred tax assets	877,568	1,012,290
Deferred tax liabilities	(445,919)	(575,898)
Deferred tax assets, net	431,649	436,392

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

The corporation tax rate is 22% in Turkey (December 31, 2019: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

Income tax expense for the six-months period ended June 30 is as follows:

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Tax (expense)/income				
- Current period tax expense	(141,749)	(182,721)	(65,670)	(122,017)
- Deferred tax income	(24,381)	78,364	(51,501)	52,408
Total tax (expense)/income, net	(166,130)	(104,357)	(117,171)	(69,609)

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Property, plant and equipment and intangible assets	3,917,858	3,841,065	(935,139)	(914,141)
Unused tax advantages (*)	-	-	575,239	649,149
Unused tax credits	(793,263)	(866,128)	254,035	231,692
Provision for warranty, assembly and transportation expenses	(856,389)	(742,723)	192,342	169,878
Inventories	(313,531)	(326,795)	94,190	95,687
Provision for employment termination benefits	(348,364)	(294,991)	69,879	59,150
Provision for doubtful receivables	(92,139)	(66,862)	25,119	18,278
Derivative instruments	(92,333)	(84,840)	20,305	18,672
Other	(580,866)	(426,140)	135,679	108,027
Deferred tax assets, net			431,649	436,392

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of June 30, 2020 the tax advantage of TRY 575,239 (December 31, 2019: TRY 649,149) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

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

	2020	2019
Balance as of January	436,392	366,861
Deferred tax income recognized in statement of profit or loss	(24,381)	78,364
Deferred tax income recognized directly in the equity	11,379	3,364
Deferred tax income from subsidiary sales	1,041	-
Acquisitions	-	1,629
Currency translation differences	7,218	4,506
Balance as of June 30	431,649	454,724

ARÇELİK ANONİM ŞİRKETİ

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NOTE 26 - EARNINGS PER SHARE

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

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

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

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Profit for the year attributable to shareholders of the Company	662,357	444,484	406,623	219,062
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.980	0.658	0.602	0.324
Diluted earnings per share (kurus) (*)	0.980	0.658	0.602	0.324

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

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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2020	December 31, 2019
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. ^{(1)(*)}	25,838	15,625
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	7,449	-
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	1,828	1,612
Other	3,922	437
	39,037	17,674
(b) Due to related parties:		
Current:		
Arçelik-LG ⁽⁴⁾	384,555	98,455
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	221,618	265,601
Ram Dış Ticaret ⁽²⁾	128,663	120,949
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	31,641	28,989
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	26,072	23,137
Koç Holding A.Ş. ⁽³⁾	2,966	31,437
Other	17,615	37,399
	813,130	605,967

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Parent company

⁽⁴⁾ Joint venture

^(*) Token Finansal Teknolojiler A.Ş. was excluded from scope of consolidation by sold on April 30, 2020.

Other payables to related parties – Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	18,045	31,655
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^(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of June 30, 2020. (December 31, 2019: TRY 81,040).

ARÇELİK ANONİM ŞİRKETİ

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	June 30, 2020	December 31, 2019
Other payables to related parties (gross)		
Up to 1 year	18,144	31,926
Future finance charges on other liabilities	(99)	(271)
Present value of other payables to related parties (net)	18,045	31,655

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

Up to 1 year	18,045	31,655
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(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	1,083,328	947,607
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⁽¹⁾ Koç Holding group companies

(d) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
June 30, 2020		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	349,344	190 (303)
December 31, 2019		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	647,594	132 (1,491)

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
(a) Sales of goods and services:				
Koçtaş Yapı Marketleri Ticaret A.Ş.	17,873	24,865	8,012	18,424
Token Finansal Teknolojiler A.Ş.	37,542	-	37,542	-
Yapı ve Kredi Bankası A.Ş.	1,161	10,863	456	6,357
Zer Merkezi Hizmetler ve Ticaret A.Ş.	675	670	233	170
Other	4,365	3,024	2,540	882
	61,616	39,422	48,783	25,833

	January 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2019	April 1- June 30, 2018
(b) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	593,086	601,449	302,585	322,112
Arçelik-LG	391,401	196,576	274,485	127,409
Ram Dış Ticaret	189,567	171,978	101,415	102,028
Bilkom Bilişim Hizmetleri A.Ş.	127,428	80,031	65,055	60,672
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽¹⁾ (*)	44,676	51,883	6,340	2,549
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	39,888	43,275	22,849	17,762
Token Finansal Teknolojiler A.Ş.	26,071	-	26,071	-
Other	98,321	119,318	47,268	70,785
	1,510,438	1,264,510	846,068	703,317

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

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

(*) As at June 30, 2020, the amount consists insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

(1) Koç Holding group companies

(a) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the six months period ended June 30, 2020 amounts to TRY 11,309 (January 1- June 30, 2019: TRY 9,210).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(d) Other transactions:

	January 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	4,795	26,231	3,127	10,127
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	23	2,772	-	264

NOTE 28 - 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 repricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual repricing date of financial liabilities and receivables and “fixed interest/ floating interest”, “short-term/ long-term” balance within liabilities are structured coherently.

