

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD
1 JANUARY - 30 JUNE 2021 TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020

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

		Reviewed	Audited
	Notes	June 30, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	5	10,743,491	12,002,246
Trade receivables			
-Due from related parties	28	175,116	103,153
-Trade receivables, third parties	9	17,000,762	12,046,292
Derivative instruments	8	38,205	27,354
Inventories	11	12,508,504	7,095,622
Prepaid expenses	17	561,678	496,783
Current income tax assets	18	164,281	143,032
Other current assets	20	1,543,894	1,146,367
Total current assets		42,735,931	33,060,849
Non-current assets:			
Financial investments	6	3,863	5,614
Trade receivables			
-Trade receivables, third parties	9	37,831	68,225
Investments accounted for using the equity method	12	685,753	648,016
Property, plant and equipment	13	8,443,852	7,296,568
Intangible assets			
-Goodwill		1,528,168	989,060
-Other intangible assets	14	4,105,211	3,563,944
Prepaid expenses	17	103,855	83,484
Deferred tax assets	26	1,208,284	833,284
Other non-current assets	20	2,986,099	-
Total non-current assets		19,102,916	13,488,195
Total assets		61,838,847	46,549,044

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020

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

		Reviewed	Audited
	Notes	June 30, 2021	December 31, 2020
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	5,480,308	4,840,622
Short-term portion of long-term borrowings	7	6,059,482	5,390,255
Trade payables			
-Due to related parties	28	1,448,169	995,829
-Trade payables, third parties	9	12,611,126	8,649,373
Derivative instruments	8	32,002	8,266
Employee benefit obligations	19	525,220	492,554
Other payables			
-Other payables, third parties	10	750,229	726,074
Current income tax liabilities	26	99,834	7,736
Provisions			
-Other provisions	16	1,451,768	977,478
Other current liabilities	20	2,249,422	1,738,729
Total current liabilities		30,707,560	23,826,916
Non-current liabilities:			
Long-term borrowings	7	13,243,969	6,844,348
Derivative instruments	8	2,081	-
Provisions			
-Provision for employee benefits		483,084	419,517
-Other provisions	16	319,239	289,640
Deferred tax liabilities	26	817,835	563,071
Other non-current liabilities	20	769,231	581,706
Total non-current liabilities		15,635,439	8,698,282
Total liabilities		46,342,999	32,525,198

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020

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

		Reviewed	Audited
	Notes	June 30, 2021	December 31, 2020
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(321,029)	(298,280)
-Other gains/ losses on revaluation and remeasurement		3,256	4,918
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		6,717,803	5,225,745
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(1,125,829)	(966,053)
-Gains/ losses on cash flow hedges		(2,903)	(3,072)
Balancing account for merger capital		14,507	14,507
Restricted reserves	21	555,736	409,115
Retained earnings		6,641,116	5,439,898
Net income for the period		1,623,361	2,847,839
Equity holders of the parent		15,251,446	13,820,045
Non-controlling interest		244,402	203,801
Total equity		15,495,848	14,023,846
Total liabilities and equity		61,838,847	46,549,044

