

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

ARÇELİK ANONİM ŞİRKETİ

**JANUARY 1 - SEPTEMBER 30, 2020 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

CONTENTS	PAGES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1-3
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS.....	4
CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	5
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	6
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8-51
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	9-13
NOTE 3 SEGMENT REPORTING.....	13-15
NOTE 4 CASH AND CASH EQUIVALENTS.....	16
NOTE 5 FINANCIAL INVESTMENTS.....	17
NOTE 6 BORROWINGS	18-21
NOTE 7 DERIVATIVE INSTRUMENTS	21
NOTE 8 TRADE RECEIVABLES AND PAYABLES.....	22
NOTE 9 OTHER PAYABLES	23
NOTE 10 INVENTORIES	23
NOTE 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	24-25
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	25-26
NOTE 13 OTHER INTANGIBLE ASSETS	26
NOTE 14 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	27
NOTE 15 OTHER PROVISIONS	28
NOTE 16 PREPAID EXPENSES.....	28
NOTE 17 CURRENT INCOME TAX ASSETS	28
NOTE 18 EMPLOYEE BENEFIT OBLIGATIONS.....	29
NOTE 19 OTHER ASSETS AND LIABILITIES	29
NOTE 20 EQUITY.....	30-31
NOTE 21 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES.....	32
NOTE 22 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	33
NOTE 23 FINANCIAL INCOME.....	33
NOTE 24 FINANCIAL EXPENSES.....	34
NOTE 25 TAX ASSETS AND LIABILITIES	34-36
NOTE 26 EARNINGS PER SHARE	36
NOTE 27 RELATED PARTY DISCLOSURES	37-39
NOTE 28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	40-47
NOTE 29 FINANCIAL INSTRUMENTS.....	48-49
NOTE 30 SUPPLEMENTARY CASH FLOW INFORMATION	50
NOTE 31 EVENTS AFTER BALANCE SHEET DATE.....	50

ARÇELİK ANONİM ŞİRKETİ

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

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

		Unaudited	Audited
	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	4	11,540,151	6,937,060
Trade receivables			
-Due from related parties	27	62,082	17,674
-Trade receivables, third parties	8	12,049,085	9,498,171
Derivative instruments	7	6,449	2,008
Inventories	10	6,839,220	5,630,251
Prepaid expenses	16	381,711	209,835
Current income tax assets	17	134,615	141,244
Other current assets	19	579,608	746,403
Subtotal		31,592,921	23,182,646
Non-current assets held for sale	12	128,164	-
Total current assets		31,721,085	23,182,646
Non-current assets:			
Financial investments	5	5,446	3,009
Trade receivables			
-Trade receivables, third parties	8	26,863	51,543
Investments accounted for using the equity method	11	662,956	526,499
Property, plant and equipment	12	6,928,281	6,041,402
Intangible assets			
-Goodwill		980,384	808,786
-Other intangible assets	13	3,509,265	2,977,935
Prepaid expenses	16	232,152	125,390
Deferred tax assets	25	1,076,817	1,012,290
Total non-current assets		13,422,164	11,546,854
Total assets		45,143,249	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 SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

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

		Unaudited	Audited
	Notes	September 30, 2020	December 31, 2019
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	4,607,845	4,032,534
Short-term portion of long-term borrowings	6	4,998,035	2,119,221
Trade payables			
-Due to related parties	27	958,342	605,967
-Trade payables, third parties	8	7.863,698	4,958,172
Derivative instruments	7	44,807	13,509
Employee benefit obligations	18	551,356	468,255
Other payables			
-Due to related parties	27	10,333	31,655
-Other payables, third parties	9	696,410	400,570
Current income tax liabilities	25	71,246	8,740
Provisions			
-Other provisions	15	1,176,978	713,522
Other current liabilities	19	2,161,195	1,362,780
Total current liabilities		23,140,245	14,714,925
Non-current liabilities:			
Long-term borrowings	6	7,301,197	8,803,381
Derivative instruments	7	-	69,097
Provisions			
-Provision for employee benefits		385,423	344,486
-Other provisions	15	138,846	139,281
Deferred tax liabilities	25	696,335	575,898
Other non-current liabilities	19	575,774	266,463
Total non-current liabilities		9,097,575	10,198,606
Total liabilities		32,237,820	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 SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

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

		Unaudited	Audited
		September 30, 2020	December 31, 2019
	Notes		
EQUITY			
Equity holders of the parent			
Paid-in capital	20	12,698,817	9,658,284
Adjustment to share capital	20	675,728	675,728
Balancing account for merger capital		468,811	468,811
Share premium/discount		14,507	14,507
Other accumulated comprehensive income and expense not to be reclassified to profit or loss		889	889
Gains/ losses on revaluation and remeasurement			
- Gain/loss arising from defined benefit plans		(278,052)	(228,111)
- Other gains/ losses on revaluation and remeasurement		4,758	2,443
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
Currency translation differences		5,277,824	3,611,032
Gains/ losses on hedge			
- Gains/ losses on hedges of net investment in foreign operations		(973,223)	(675,927)
- Gains/ losses on cash flow hedges		(25,784)	(60,101)
Restricted reserves	20	409,115	409,115
Retained earnings		5,439,898	4,515,065
Net income for the period		1,684,346	924,833
Non-controlling interest		206,612	157,685
Total equity		12,905,429	9,815,969
Total liabilities and equity		45,143,249	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 SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