Funding risk

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

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of June 30, 2020 and December 31, 2019 are as follows:

June 30, 2020	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	39,037	8,956,490	8,997,970	8,928
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(6,905,373)	-	-
A. Net book value of financial asset either are not due or not impaired	39,037	8,168,424	8,997,970	8,928
-Secured portion by guarantees, etc.	-	(6,252,925)	-	-
B. Net book value of overdue but not impaired financial assets	-	740,136	-	-
- Secured portion by guarantees, etc.	-	(594,122)	-	-
C. Net book value of the impaired assets	-	58,326	-	-
- Overdue (Gross book value)	-	307,135	-	-
- Impairment (-)	-	(248,809)	-	-
- Secured portion of the net value by guarantees, etc.	-	(58,326)	-	-
D. Expected credit losses (-)	-	(10,396)	-	-

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

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

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Credit risk

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

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

	June 30, 2020	December 31, 2019
Group 1	197,671	151,125
Group 2	7,585,722	8,470,945
Group 3	424,068	265,508
	8,207,461	8,887,578

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**

0-1 month	328,827	301,664
1-3 months	123,659	133,773
3-12 months	170,432	147,167
1-5 years	117,218	45,266
	740,136	627,870

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

June 30, 2020	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.10	2.78	0.89	
Gross carrying amount	8,207,461	329,079	123,659	594,533	9,254,732
Loss allowance provision	1,324	345	3,433	5,294	10,396

December 31, 2019	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.04	0.34	0.53	
Gross carrying amount	8,887,578	311,941	133,773	466,403	9,799,695
Loss allowance provision	1,425	133	452	2,473	4,483

Foreign exchange risk

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of June 30, 2020, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2019: EUR 153,846,154).

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Foreign currency position

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

	June 30, 2020	December 31, 2019
Assets	10,198,263	10,015,946
Liabilities	(9,915,780)	(9,079,570)
Net position of financial statement	282,483	936,376
Net position of derivative instruments	(208,246)	(1,058,778)
Foreign currency position (net)	74,237	(122,402)

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of June 30, 2020 are as follows:

	EUR	USD	GBP	RUB	CNY	PLN	ZAR	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets										
Trade receivables	246,899	153,571	56,927	157,950	445,009	90,132	-	192,325,909	271,173	4,360,630
Monetary financial assets	186,166	624,721	549	-	-	5	-	-	9,575	5,723,682
Other	500	4,614	-	-	33,970	-	-	-	-	68,085
Current Liabilities										
Trade payables	43	6,655	-	-	-	-	-	-	0	45,866
Total Assets	433,608	789,561	57,476	157,950	478,979	90,137	-	192,325,909	280,748	10,198,263
Current Liabilities										
Trade payables	147,898	213,047	3,161	-	72,981	-	31,159	1,284,611	38,240	2,745,574
Financial liabilities	16,096	41,612	-	-	-	-	-	-	-	408,789
Other monetary liabilities	3,397	11,761	1	-	-	-	-	-	-	106,667
Non-Current Liabilities										
Trade payables	-	1,285	-	-	-	-	-	-	-	8,792
Financial liabilities	418,000	500,000	-	-	-	-	-	-	-	6,643,128
Other monetary liabilities	-	414	-	-	-	-	-	-	-	2,830
Toplam Liabilities	585,391	768,119	3,162	-	72,981	-	31,159	1,284,611	38,240	9,915,780
Net Position of Financial Statement	(151,783)	21,442	54,314	157,950	405,998	90,137	(31,159)	191,041,298	242,508	282,483
Off-balance sheet derivative assets (*)	218,846	57,026	1,500	-	17,923	-	-	-	33,337	2,140,304
Off-balance sheet derivative liabilities (*)	(55,220)	(90,815)	(52,687)	(260,000)	(448,000)	(78,992)	-	-	(264,888)	(2,348,550)
Net position of off-balance sheet items	163,626	(33,789)	(51,187)	(260,000)	(430,077)	(78,992)	-	-	(231,551)	(208,246)
Net Asset/(Liability) Position of Foreign Currency	11,843	(12,347)	3,127	(102,050)	(24,079)	11,145	(31,159)	191,041,298	10,957	74,237
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(152,283)	16,828	54,314	157,950	372,028	90,137	(31,159)	191,041,298	242,508	214,398
Hedged Amount of Foreign Currency Assets	55,220	90,815	52,687	260,000	448,000	78,992	-	-	264,888	2,348,550
Hedged Amount of Foreign Currency Liabilities	218,846	57,026	1,500	-	17,923	-	-	-	33,337	2,140,304