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

	Notes	Reviewed		April 1- June 30, 2021	April 1- June 30, 2020
		January 1- June 30, 2021	January 1- June 30, 2020		
Net sales	4	27,518,228	15,599,657	14,534,414	7,832,129
Cost of sales		(18,642,175)	(10,723,769)	(10,141,203)	(5,423,959)
Gross profit	4	8,876,053	4,875,888	4,393,211	2,408,170
General administrative expenses		(1,251,830)	(903,576)	(681,005)	(416,333)
Marketing expenses		(4,855,571)	(2,967,479)	(2,569,861)	(1,433,104)
Research and development expenses		(181,757)	(144,917)	(94,285)	(72,199)
Other income from operating activities	22	1,351,002	1,007,053	460,985	432,001
Other expenses from operating activities	22	(1,192,606)	(381,707)	(441,878)	(206,297)
Operating profit		2,745,291	1,485,262	1,067,167	712,238
Income from investment activities	23	3,423	228,244	1,150	227,349
Expenses from investment activities	23	(2,765)	(1,451)	(169)	(776)
Share of profit/loss of investments accounted for using the equity method	12	(13,403)	24,658	(17,946)	17,122
Operating income before financial income/(expense)		2,732,546	1,736,713	1,050,202	955,933
Financial income	24	2,555,708	1,485,460	779,523	791,376
Financial expenses	25	(3,410,460)	(2,388,035)	(1,246,187)	(1,221,575)
Profit from continuing operations before tax		1,877,794	834,138	583,538	525,734
Tax income/(expense), continuing operations					
- Taxes on income	26	(372,764)	(141,749)	(152,109)	(65,670)
- Deferred tax income/expense	26	136,317	(24,381)	109,726	(51,501)
Net income		1,641,347	668,008	541,155	408,563
Attributable to:					
Non-controlling interest		17,986	5,651	10,529	1,940
Equity holders of the parent	27	1,623,361	662,357	530,626	406,623
Earnings per share (kurus)	27	2.402	0.980	0.785	0.602
Diluted earnings per share (kurus)	27	2.402	0.980	0.785	0.602

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

	Reviewed		April 1- June 30, 2021	April 1- June 30, 2020
	January 1- June 30, 2021	January 1- June 30, 2020		
Net income	1,641,347	668,008	541,155	408,563
Other comprehensive income:				
Not to be reclassified to profit or loss	(30,110)	(47,270)	(20,970)	(18,265)
Gain/ loss arising from defined benefit plans	(28,109)	(49,153)	(20,490)	(19,553)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(250)	147	137	(420)
Gain/ loss on financial assets measured at fair value through other comprehensive income	(1,751)	1,736	(617)	1,708
Not to be reclassified to profit or loss, tax effect	5,699	9,751	4,131	3,825
Gain/ loss arising from defined benefit plans, tax effect	5,610	9,838	4,099	3,911
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	89	(87)	32	(86)
To be reclassified to profit or loss	1,314,618	424,151	464,216	495,818
Currency translation differences	1,508,923	578,907	575,484	559,585
Other comprehensive income related with hedges of net investments in foreign operations	(213,036)	(162,704)	(98,110)	(75,873)
Other comprehensive income/ loss related with cash flow hedge	(1,640)	(7,394)	(3,975)	3,146
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	20,371	15,342	(9,183)	8,960
- Currency translation differences of investments accounted for using the equity method	18,972	15,395	(8,539)	9,135
- Gain/loss from cash flow hedges of investments accounted for using equity method	1,399	(53)	(644)	(175)
To be reclassified to profit or loss, tax effect	53,670	37,424	31,151	16,001
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	53,260	35,796	30,274	16,693
Other comprehensive income related with cash flow hedge, tax effect	410	1,628	877	(692)
Other comprehensive income/ (loss) (net of tax)	1,343,877	424,056	478,528	497,379
Total comprehensive income	2,985,224	1,092,064	1,019,683	905,942
Attributable to:				
Non-controlling interest	53,823	30,359	23,700	12,155
Equity holders of the parent	2,931,401	1,061,705	995,983	893,787