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

	Notes	Unaudited			
		January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Net sales	3	27,537,812	23,575,708	11,938,155	8,245,951
Cost of sales		(18,517,180)	(15,968,210)	(7,806,585)	(5,520,482)
Gross profit	3	9,020,632	7,607,498	4,131,570	2,725,469
General administrative expenses		(1,454,677)	(1,193,844)	(551,101)	(409,140)
Marketing expenses		(5,055,945)	(4,484,376)	(2,088,466)	(1,603,703)
Research and development expenses		(229,324)	(186,464)	(84,407)	(64,921)
Other income from operating activities	21	1,793,135	677,082	786,082	161,467
Other expenses from operating activities	21	(714,442)	(397,632)	(319,561)	(90,618)
Operating profit		3,359,379	2,022,264	1,874,117	718,554
Income from investment activities	22	228,855	3,096	611	1,622
Expenses from investment activities	22	(50,669)	(6,735)	(49,218)	(4,582)
Share of profit/loss of investments accounted for using the equity method	11	46,690	24,388	22,032	8,016
Operating income before financial income/(expense)		3,584,255	2,043,013	1,847,542	723,610
Financial income	23	2,707,888	2,482,736	1,222,428	1,114,988
Financial expenses	24	(4,172,970)	(3,693,757)	(1,784,935)	(1,569,052)
Profit from continuing operations before tax		2,119,173	831,992	1,285,035	269,546
Tax income/(expense), continuing operations					
- Taxes on income	25	(370,466)	(229,974)	(228,717)	(47,253)
- Deferred tax income	25	(39,492)	109,103	(15,111)	30,739
Net income		1,709,215	711,121	1,041,207	253,032
Attributable to:					
Non-controlling interest		24,869	26,294	19,218	12,689
Equity holders of the parent	26	1,684,346	684,827	1,021,989	240,343
Earnings per share (kurus)	26	2.493	1.013	1.512	0.356
Diluted earnings per share (kurus)	26	2.493	1.013	1.512	0.356

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 SEPTEMBER 30, 2020

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

	Unaudited			
	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Net income	1,709,215	711,121	1,041,207	253,032
Other comprehensive income:				
Not to be reclassified to profit or loss	(60,013)	(24,757)	(12,743)	(3,202)
Gain/ loss arising from defined benefit plans	(62,510)	(24,068)	(13,357)	(3,033)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	60	(1,343)	(87)	(646)
Gain/ loss on financial assets measured at fair value through other comprehensive income	2,437	654	701	477
Not to be reclassified to profit or loss, tax effect	12,387	4,783	2,636	582
Gain/ loss arising from defined benefit plans, tax effect	12,509	4,816	2,671	606
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	(122)	(33)	(35)	(24)
To be reclassified to profit or loss	1,379,820	140,698	955,669	(285,888)
Currency translation differences	1,665,065	234,899	1,086,158	(267,661)
Other comprehensive income related with hedges of net investments in foreign operations	(381,150)	(23,938)	(218,446)	56,477
Other comprehensive income/ loss related with cash flow hedge	39,628	(60,986)	47,022	(64,794)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	56,277	(9,277)	40,935	(9,910)
- Currency translation differences of investments accounted for using the equity method	52,871	2,269	37,476	(5,082)
- Gain/loss from cash flow hedges of investments accounted for using equity method	3,406	(11,546)	3,459	(4,828)
To be reclassified to profit or loss, tax effect	75,137	18,683	37,713	1,829
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	83,854	5,266	48,058	(12,425)
Other comprehensive income related with cash flow hedge, tax effect	(8,717)	13,417	(10,345)	14,254
Other comprehensive income/ (loss) (net of tax)	1,407,331	139,407	983,275	(286,679)
Total comprehensive income	3,116,546	850,528	2,024,482	(33,647)
Attributable to:				
Non-controlling interest	76,013	26,143	45,654	9,268
Equity holders of the parent	3,040,533	824,385	1,978,828	(42,915)

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 SEPTEMBER 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 other comprehensive income	Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non- controlling interest	Total equity
Balance at January 1, 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	-	-	-	-	(20,595)	621	(77,787)	237,319	-	-	684,827	824,385	26,143	850,528
Net income	-	-	-	-	-	-	-	-	-	-	684,827	684,827	26,294	711,121
Other comprehensive income	-	-	-	-	(20,595)	621	(77,787)	237,319	-	-	-	139,558	(151)	139,407
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	83,002	83,002
As of September 30, 2019	675,728	468,811	889	14,507	(198,576)	1,969	(673,597)	3,108,994	409,115	4,515,065	684,827	9,007,732	144,960	9,152,692
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	-	-	-	-	(49,941)	2,315	(262,979)	1,666,792	-	-	1,684,346	3,040,533	76,013	3,116,546
Net income	-	-	-	-	-	-	-	-	-	-	1,684,346	1,684,346	24,869	1,709,215
Other comprehensive income	-	-	-	-	(49,941)	2,315	(262,979)	1,666,792	-	-	-	1,356,187	51,144	1,407,331
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(27,086)	(27,086)
As of September 30, 2020	675,728	468,811	889	14,507	(278,052)	4,758	(999,007)	5,277,824	409,115	5,439,898	1,684,346	12,698,817	206,612	12,905,429