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

ARÇELİK ANONİM ŞİRKETİ

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NOTE 28 - 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, 2019 are as follows:

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

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

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of June 30, 2020, and December 31, 2019, 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.

June 30, 2020	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	14,671	(14,671)	9,569	(9,569)
Secured portion from USD risk	(23,119)	23,119	(23,119)	23,119
USD Net effect	(8,448)	8,448	(13,550)	13,550
EUR net asset/liability	1,590	(1,590)	(28,125)	28,125
Secured portion from EUR risk	7,538	(7,538)	126,126	(126,126)
EUR Net effect	9,128	(9,128)	98,001	(98,001)
GBP net asset/liability	45,777	(45,777)	61,201	(61,201)
Secured portion from GBP risk	(43,142)	43,142	(43,142)	43,142
GBP Net effect	2,635	(2,635)	18,059	(18,059)
RUB net asset/liability	1,536	(1,536)	90,339	(90,339)
Secured portion from RUB risk	(2,528)	2,528	(2,528)	2,528
RUB Net effect	(992)	992	87,811	(87,811)
PLN net asset/liability	15,583	(15,583)	34,675	(34,675)
Secured portion from PLN risk	(13,656)	13,656	(13,656)	13,656
PLN Net effect	1,927	(1,927)	21,019	(21,019)
ZAR net asset/liability	(1,241)	1,241	111,098	(111,098)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(1,241)	1,241	111,098	(111,098)
VND net asset/liability	5,633	(5,633)	11,901	(11,901)
Secured portion from VND risk	-	-	-	-
VND Net effect	5,633	(5,633)	11,901	(11,901)
CNY net asset/liability	39,036	(39,036)	45,878	(45,878)
Secured portion from CNY risk	(41,351)	41,351	(41,351)	41,351
CNY Net effect	(2,315)	2,315	4,527	(4,527)
Other net asset/liability	24,252	(24,252)	446,367	(446,367)
Secured portion from other currency	(23,155)	23,155	(23,155)	23,155
Other Currency Net effect	1,097	(1,097)	423,212	(423,212)
	7,424	(7,424)	762,078	(762,078)

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

Import and exports performed to / from Turkey for the six months period ended as of June 30, 2020 and June 30, 2019 are as follows:

	June 30, 2020	June 30, 2019
EUR	2,735,963	3,109,655
USD	764,435	947,236
GBP	917,105	1,027,932
Other	516,263	525,509
Total exports	4,933,766	5,610,332
EUR	895,195	1,018,171
USD	2,180,151	2,303,135
GBP	2,843	1,972
Other	1,773	1,826
Total imports	3,079,962	3,325,104

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NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of June 30, 2020, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 10,411,774 (December 31, 2019: TRY 10,364,465) (Note 6) and TRY 10,316,637 (December 31, 2019: TRY 10,526,745) 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.

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NOTE 29- FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of June 30, 2020 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	8,928	-
Financial investments (Note 5)	4,666	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	81,659	-

Fair value hierarchy table as of December 31, 2019 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	2,008	-
Financial investments (Note 5)	2,930	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	82,606	-

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NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	1 January- June 30, 2020	1 January- June 30, 2019
Adjustments for other provisions:		
Warranty provision	90,378	59,626
Provision for assembly and transportation cost	58,285	41,934
Accrual for customer premiums	54,375	266,594
Provision for employment termination benefits	17,899	15,306
Provision for vacation pay liability	11,687	11,500
Return provisions	513	1,699
Accrual for bonuses and premiums	(10,070)	46,664
Provision for legal claims	(86,461)	8,082
	136,606	451,405
Adjustments for impairment loss:		
Provision for doubtful receivables	21,118	24,929
Provision for impairment on inventories	13,174	17,926
	34,292	42,855

NOTE 31 – EVENTS AFTER BALANCE SHEET DATE

None.