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

	Paid-in capital	Adjustmen to share capital	Share premium /discount	Balancing account for merger capital	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			Equity holders of the parent	Non-controlling interest	Total equity
					Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through their comprehensive income	Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income				
Balance at January 1, 2020	675,728	468,811	889	14,507	(228,111)	2,443	(736,028)	3,611,032	409,115	4,515,065	924,833	9,658,284	157,685	9,815,969	
Transfers	-	-	-	-	-	-	-	-	-	924,833	(924,833)	-	-	-	
Total comprehensive income	-	-	-	-	(39,168)	1,649	(132,727)	569,594	-	-	662,357	1,061,705	30,359	1,092,064	
Net income	-	-	-	-	-	-	-	-	-	-	662,357	662,357	5,651	668,008	
Other comprehensive income	-	-	-	-	(39,168)	1,649	(132,727)	569,594	-	-	-	399,348	24,708	424,056	
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(27,086)	(27,086)	
As of June 30, 2020	675,728	468,811	889	14,507	(267,279)	4,092	(868,755)	4,180,626	409,115	5,439,898	662,357	10,719,989	160,958	10,880,947	
Balance at January 1, 2021	675,728	468,811	889	14,507	(298,280)	4,918	(969,125)	5,225,745	409,115	5,439,898	2,847,839	13,820,045	203,801	14,023,846	
Transfers	-	-	-	-	-	-	-	-	146,621	2,701,218	(2,847,839)	-	-	-	
Total comprehensive income	-	-	-	-	(22,749)	(1,662)	(159,607)	1,492,058	-	-	1,623,361	2,931,401	53,823	2,985,224	
Net income	-	-	-	-	-	-	-	-	-	-	1,623,361	1,623,361	17,986	1,641,347	
Other comprehensive income	-	-	-	-	(22,749)	(1,662)	(159,607)	1,492,058	-	-	-	1,308,040	35,837	1,343,877	
Dividends	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)	(13,222)	(1,513,222)	
As of June 30, 2021	675,728	468,811	889	14,507	(321,029)	3,256	(1,128,732)	6,717,803	555,736	6,641,116	1,623,361	15,251,446	244,402	15,495,848	

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

	Notes	Reviewed	
		January 1- June 30, 2021	January 1- June 30, 2020
Cash flows from operating activities:			
Net income:		1,641,347	668,008
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		725,727	578,332
Adjustments for impairment loss	31	46,223	34,292
Adjustments for other provisions	31	1,077,169	136,606
Adjustments for interest income	24	(146,091)	(72,548)
Adjustments for interest expense	25	753,043	722,471
Adjustments for income arised from government grants		(32,440)	(37,521)
Adjustments for unrealised foreign exchange losses (gains)	24.25	(8,969)	54,805
Adjustments for fair value (gains) losses on derivative financial instruments	24.25	245,252	193,184
Adjustments for undistributed profits of investments accounted for using equity method	12	13,403	(24,658)
Adjustments for tax expense/income	26	236,447	166,130
Adjustments for losses (gains) on disposal of non-current assets	23	(541)	(202)
Other adjustments to reconcile profit (loss)	24.25	11,517	4,663
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	23	-	(226,498)
Adjustments regarding net profit reconciliation for the period		4,562,087	2,197,064
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(4,801,992)	509,181
Adjustments for decrease (increase) in inventories		(5,258,009)	(265,909)
Decrease (increase) in prepaid expenses		(42,642)	(148,481)
Adjustments for increase (decrease) in trade payables		3,442,163	352,537
Increase (decrease) in employee benefit liabilities		(21,272)	(152,102)
Adjustments for increase (decrease) in other operating payables		16,406	(17,921)
Increase (decrease) in government grants and assistance		21,471	29,066
Other adjustments for other increase (decrease) in working capital		(142,353)	452,987
Income taxes refund (paid)		(101,444)	(51,431)
Cash flows from operating activities		(2,325,585)	2,904,991
Investing activities:			
Cashflow used in obtaining control of subsidiaries or other businesses	3	(361,486)	-
Cashflow used in payment to obtaining control of subsidiaries or other businesses	20	(2,986,099)	-
Cash inflows related to sales that will result in loss of control of subsidiaries		-	275,778
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	12	(38,220)	(35,228)
Cash outflows from purchases of property, plant and equipment and intangible assets		(908,983)	(584,031)
Cash inflows from sale of property, plant and equipment and intangible assets		22,017	34,013
Dividends received	12	11,165	-
Cash flows from investing activities		(4,261,606)	(309,468)
Financing activities:			
Proceeds from borrowings	7	3,877,960	2,571,435
Repayments of borrowings	7	(2,662,635)	(2,465,096)
Bonds issued	7	5,122,336	-
Payments of lease liabilities	7	(246,907)	(146,929)
Dividends paid		(1,513,222)	(27,086)
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(231,926)	(208,258)
Interest paid		(587,789)	(784,876)
Interest received		159,096	76,803
Other inflows (outflows) of cash	24.25	(11,517)	(4,663)
Cash flows from financing activities		3,905,396	(988,670)
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		(2,681,795)	1,606,853
Effect of currency translation differences		1,436,045	713,495
Net increase/(decrease) in cash and cash equivalents		(1,245,750)	2,320,348
Cash and cash equivalents at January 1	5	11,988,227	6,922,938
Cash and cash equivalents at June 30	5	10,742,477	9,243,286

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 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-three manufacturing plants in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company and the companies owned by Koç Family (Note 21).