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 SEPTEMBER 30, 2020

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

	Notes	Unaudited	
		January 1- September 30, 2020	January 1- September 30, 2019
Cash flows from operating activities:			
Net income:		1,709,215	711,121
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		896,951	776,690
Adjustments for impairment loss	30	96,231	52,346
Adjustments for other provisions	30	979,406	559,723
Adjustments for interest income	23	(132,111)	(115,833)
Adjustments for interest expense	24	1,038,880	1,156,212
Adjustments for income arised from government grants	21	(59,358)	(29,197)
Adjustments for unrealised foreign exchange losses (gains)	23.24	44,245	60,236
Adjustments for fair value (gains) losses on derivative financial instruments	23.24	508,604	96,542
Adjustments for undistributed profits of investments accounted for using equity method	11	(46,690)	(24,388)
Adjustments for tax expense/income	25	409,958	120,871
Adjustments for losses (gains) on disposal of non-current assets	22	(298)	(681)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	22	(226,498)	4,320
Other adjustments to reconcile profit (loss)	23.24	5,464	13,864
Adjustments regarding net profit reconciliation for the period		5,223,999	3,381,826
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(2,668,901)	(1,741,538)
Adjustments for decrease (increase) in inventories		(1,248,489)	(610,973)
Decrease (increase) in prepaid expenses		(171,876)	(127,601)
Adjustments for increase (decrease) in trade payables		3,631,161	1,187,478
Increase (decrease) in employee benefit liabilities		(14,583)	(78,846)
Adjustments for increase (decrease) in other operating payables		(28,178)	(22,005)
Increase (decrease) in government grants and assistance		35,897	32,462
Other adjustments for other increase (decrease) in working capital		519,860	63,588
Income taxes refund (paid)		(112,783)	(119,741)
Cash flows from operating activities		5,166,107	1,964,650
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		(947,143)	(898,757)
Cash outflows from participations and / or joint ventures share acquisitions or capital increase		13,360	3,685
Cash flows from investing activities		(693,233)	(1,413,873)
Financing activities:			
Proceeds from borrowings	6	3,821,710	4,072,460
Repayments of borrowings	6	(3,778,035)	(4,493,188)
Bonds issued	6	-	1,000,000
Payments of lease liabilities	6	(225,703)	(199,280)
Dividends paid		(27,086)	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(512,204)	(154,998)
Interest received		(1,093,135)	(1,001,007)
Interest paid		134,413	111,902
Other inflows (outflows) of cash	23.24	(5,464)	(13,864)
Cash flows from financing activities		(1,685,504)	(677,975)
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		2,787,370	(127,198)
Effect of currency translation differences		1,818,022	263,383
Net increase/(decrease) in cash and cash equivalents		4,605,392	136,185
Cash and cash equivalents at January 1	4	6,922,938	5,337,278
Cash and cash equivalents at September 30	4	11,528,330	5,473,463

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED SEPTEMBER 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 September 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 nine months period ended September is 7,978 monthly paid (January 1-September 30, 2019: 7,446) and 24,723 hourly paid (January 1-September 30, 2019: 24,737) totalling to 32,702 (January 1-September 30, 2019: 32,183).

<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”)	Thailand	Service	Service
Beko Appliances Indonesia, PT (“Beko Indonesia”)	Indonesia	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	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 Grundig Deutschland GmbH (“Beko Deutschland”) (**)	Germany	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 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
PT Home Appliances Indonesia (***)	Indonesia	Sales	Consumer Durables
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.

(**) Beko Deutschland GmbH and Grundig Intermedia GmbH have been merged and registered into Beko Grundig Deutschland GmbH as of 30th of September 2020.

(***) As of September 16, 2020 PT, Home Appliances Indonesia company has been established as a sales entity.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED SEPTEMBER 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. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication
Joint Ventures			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited (“VoltBek”)	India	Production/Sales	Consumer Durables

Approval of consolidated financial statements

These condensed consolidated financial statements as of and for the period ended 30 September 2020 has been approved for issue by the Board of Directors on 23 October 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 September 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 AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

(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 September 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 September 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 September 2020:

TAS 1 – Presentation of financial statements
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

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 AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

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

2.1 Basis of presentation (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of September 30, 2020 and December 31, 2019 (%) and their functional currencies:

	Functional currency	September 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
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
PT Home Appliances Indonesia (***)	Indonesian Rupiah (“IDR”)	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

(*) Beko Deutschland GmbH and Grundig Intermedia GmbH have been merged and registered into Beko Grundig Deutschland GmbH (Beko Deutschland) as of 30th of September 2020.

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

(***) As of September 16, 2020 PT, Home Appliances Indonesia company has been established for sales.

ARÇELİK ANONİM ŞİRKETİ

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

(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 September 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 September 30, 2020 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2019 except for the one explained below. 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 AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

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

Non-current assets held for sale

Group of non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are classified similarly.

Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell. These assets are not depreciated.

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 by assessing the payment and collection terms for a stronger liquidity position.

In preparation of the condensed interim consolidated financial statements as of 30 September 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.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	White goods	Consumer electronics	Other	Total
Net sales (*)	20,539,592	3,060,644	3,937,576	27,537,812
Gross profit	7,245,947	675,308	1,099,377	9,020,632
Depreciation and amortization	686,344	134,197	90,715	911,256
Capital expenditures	786,625	135,593	39,230	961,448

- (*) The Group recognised net sales amounting to TRY 27,514,713 with respect to the performance obligations satisfied at a point in time for the nine months period ended September 30, 2020 (September 30, 2019: TRY 23,554,191).

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

	White goods	Consumer electronics	Other	Total
Net sales	18,015,894	2,284,106	3,275,708	23,575,708
Gross profit	6,118,332	543,189	945,977	7,607,498
Depreciation and amortization	604,265	107,009	75,588	786,862
Capital expenditures	766,805	109,925	32,198	908,928

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

	White goods	Consumer electronics	Other	Total
Net sales (*)	9,358,793	1,166,467	1,412,895	11,938,155
Gross profit	3,485,852	247,804	397,914	4,131,570
Depreciation and amortization	228,363	41,808	53,267	323,438
Capital expenditures	301,725	46,375	19,831	367,931

- (*) The Group recognised net sales amounting to TRY 11,930,439 with respect to the performance obligations satisfied at a point in time for the three-month periods between July 1- September 30, 2020.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	White goods	Consumer electronics	Other	Total
Net sales	6,479,797	799,209	966,945	8,245,951
Gross profit	2,278,904	179,954	266,611	2,725,469
Depreciation and amortization	213,242	37,182	22,760	273,184
Capital expenditures	262,069	41,046	11,886	315,001

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

January 1 – September 30, 2020	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	10,117,997	12,402,358	1,373,223	2,534,052	1,110,182	27,537,812

January 1 – September 30, 2019	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	7,886,878	10,640,810	1,507,414	2,544,949	995,657	23,575,708

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

July 1 – September 30, 2020	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	4,103,923	5,510,218	706,532	1,166,810	450,672	11,938,155

July 1 – September 30, 2019	Turkey	Europe	Africa	Asia Pacific	Other	Total
Total segment revenue	2,758,076	3,805,634	439,017	871,500	371,724	8,245,951