The Company’s head office is located at: Karaağaç Caddesi No: 2-6 Sütlüce 34445 Beyoğlu Istanbul / Turkey. The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 1986. As of Jun 30, 2021, the publicly listed shares are 25.15% of the total shares. (Dec 31, 2020: 25.15%)

The average number of personnel employed by categories in the Group in 2021 is 8,065 monthly paid (January 1 - Jun 30 2020: 7,949) and 28,683 hourly paid (1 January – 30 Jun 2020: 24,696) totalling to 36,747 (2020: 32,645). Whirlpool Beyaz Eşya Sanayi ve Tic A.Ş was included in consolidation as of 30 June 2021. The total number of personnel employed by categories in the Whirlpool is 131 Monthly paid and 1,087 hourly paid totalling to 1218.

<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”) ⁽⁹⁾	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) ⁽⁹⁾	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Indonesia, PT (“Beko Indonesia”)	Indonesia	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko APAC IBC Co. (“Beko APAC”)	Thailand	Service	Service
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Central Asia LLC (“Beko Central Asia”)	Kazakhstan	Sales	Consumer Durables
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH (Switzerland)	Switzerland	Sales	Consumer Durables/Electronics
Beko Gulf FZE (“Beko Gulf”)	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Home Appliances Portugal (“Beko Portugal”)	Portugal	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Israel Household Appliances Ltd. (“Beko Israel”)	Israel	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 S.A.R.L. (“Beko Morocco”)	Morocco	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. (“Beko Philippines”)	Republic of the Philippines	Sales	Consumer Durables
Beko Plc. (“Beko UK”) ⁽⁹⁾	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) ⁽⁹⁾	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
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”)	Bangladesh	Investment	Consumer Durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables
Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş ⁽¹⁾	Turkey	Production/Sales	Consumer Durables

⁽⁹⁾ Branches of the Subsidiary, which operate in a different country, are separately presented

(1) Purchased on 30 June 2021, procedures will be made by company for a name change in the following periods.

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(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>
Ongoing operations as of reporting date			
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited (“Singer Bangladesh”)	Bangladesh	Production/Sales	Consumer Durables/Electronics”
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables
Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. ⁽¹⁾	Turkey	Production/Sales	Consumer Durables
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 condensed consolidated financial statements

These condensed interim consolidated financial statements as of and for the period 1 January – 30 June 2021 has been approved for issue by the Board of Directors on 9 August 2021.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

The Group prepared its condensed consolidated interim financial statements for the period ended June 30, 2021 in accordance with TAS 34 “Interim Reporting” standard. Interim condensed consolidated financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

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

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

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at June 30, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/IFRS and IFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations applicable as at 30 June 2021:

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

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

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

2.1 Basis of presentation (Continued)

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

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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 Jun 30, 2021 and December 31, 2020 (%) and their functional currencies:

	Functional currency	June 30, 2021		December 31, 2020	
		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	New Zealand Dollar (“NZD”) Australian Dollar (“AUD”)	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 Central Asia	Kazakhstan Tenge (“KZT”)	100.00	100.00	100.00	100.00
Beko Grundig 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 Portugal	Euro (“EUR”)	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 Shanghai	Chinese Yuan (“CNY”)	100.00	100.00	100.00	100.00
Beko Slovakia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Grundig Schweiz	Swiss Franc (“CHF”)	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	United States 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 Norway	Norwegian Krone (“NOK”)	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona (“SEK”)	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc (“CHF”)	100.00	100.00	100.00	100.00
International Appliances (*)	Bangladeshi Taka (“BDT”)	-	-	56.99	56.99
Pan Asia	US Dollar (“USD”)	100.00	100.00	100.00	100.00
Pazarlama A.Ş.	Turkish Lira (“TRY”)	100.00	100.00	100.00	100.00
PT Home Appliances Indonesia	Indonesian Rupiah (“IDR”)	67.00	67.00	67.00	67.00
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
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
Whirlpool White Goods (Turkey)	Turkish Lira (“TRY”)	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

(*) International Appliances has merged with Singer Bangladesh in 2021 first quarter.

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

2.1 Basis of presentation (Continued)

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

Except for the change mentioned in the paragraph below, Group has applied consistent accounting policies in the preparation of consolidated financial statements presented except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

For the period ended 1 January – 30 June 2020, inventory provision expenses amounting to 13,174 TRY has been reclassified from “Other income from operating activities” to “Cost of sales” in the condensed consolidated statement of profit or loss.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the period ended June 30, 2021 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended June 30, 2021 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2020. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

NOTE 3 – BUSINESS COMBINATION

On June 30, 2021 the Group has acquired 100% of the shares of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. located in the Manisa.

Whirlpool Beyaz Eşya produces washing machine and cooling in 2 manufacturing facilities under the name of Whirlpool Brand, this acquisition is expected to increase the total capacity of cooling and washing machine production approximately 20%.

In addition to the TRY 811.5 million paid at the date of the transaction, The purchase price consist of the deferred purchase price payable due to changes in the amount of net assets purchased as a result of the audit of the closing balance sheet at the date of purchase and as a result of evaluations VAT receivables on Whirlpool Turkey's closing balance will be collected or set off until 2023. It consists of the possible contingent payment price. The total amount of 152.2 million TRY calculated according to the best estimates made by the Group management as of 30 June 2021 is included in the purchase price and taken into account in the goodwill calculation in the provisional purchase accounting application. The payment term of the amount involved to be paid is predicted as less than 1 year as of 30 June 2021, and the net present value calculation effect is insignificant. Within the scope of TFRS 3, the differences that will occur due to operational results in the following period in the amount accounted as contingent payment will be recognized in the consolidated statement of profit or loss.

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

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

Cash consideration	811,540
Contingent consideration and deferred purchase price (Note 20)	152,227
Total consideration	963,767
Cash and cash equivalents	450,054
Trade receivables	226,359
Inventories	436,643
Other current assets	312,374
Tangible assets (Note 13)	225,300
Intangible assets (Note 14)	3,775
Deferred tax assets (Note 26)	70,593
Trade and other payables	(1,024,332)
Other liabilities	(83,910)
Total value of identifiable net assets (100%)	616,856
Goodwill	346,911
Total consideration	963,767

In the consolidated income statement, the related acquisition has no effect on sales revenues and net profit as of January 1 - June 30, 2021.

Had the financial statements of Whirlpool Beyaz Eşya been consolidated since January 1, 2021, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 1,408,996 and TRY 76,363 respectively.

As of June 30, 2021, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 743.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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

NOTE 3 – BUSINESS COMBINATION (Continued)

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

Total consideration in cash	811,540
Cash and cash equivalents – acquired	(450,054)
Cash outflow due to acquisition of subsidiary (net)	361,486

Share purchase agreement has been signed between the Company and Hitachi Global Life Solutions, Inc. (“Hitachi GLS”) on December 16, 2020, in order to establish a joint venture that Arçelik A.Ş. will control with the majority interest to operate in the global home appliances market outside the Japanese market. Following the stated agreement, Joint Venture Agreement, Master Brand Agreement and other related agreements has been signed. In this context, Hitachi GLS has incorporated a new company in the Netherlands and transferred all the assets and home appliances business lines owned by its 11 subsidiaries to the new company. Arçelik acquired 60% of the shares of this Company on July 1, 2021 (Note 20). Transaction value is calculated as USD 343 million including all minority rights on a cash-free and debt-free basis for 60% of the shares. Eventual price adjustment will be made according to definite amounts and change in the minority rights following the independent financial audit of the financial statements dated 30.06.2021.