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019
Cash in hand	1,219	976
Cash at banks		
- demand deposits	811,584	460,770
- time deposits	10,532,333	6,355,587
Cheques and notes	67,093	39,632
Other	116,101	65,973
Cash and cash equivalents in cash flow statement	11,528,330	6,922,938
Interest income accruals	11,821	14,122
	11,540,151	6,937,060

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

Up to 30 days	11,303,873	5,880,689
30-90 days	236,278	1,056,371
	11,540,151	6,937,060

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

TRY	12.2	10.6
USD	2.2	2.1
EUR	0.1	(0.0)
GBP	0.0	0.6
RUB	3.0	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 SEPTEMBER 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

	September 30, 2020	December 31, 2019
Fair value gain/losses of financial assets reflected to other comprehensive income	5,446	3,009
Total	5,446	3,009

	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	5,367	0.34	2,930
Other		79		79
		5,446		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 2,437 (September 30, 2019: TRY 654) and deferred tax effect amounting to TRY 122 (September 30, 2019: TRY 33) 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 September 30, 2020.

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

	2020	2019
As of January 1	3,009	1,856
Change in fair value	2,437	654
As of September 30	5,446	2,510

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 6 - BORROWINGS

a) Short-term borrowings

	September 30, 2020	December 31, 2019
Short-term bank borrowings	4,232,435	3,729,284
Short-term lease liabilities	198,486	177,283
Payables from factoring activities (*)	176,924	125,967
Total short-term borrowings	4,607,845	4,032,534
Short-term portion of long-term bank borrowings and interest accruals	687,492	2,032,105
Interest accruals of long-term bond issued (**)	4,310,543	87,116
Total short-term portion of long-term borrowings	4,998,035	2,119,221

(*) Factoring liabilities are amounting to TRY 106,490 denominated in EUR (December 31, 2019: TRY 68,934), TRY 70,141 denominated in GBP (December 31, 2019: TRY 57,033), 293 denominated in USD and interest rates are 0.6 % for EUR (December 31, 2019: 0.6%), 0.66 % for GBP (December 31, 2019: 1.39).

() 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 SEPTEMBER 30, 2020

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

NOTE 6 - BORROWINGS (Continued)

As of September 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%	1,947,800,130	1,947,800
EUR	0.5%	124,199,089	1,133,702
BDT	8.5%	3,321,400,241	305,854
USD	1.8%	40,170,302	313,650
PKR	10.1%	3,126,492,579	146,382
ZAR	5.0%	640,087,634	294,498
AUD	3.3%	13,983,511	77,462
RUB	2.0%	110,397,137	10,808
CNY	4.7%	2,001,808	2,279
			4,232,435

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

	September 30, 2020	December 31, 2019
Long-term bank borrowings	2,635,879	1,954,840
Long-term bonds issued	3,900,570	6,290,404
Long-term lease liabilities	764,748	558,137
	7,301,197	8,803,381

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.5%	2,263,904,500	2,263,905
EUR	1.9 %	68,376,063	624,144
ZAR	6.1%	500,000,000	230,045
PKR	7.6%	4,332,832,104	202,860
BDT	9.5%	26,243,489	2,417
			3,323,371
Short-term portion of long-term loans and interest accruals			(687,492)
			2,635,879

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 6 - BORROWINGS (Continued)

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 September 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	5.0%	511,921,877	3,997,086
EUR	3.9%	350,379,715	3,198,301
TRY	19.1%	1,015,725,599	1,015,726
			8,211,113
Interest accruals of long-term bonds issued			(4,310,543)
			3,900,570

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:

	September 30, 2020	December 31, 2019
2021	421,020	4,347,043
2022	910,039	184,121
2023 to 2027	5,208,820	3,721,487
	6,539,879	8,252,651

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 6 - BORROWINGS (Continued)

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

	September 30, 2020	December 31, 2019
Up to 3 months	2,820,480	3,865,250
3 - 12 months	6,152,277	2,621,375
1-5 years	6,138,337	6,872,105
Over 5 years	401,025	380,545
	15,512,119	13,739,275

As of September 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	225,703	(3,483,994)	3,440,319	182,028
Changes in interest accruals	(47,774)	102,029	-	54,255
Changes in factoring liabilities	-	(50,957)	-	(50,957)
Changes in lease liabilities	(242,872)	-	-	(242,872)
Currency translation adjustments	(162,871)	-	(1,731,524)	(1,894,395)
Financial debt as of September 30	(963,234)	(9,407,394)	(6,536,449)	(16,907,077)

ARÇELİK ANONİM ŞİRKETİ

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

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

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.

	September 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	1,956,543	446 (5,081)	3,297,171	166 (8,212)
Foreign currency Swap contracts	7,343,071	6,003 (10,259)	4,293,589	1,842 (5,297)
<i>Cash flow hedge:</i>				
Interest rate swap contracts (*)	1,000,000	- (29,467)	-	- -
Short-term derivative instruments, net		6,449 (44,807)		2,008 (13,509)
<i>Long-term derivative instruments</i>				
<i>Cash flow hedge:</i>				
Interest rate swap contracts (*)	-	- -	1,000,000	- (69,097)
Long-term derivative instruments, net		- -		- - (69,097)

(*) As of 30 September 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.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2020	December 31, 2019
Short-term trade receivables:		
Trade receivables	10,895,653	7,448,813
Notes receivables	1,160,453	1,956,289
Cheques receivables	368,637	395,263
Short-term trade receivables (gross)	12,424,743	9,800,365
Provision for doubtful receivables	(279,588)	(232,307)
Unearned credit finance income	(96,070)	(69,887)
Short-term trade receivables (net)	12,049,085	9,498,171

As of September 30, 2020, the Group has offsetted TRY 1,620,194 (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 30,557 related with its local bank borrowings (December 31, 2019: TRY 99,281).