NOTE 4 - SEGMENT REPORTING

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

Arçelik’s reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows:

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

	White goods	Consumer electronics	Other	Total
Net sales (*)	21,095,162	2,261,498	4,161,568	27,518,228
Gross profit	7,122,911	473,405	1,279,737	8,876,053
Depreciation and amortization	566,102	95,051	75,109	736,262
Capital expenditures	754,097	125,915	39,506	919,518

(*) The Group recognised net sales amounting to TRY 27,502,895 with respect to the performance obligations satisfied at a point in time for the year ended June 30, 2021 (2020: TRY 15,584,274).

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

	White goods	Consumer electronics	Other	Total
Net sales	11,180,799	1,894,177	2,524,681	15,599,657
Gross profit	3,751,540	426,214	698,134	4,875,888
Depreciation and amortization	457,981	92,389	37,449	587,819
Capital expenditures	484,900	89,218	19,400	593,518

c) Operational segments which have been prepared in accordance with the reportable segments for the three-month periods between April 1 – June 30, 2021 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	11,148,140	1,102,841	2,283,433	14,534,414
Gross profit	3,496,681	234,963	661,567	4,393,211
Depreciation and amortization	292,447	75,319	18,429	386,195
Capital expenditures	406,675	115,169	(3,289)	518,555

(*) The Group recognized net sales amounting to TRY 14,526,810 with respect to the performance obligations satisfied at a point in time for the three-month periods between April 1- June 30, 2021.

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

	White goods	Consumer electronics	Other	Total
Net sales	5,457,857	913,773	1,460,499	7,832,129
Gross profit	1,833,067	197,852	377,251	2,408,170
Depreciation and amortization	238,119	52,938	10,874	301,931
Capital expenditures	236,602	43,265	6,055	285,922

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

	Asia					Total
January 1 – June 30, 2021	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	9,475,675	12,143,378	1,506,954	2,997,471	1,394,750	27,518,228
	Asia					Total
January 1 – June 30, 2020	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	6,014,074	6,892,140	666,691	1,367,242	659,510	15,599,657

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NOTE 4 - SEGMENT REPORTING (Continued)

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

April 1 – June 30, 2021	Asia					Total
	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	4,789,277	6,511,072	770,741	1,684,661	778,663	14,534,414

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020
Cash in hand	1,116	843
Cash at banks		
- demand deposits	1,803,120	1,094,544
- time deposits	8,587,051	10,710,844
Cheques and notes	93,450	83,672
Other	257,740	98,324
Cash and cash equivalents in cash flow statement	10,742,477	11,988,227
Interest income accruals	1,014	14,019
	10,743,491	12,002,246

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

Up to 30 days	7,086,595	11,543,147
30-90 days	3,656,896	459,099
	10,743,491	12,002,246

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

TRY	18.5	17.4
USD	1.2	2.8
EUR	0.3	0.2
GBP	0.0	0.0
RUB	4.9	4.2
Other currencies (*)	1.2	1.3

(*) Weighted average of other currencies.

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NOTE 6 - FINANCIAL INVESTMENTS

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

	June 30, 2021	December 31, 2020
Fair value gain/losses of financial assets reflected to other comprehensive income	3,863	5,614
Total	3,863	5,614

	<u>June 30, 2021</u>		<u>December 31, 2020</u>	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	3,784	0.34	5,535
Other		79		79
		3,863		5,614

Financial investment carried at fair value through other comprehensive income of the Group includes shares of Tat Gıda Sanayi A.Ş., a listed company, whose fair value is determined by using the remaining bid offer in BIST as of balance sheet date.

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the financial investment carried at fair value through other comprehensive income, amounting to TRY 1,751 (June 30, 2020: TRY 1,736) and net of deferred tax effect amounting to TRY 89 (June 30, 2020: TRY 87) have been recognized in the condensed consolidated shareholders’ equity under the “Gain/losses from the financial investments carried at fair value through other comprehensive income” in the period ended June 30, 2021.