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

	2020	2019
As of January, 1	232,307	207,121
Current year additions (Note 21)	30,062	31,604
Provisions no longer required (Note 21)	(5,639)	(2,700)
Write-offs (*)	(14,800)	(5,275)
Acquisitions	-	3,238
Currency translation differences	37,658	762
As of September, 30	279,588	234,750

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

	September 30, 2020	December 31, 2019
Long-term trade receivables		
Trade receivables	34,977	60,450
Unearned credit finance income	(8,114)	(8,907)
	26,863	51,543

Short-term trade payables:		
Trade payables	7,241,686	4,621,038
Debt accruals	676,774	370,918
Unearned credit finance charges	(54,762)	(33,784)
	7,863,698	4,958,172

NOTE 9 - OTHER PAYABLES

ARÇELİK ANONİM ŞİRKETİ

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

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

	September 30, 2020	December 31, 2019
Taxes and duties payable	574,949	225,030
Dividend payables to shareholders	31,358	21,543
Deposits and guarantees received	4,933	4,225
Other	85,170	149,772
	696,410	400,570

NOTE 10 – INVENTORIES

	September 30, 2020	December 31, 2019
Raw materials and supplies	2,824,819	2,071,746
Work in progress	184,865	138,955
Finished goods	2,963,832	2,832,759
Trade goods	960,202	678,617
Inventories (gross)	6,933,718	5,722,077
Provision for impairment on inventories	(94,498)	(91,826)
Inventories (net)	6,839,220	5,630,251

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 27,690 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	24,727	17,720
Finished goods	57,590	62,064
Trade goods	12,181	12,042
	94,498	91,826

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

	2020	2019
As of January 1	91,826	104,786
Current year additions (Note 21)	17,466	20,742
Reversed due to sales of inventory	(36,938)	(13,719)
Acquisitions	-	8,092
Currency translation differences	22,144	1,877
As of September 30	94,498	121,778

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

September 30, 2020 December 31, 2019

ARÇELİK ANONİM ŞİRKETİ

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

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

	%	TRY	%	TRY
VoltBek	49.0	239,100	49.0	188,819
Koç Finansman	47.0	213,506	47.0	178,525
Arçelik - LG	45.0	192,830	45.0	148,984
Ram Dış Ticaret	33.5	15,053	33.5	8,756
Tanı Pazarlama	32.0	2,467	32.0	1,415
		662,956		526,499

The movements of associates for the nine months period ended September 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	46,690	24,388
Shares of other comprehensive income/loss of associates	3,466	(12,889)
Gross profit elimination on inventory	(1,798)	(2,689)
Currency translation difference	52,871	2,269
As of September 30	662,956	470,164

Shares of income/loss from associates and joint ventures:

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Koç Finansman	31,580	34,051	14,301	7,892
Arçelik - LG	45,979	26,375	13,362	7,530
Ram Dış Ticaret	6,282	2,108	1,157	869
Tanı Pazarlama	667	(786)	4	(338)
VoltBek	(37,818)	(37,360)	(6,792)	(7,937)
	46,690	24,388	22,032	8,016

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

30 September 2020	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	2,970,916	877,399	1,126,560	845,958	5,820,833
Total liabilities	2,516,647	832,466	638,607	409,731	4,397,451
Net sales	323,304	2,345,792	253,078	1,179,301	4,101,475

31 December 2019	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	2,659,999	842,487	682,042	569,537	4,754,065
Total liabilities	2,280,159	816,350	296,698	234,038	3,627,245
Net sales	584,288	3,233,407	223,206	896,060	4,936,961

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

2020 2019

ARÇELİK ANONİM ŞİRKETİ

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

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

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	-	148,750
Subsidiary sale	(7,939)	-
Additions	920,175	686,540
Transfers (*)	(158,527)	(335)
Disposals	(58,690)	(10,570)
Impairment (**)	(22,065)	-
Currency translation differences	920,097	118,156
Depreciation for the period	(706,172)	(605,899)
Net carrying value at the end of the period	6,928,281	5,614,898
As of September 30		
Cost	13,511,136	10,778,689
Accumulated depreciation	(6,582,855)	(5,163,791)
Net carrying value	6,928,281	5,614,898

(*) Mainly consists of assets related to the production facility located in Changzhou, Jiangsu Province of the People's Republic of China, which the Company has a plan to sell as of September 30, 2020 and the sales transaction is expected to be completed until the end of the year. These assets with a net book value of TRY 154.8 million has been classified as non-current assets held for sale and then measured with lower of book value and fair value (TRY 128.6 million) less cost to sell. As a result of this measurement, a provision for impairment of TRY 26.6 million has been accounted for under income and expenses from investment activities (Note 22).

(**) Additionally, the Company booked a provision for impairment in the amount of TRY 22 million for fixed assets which would not provide economic benefits in the future (Note 22).

As of 30 September 2020, the net book value of the right of use assets classified under tangible assets is TRY 912,804 (2019: TRY 687,824).

Additions to rights-to-use assets for the nine months period ended 30 September 2020 TRY 240,058 TL(2019: TRY 60,886), depreciation expenses are TRY 208,534 (2019: TRY 179,162).

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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	-	66,671
Subsidiary sale	(40,132)	-
Additions	281,331	283,274
Transfers ^(*)	3,724	335
Disposals	(98)	(76)
Currency translation differences	491,589	(20,393)
Amortization for the period	(205,084)	(180,963)
Net carrying value at the end of the period	3,509,265	2,749,697
As of September 30		
Cost	5,009,994	3,944,945
Accumulated amortization	(1,500,729)	(1,195,248)
Net carrying value	3,509,265	2,749,697

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2020, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 475,913,270 (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.

	September 30, 2020	December 31, 2019
Collaterals obtained	4,653,972	4,078,530

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

A. CPMB’s given for Company’s own legal personality	294,335	190,353
B. CPMB’s given on behalf of fully consolidated companies	1,842,930	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	2,137,265	1,792,481

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

TRY	107,212	81,836
EUR	663,108	491,791
USD	431,884	110,082
Other currencies	935,061	1,108,772
	2,137,265	1,792,481

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 15 – OTHER PROVISIONS

	September 30, 2020	December 31, 2019
Other short-term provisions		
Warranty provision	696,723	413,306
Assembly provision	128,877	116,356
Provision for transportation cost	125,896	55,148
Provision for lawsuit risks	25,446	21,724
Provision for returns	17,289	14,678
Other	182,747	92,310
	1,176,978	713,522
Other long-term provisions		
Warranty provision	137,319	139,207
Other	1,527	74
	138,846	139,281

NOTE 16 – PREPAID EXPENSES

<i>Short term:</i>		
Short-term prepaid expenses	265,009	161,977
Advances given for inventories	116,702	47,858
	381,711	209,835
<i>Long term:</i>		
Long-term prepaid expenses	232,152	125,390

NOTE 17 – CURRENT INCOME TAX ASSETS

Prepaid taxes and funds	134,615	141,244
-------------------------	----------------	----------------

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2020	December 31, 2019
Payables to personnel	331,632	290,599
Social security payables	167,504	139,266
Accruals for bonuses and premiums	52,220	38,390
	551,356	468,255

NOTE 19 - OTHER ASSETS AND LIABILITIES

Other current assets:

Taxes and funds deductible	275,049	344,573
Value added tax and private consumption tax receivable	181,865	221,139
Income accruals	31,232	98,323
Other	91,462	82,368
	579,608	746,403

Other current liabilities:

Accruals for customer premiums	1,468,441	876,990
Advances received	370,402	262,383
Deferred income	210,978	207,951
Other	111,374	15,456
	2,161,195	1,362,780

Other long-term liabilities:

Deferred income	468,570	210,182
Other	107,204	56,281
	575,774	266,463

ARÇELİK ANONİM ŞİRKETİ

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

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

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:

	September 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:

	September 30, 2020		December 31, 2019	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.56	274,070	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	51.98	351,237	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	0.12	809	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.

ARÇELİK ANONİM ŞİRKETİ

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

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

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:

	September 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.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Other income from operating activities:				
Foreign exchange gains arising from trading activities	1,398,174	600,721	737,939	145,008
Income from claims and grants	343,734	29,197	21,837	8,288
Credit finance income arising from trading	40,295	37,344	19,549	6,217
Reversal of provisions for doubtful receivables (Note 8)	5,639	2,700	4,560	596
Other	5,293	7,120	2,197	1,358
	1,793,135	677,082	786,082	161,467
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(544,828)	(204,635)	(256,187)	(30,246)
Cash discount expenses	(92,854)	(82,481)	(37,299)	(31,967)
Provision expense for doubtful receivables (Note 8)	(30,062)	(31,604)	(8,944)	(6,675)
Provision expense for inventory impairment (Note 10)	(18,535)	(30,549)	(6,068)	(13,498)
Credit finance charges arising from trading activities	(17,466)	(20,742)	(4,292)	(2,816)
Other	(10,697)	(27,621)	(6,771)	(5,416)
	(714,442)	(397,632)	(319,561)	(90,618)

(*) 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-September 30, 2019: None).

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Income from investment activities:				
Profit from sales of subsidiary (*)	226,498	-	-	-
Income from sales of property plant and equipment	2,264	3,096	611	1,622
Dividends received from financial investments	93	-	-	-
	228,855	3,096	611	1,622
Expenses from investment activities:				
Impairments for fixed assets (Note 12)	(22,065)	-	(22,065)	-
Impairments for assets held for sale (Note 12)	(26,638)	-	(26,638)	-
Loss from sales of property plant and equipment	(1,966)	(2,415)	(515)	(262)
Loss from sales financial assets	-	(4,320)	-	(4,320)
	(50,669)	(6,735)	(49,218)	(4,582)

(*) The Company has sold 100% owned subsidiary Token Finansal Teknolojiler A.Ş. for a total price of TRY 312.4 million, in line with the valuation report prepared by Ernst Young Kurumsal Finansman Danışmanlık A.Ş., to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 April 2020.

NOTE 23- FINANCIAL INCOME

Foreign exchange gains (*)	1,904,738	1,398,182	849,785	570,588
Gains on derivative instruments	657,434	963,618	305,550	498,550
Interest income	132,111	115,833	59,563	45,751
Other	13,605	5,103	7,530	99
	2,707,888	2,482,736	1,222,428	1,114,988

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Foreign exchange losses (*)	(1,948,983)	(1,458,418)	(839,225)	(533,959)
Interest expenses (**)	(1,038,880)	(1,156,212)	(316,409)	(376,734)
Losses on derivative instruments	(1,166,038)	(1,060,160)	(620,970)	(649,502)
Other	(19,069)	(18,967)	(8,331)	(8,857)
	(4,172,970)	(3,693,757)	(1,784,935)	(1,569,052)

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

(**) TRY 45,046 of interest expenses consists of interest expenses regarding lease liabilities (2019: TRY 44,410).

NOTE 25 - TAX ASSETS AND LIABILITIES

	September 30, 2020	December 31, 2019
Corporation and income taxes	345,973	172,980
Prepaid tax	(274,727)	(164,240)
Tax liabilities (net)	71,246	8,740
Deferred tax assets	1,076,817	1,012,290
Deferred tax liabilities	(696,335)	(575,898)
Deferred tax assets, net	380,482	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.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Tax (expense)/income				
- Current period tax expense	(370,466)	(229,974)	(228,717)	(47,253)
- Deferred tax income	(39,492)	109,103	(15,111)	30,739
Total tax (expense)/income,	(409,958)	(120,871)	(243,828)	(16,514)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Property, plant and equipment and intangible assets	4,392,334	3,841,065	(1,052,892)	(914,141)
Unused tax advantages (*)	-	-	481,282	649,149
Unused tax credits	(988,700)	(866,128)	282,434	231,692
Provision for warranty, assembly and transportation expenses	(992,903)	(742,723)	222,769	169,878
Inventories	(496,257)	(326,795)	141,824	95,687
Provision for employment termination benefits	(368,720)	(294,991)	73,961	59,150
Provision for doubtful receivables	(120,354)	(66,862)	31,595	18,278
Derivative instruments	(54,270)	(84,840)	11,936	18,672
Other	(827,340)	(426,140)	187,573	108,027
Deferred tax assets, net			380,482	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 September 30, 2020 the tax advantage of TRY 481,282 (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.