The details of financial investments for the years ended June 30, are as follows:

	2021	2020
As of January 1	5,614	3,009
Change in fair value	(1,751)	1,736
As of June 30	3,863	4,745

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NOTE 7 - BORROWINGS

a) Short-term borrowings

	June 30, 2021	December 31, 2020
Short-term bank borrowings	5,067,606	4,518,863
Short-term lease liabilities	255,076	201,043
Payables from factoring activities (*)	157,626	120,716
Total short-term borrowings	5,480,308	4,840,622
Short-term portion of long-term bank borrowings and interest accruals	1,693,871	1,132,201
Short term portion of long-term bond issued and interest accruals (**)	4,365,611	4,258,054
Total short-term portion of long-term borrowings	6,059,482	5,390,255

(*) Factoring liabilities are amounting to TRY 84,580 (December 31, 2020: TRY 69,062) denominated in EUR and TRY 73.046 (December 31, 2020: TRY 51,654) in GBP and interest rates are between 0.6 % for EUR (December 31, 2020: 0.6%). Interest rates are between %0.68 for GBP (December 31, 2020: 0.62)

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

2021:

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

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

2019:

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%.

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NOTE 7 - BORROWINGS (Continued)

As of June 30, 2021, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	18.6	1,412,897,659	1,412,898
EUR	0.4	171,514,767	1,777,663
PKR	8.2	12,358,113,476	673,270
BDT	5.7	6,153,925,652	632,501
ZAR	5.1	510,487,156	309,667
USD	2.0	17,683,026	153,934
AUD	3.3	15,250,894	99,816
RUB	7.4	65,793,657	7,857
			5,067,606

As of December 31, 2020, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.5	2,247,044,734	2,247,045
EUR	0.4	134,799,769	1,214,263
PKR	7.9	9,324,255,812	423,880
ZAR	4.6	400,000,000	201,152
BDT	7.0	2,039,294,649	177,637
USD	2.0	23,092,853	169,513
AUD	3.3	13,276,752	74,451
RUB	2.0	110,951,436	10,922
			4,518,863

b) Long-term borrowings

	June 30, 2021	December 31, 2020
Long-term bank borrowings	3,040,199	2,461,293
Long-term bonds issued	9,472,038	3,667,163
Long-term lease liabilities	731,732	715,892
	13,243,969	6,844,348

As of June 30, 2021, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	15.3	3,470,836,508	3,470,837
EUR	1.9	68,035,724	705,156
ZAR	5.8	500,000,000	303,305
PKR	7.5	4,676,430,881	254,772
			4,734,070
Short-term portion of long-term loans and interest accruals			(1,693,871)
			3,040,199

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NOTE 7 - BORROWINGS (Continued)

As of December 31, 2020, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	14.0	2,517,022,069	2,517,022
EUR	1.9	68,042,709	612,922
ZAR	5.5	500,000,000	251,440
PKR	7.4	4,638,635,971	210,872
BDT	9.5	14,214,569	1,238
			3,593,494
Short-term portion of long-term loans and interest accruals			(1,132,201)
			2,461,293

As of June 30, 2021, detail of discounted amounts of long-term and short-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.0	505,778,204	4,402,900
EUR	3.4	711,107,191	7,370,270
TRY	19.7	2,064,478,791	2,064,479
			13,837,649
Interest accruals of long-term bonds issued			(239,027)
			13,598,622

As of December 31, 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	505,690,623	3,712,022
EUR	3.9	353,844,934	3,187,400
TRY	19.1	1,025,794,742	1,025,795
			7,925,217
Interest accruals of long-term bonds issued			(106,468)
			7,818,749

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

	June 30, 2021	December 31, 2020
2022	358,987	1,138,782
2023	7,797,231	4,319,941
2024	222,974	208,782
2025 to 2027	4,141,182	464,038
	12,520,374	6,131,543

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NOTE 7 - BORROWINGS (Continued)