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	2020	2019
Balance as of January	436,392	366,861
Deferred tax income recognized		
in statement of profit or loss	(39,492)	109,103
Deferred tax income recognized directly in the equity	3,670	18,200
Deferred tax income from subsidiary sales	1,041	-
Acquisitions	-	(15,486)
Currency translation differences	(21,129)	11,451
Balance as of September 30	380,482	490,129

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- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
Profit for the year attributable to shareholders of the Company	1,684,346	684,827	1,021,989	240,343
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) (*)	2.493	1.013	1.512	0.356
Diluted earnings per share (kurus) (*)	2.493	1.013	1.512	0.356

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	September 30, 2020	December 31, 2019
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. ^{(1)(*)}	37,963	15,625
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	13,299	-
Voltbek ⁽²⁾	4,455	-
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	2,063	1,612
Other	4,302	437
	62,082	17,674
(b) Due to related parties:		
<i>Current:</i>		
Arçelik-LG ⁽⁴⁾	389,769	98,455
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	348,941	265,601
Ram Dış Ticaret ⁽²⁾	173,725	120,949
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	16,566	28,989
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	6,641	23,137
Koç Holding A.Ş. ⁽³⁾	5,842	31,437
Other	16,858	37,399
	958,342	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. ^(*)	10,333	31,655
--	---------------	---------------

(*) 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 September 30, 2020. (December 31, 2019: TRY 81,040).

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	September 30, 2020	December 31, 2019
Other payables to related parties (gross)		
Up to 1 year	10,372	31,926
Future finance charges on other liabilities	(39)	(271)
Present value of other payables to related parties (net)	10,333	31,655

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	1,777,139	947,607
--	-----------	---------

⁽¹⁾ Koç Holding group companies

(d) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
September 30, 2020		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,833,346	418 (3,218)
December 31, 2019		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	647,594	132 (1,491)

(e) Other transactions:

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,607	40,012	3,812	13,781
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	23	5,840	-	-

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
(a) Sales of goods and services:				
Koçtaş Yapı Marketleri Ticaret A.Ş.	39,227	36,559	21,354	11,695
Token Finansal Teknolojiler A.Ş.	56,685	-	19,144	-
Yapı ve Kredi Bankası A.Ş.	2,454	16,448	1,293	5,585
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,145	779	470	108
Other	12,949	5,532	8,584	2,508
	112,460	59,318	50,845	19,896

	January 1- September 30, 2020	January 1- September 30, 2019	July 1- September 30, 2020	July 1- September 30, 2019
(b) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,064,185	1,006,464	471,099	405,015
Arçelik-LG	675,374	380,273	283,973	183,698
Ram Dış Ticaret	352,712	259,803	163,145	87,824
Bilkom Bilişim Hizmetleri A.Ş.	192,197	102,974	64,769	22,943
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)}	46,321	52,485	1,645	602
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	69,252	65,141	29,363	21,866
Token Finansal Teknolojiler A.Ş.	43,754	-	17,683	-
Other	151,053	236,390	52,733	117,072
	2,594,848	2,103,530	1,084,410	839,020

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 September 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

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the nine months period ended September 30, 2020 amounts to TRY 17,101 (January 1- September 30, 2019: TRY 13,808).

ARÇELİK ANONİM ŞİRKETİ

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

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

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

Funding risk

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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 September 30, 2020 and December 31, 2019 are as follows:

September 30, 2020	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	62,082	12,075,948	11,355,738	6,449
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(8,693,217)	-	-
A. Net book value of financial asset either are not due or not impaired	62,082	11,418,325	11,355,738	6,449
-Secured portion by guarantees, etc.	-	(8,145,900)	-	-
B. Net book value of overdue but not impaired financial assets	-	611,019	-	-
- Secured portion by guarantees, etc.	-	(488,591)	-	-
C. Net book value of the impaired assets	-	58,726	-	-
- Overdue (Gross book value)	-	326,192	-	-
- Impairment (-)	-	(267,466)	-	-
- Secured portion of the net value by guarantees, etc.	-	(58,726)	-	-
D. Expected credit losses (-)	-	(12,122)	-	-

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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.**

	September 30, 2020	December 31, 2019
Group 1	209,564	151,125
Group 2	10,908,175	8,470,945
Group 3	362,668	265,508
	11,480,407	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) **Agging analysis of the receivables which are overdue but not impaired**

0-1 month	264,156	301,664
1-3 months	66,059	133,773
3-12 months	136,626	147,167
1-5 years	144,178	45,266
	611,019	627,870

ARÇELİK ANONİM ŞİRKETİ

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

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

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

September 30, 2020	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.01	0.18	5.60	1.17	
Gross carrying amount	11,480,407	264,371	66,059	606,781	12,417,618
Loss allowance provision	825	489	3,699	7,109	12,122

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 September 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).

ARÇELİK ANONİM ŞİRKETİ

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

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

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:

	Seğtember 30, 2020	December 31, 2019
Assets	13,471,943	10,015,946
Liabilities	(12,920,400)	(9,079,570)
Net position of financial statement	551,543	936,376
Net position of derivative instruments	(615,541)	(1,058,778)
Foreign currency position (net)	(63,998)	(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 September 30, 2020 are as follows:

	EUR	USD	GBP	DKK	CNY	PLN	ZAR	CZK	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	410,350	200,674	102,356	87,339	446,086	110,446	-	205,041	205,109,327	211,535	7,526,021
Monetary financial assets	132,939	589,642	549	5,791	-	5	-	8,343	-	312	5,833,135
Other	407	6,593	-	-	8,881	-	-	-	-	-	65,306
Current Liabilities											
Trade payables	107	5,956	-	-	-	-	-	-	-	0	47,481
Total Assets	543,803	802,865	102,905	93,130	454,967	110,451	-	213,384	205,109,327	211,847	13,471,943
Current Liabilities											
Trade payables	240,212	298,403	3,643	8,527	77,816	-	12,852	-	1,470,159	45,063	4,709,672
Financial liabilities	5,787	36,565	-	-	-	-	-	-	-	-	338,324
Other monetary liabilities	4,006	13,241	1	-	-	-	-	-	-	-	139,962
Non-Current Liabilities											
Trade payables	-	1,021	-	-	-	-	-	-	-	-	7,972
Financial liabilities	418,417	500,000	-	-	-	-	-	-	-	-	7,723,352
Other monetary liabilities	-	143	-	-	-	-	-	-	-	-	1,118
Toplam Liabilities	668,422	849,373	3,644	8,527	77,816	-	12,852	-	1,470,159	45,063	12,920,400
Net Position of Financial Statement	(124,619)	(46,508)	99,261	84,603	377,151	110,451	(12,852)	213,384	203,639,168	166,784	551,543
Off-balance sheet derivative assets (*)	249,746	46,509	-	-	27,984	-	-	-	-	38,777	2,713,490
Off-balance sheet derivative liabilities (*)	(124,948)	(18,483)	(98,723)	(76,600)	(445,000)	(95,690)	-	(189,595)	-	(197,061)	(3,329,031)
Net position of off-balance sheet items	124,798	28,026	(98,723)	(76,600)	(417,016)	(95,690)	-	(189,595)	-	(158,284)	(615,541)
Net Asset/(Liability) Position of Foreign Currency	179	(18,482)	538	8,003	(39,865)	14,761	(12,852)	23,789	203,639,168	8,500	(63,998)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(125,026)	(53,101)	99,261	84,603	368,270	110,451	(12,852)	213,384	203,639,168	166,784	486,237
Hedged Amount of Foreign Currency Asses Hedged Amount of Foreign Currency Liabilities	124,948	18,483	98,723	76,600	445,000	95,690	-	189,595	-	197,061	3,329,031
	249,746	46,509	-	-	27,984	-	-	-	-	38,777	2,713,490

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

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

As of September 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.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
September 30, 2020				
USD net asset/liability	(36,313)	36,313	(41,892)	41,892
Secured portion from USD risk	21,883	(21,883)	21,883	(21,883)
USD Net effect	(14,430)	14,430	(20,009)	20,009
EUR net asset/liability	26,678	(26,678)	(5,836)	5,836
Secured portion from EUR risk	(26,515)	26,515	113,917	(113,917)
EUR Net effect	163	(163)	108,081	(108,081)
GBP net asset/liability	99,568	(99,568)	121,806	(121,806)
Secured portion from GBP risk	(99,028)	99,028	(99,028)	99,028
GBP Net effect	540	(540)	22,778	(22,778)
DKK net asset/liability	10,357	(10,357)	10,357	(10,357)
Secured portion from DKK risk	(9,377)	9,377	(9,377)	9,377
DKK Net effect	980	(980)	980	(980)
PLN net asset/liability	22,212	(22,212)	47,139	(47,139)
Secured portion from PLN risk	(19,243)	19,243	(19,243)	19,243
PLN Net effect	2,969	(2,969)	27,896	(27,896)
ZAR net asset/liability	(591)	591	134,787	(134,787)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(591)	591	134,787	(134,787)
VND net asset/liability	6,859	(6,859)	10,845	(10,845)
Secured portion from VND risk	-	-	-	-
VND Net effect	6,859	(6,859)	10,845	(10,845)
CNY net asset/liability	42,946	(42,946)	48,645	(48,645)
Secured portion from CNY risk	(47,486)	47,486	(47,486)	47,486
CNY Net effect	(4,540)	4,540	1,159	(1,159)
CZK net asset/liability	7,193	(7,193)	14,122	(14,122)
Secured portion from CZK risk	(6,391)	6,391	(6,391)	6,391
CZK Net effect	802	(802)	7,731	(7,731)
Other net asset/liability	16,676	(16,676)	613,664	(613,664)
Secured portion from other currency	(15,828)	15,828	(15,828)	15,828
Other Currency Net effect	848	(848)	597,836	(597,836)
	(6,400)	6,400	892,084	(892,084)

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

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

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange preciation 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 nine months period ended as of September 30, 2020 and September 30, 2019 are as follows:

	September 30, 2020	September 30, 2019
EUR	4,914,463	4,893,407
USD	1,464,880	1,353,782
GBP	1,751,339	1,590,345
Other	923,640	817,222
Total exports	9,054,322	8,654,756
EUR	1,662,083	1,547,770
USD	3,887,941	3,462,769
GBP	8,093	4,475
Other	2,846	2,491
Total imports	5,560,963	5,017,505

ARÇELİK ANONİM ŞİRKETİ

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

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

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 September 30, 2020, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 11,534,484 (December 31, 2019: TRY 10,364,465) (Note 6) and TRY 11,316,263 (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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

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 September 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)	-	6,449	-
Financial investments (Note 5)	5,367	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	44,807	-

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	-

ARÇELİK ANONİM ŞİRKETİ

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

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

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- September 30, 2020	1 January- September 30, 2019
Adjustments for other provisions:		
Accrual for customer premiums	591,451	363,582
Warranty provision	281,529	43,137
Provision for assembly and transportation cost	83,269	17,128
Provision for employment termination benefits	36,607	23,940
Provision for vacation pay liability	19,330	18,249
Accrual for bonuses and premiums	13,830	85,441
Return provisions	2,611	(2,415)
Provision for legal claims	(49,221)	10,661
	979,406	559,723
Adjustments for impairment loss:		
Provision for doubtful receivables	30,062	31,604
Provision for impairment on inventories	17,466	20,742
Impairments for fixed assets	22,065	-
Impairments for assets held for sale	26,638	-
	96,231	52,346

NOTE 31 – EVENTS AFTER BALANCE SHEET DATE

None.