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

	June 30, 2021	December 31, 2020
Up to 3 months	8,758,323	3,296,338
3 - 12 months	3,495,975	6,840,891
1-5 years	10,841,228	4,981,856
Over 5 years	179,145	679,320
	23,274,671	15,798,405

As of June 30, 2021, and June 30, 2020, financial debt reconciliation is as follows:

2021	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(916,934)	(10,029,834)	(6,128,457)	(17,075,225)
Cash flows	246,907	2,175	(6,339,836)	(6,090,754)
Transfers	-	(638,406)	638,406	-
Changes in interest accruals	(31,280)	(133,974)	-	(165,254)
Changes in factoring liabilities	-	(36,909)	-	(36,909)
Changes in lease liabilities	(165,377)	-	-	(165,377)
Currency translation adjustments	(120,124)	(447,766)	(682,350)	(1,250,240)
Financial debt as of June 30	(986,808)	(11,284,714)	(12,512,237)	(24,783,759)

2020	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(735,420)	(5,974,472)	(8,245,244)	(14,955,136)
Cash flows	146,929	1,454,704	(1,561,043)	40,590
Transfers	-	(834,151)	834,151	-
Changes in interest accruals	(27,773)	90,178	-	62,405
Changes in factoring liabilities	-	5,397	-	5,397
Changes in lease liabilities	(197,147)	-	-	(197,147)
Currency translation adjustments	(54,174)	(344,458)	(451,000)	(849,632)
Financial debt as of June 30	(867,585)	(5,602,802)	(9,423,136)	(15,893,523)

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NOTE 8 - DERIVATIVE INSTRUMENTS

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

	June 30, 2021			December 31, 2020		
	Contract amount	Fair value assets	/(liabilities)	Contract amount	Fair value assets	/(liabilities)
Held for trading:						
Short-term derivative instruments						
Forward transactions	8,889,507	30,231	(25,452)	1,863,257	9,845	(267)
Foreign currency swap contracts	7,849,744	7,533	(6,550)	8,764,899	17,509	(5,084)
Cash flow hedge:						
Interest rate swap contracts (*)	500,000	441	-	1,000,000	-	(2,915)
Short-term derivative instruments,	38,205	(32,002)		27,354	(8,266)	
Cash flow hedge:						
Interest rate swap contracts (*)	300,000	-	(2,081)	-	-	-
Long-term derivative instruments,	-	(2,081)		-	-	-

(*) As of 30 June 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of long term bond issued amounting to TL 500 million on 24 July 2019 and maturity of the bond is July 16 2021, with a fixed rate instalment payment for the purpose of cash flow hedge (31 December 2020: 1 Billion TL).

(*) As of 30 June 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of long term bond issued amounting to TL 300 million on 29 April 2021 and maturity of the bond is April 27 2023, with a fixed rate instalment payment for the purpose of cash flow hedge (31 December 2020: None).

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2021	December 31, 2020
Short-term trade receivables:		
Trade receivables	15,942,369	10,925,282
Notes receivables	1,132,076	1,246,101
Cheques receivables	475,609	384,202
Short-term trade receivables (gross)	17,550,054	12,555,585
Provision for expected credit loss	(338,700)	(300,665)
Unearned credit finance expense	(210,592)	(208,628)
Short-term trade receivables (net)	17,000,762	12,046,292

As of June 30, 2021, the Group has derecognized TRY 1,455,772 (December 31, 2020: TRY 1,238,538) of the trade receivables which are collected from the factoring companies as part of the irrevocable factoring transactions.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 144,595 related with its local bank borrowings (December 31, 2020: TRY 124,268).

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

	2021	2020
As of January, 1	300,665	232,307
Current year additions (Note 22)	11,115	21,118
Provisions no longer required (Note 22)	(2,140)	(1,079)
Acquisitions	14,232	-
Write-offs (*)	(6,369)	(4,165)
Currency translation differences	21,197	11,024
As of June, 30	338,700	259,205

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

	June 30, 2021	December 31, 2020
Long-term trade receivables		
Trade receivables	114,405	126,885
Unearned credit finance expense	(76,574)	(58,660)
	37,831	68,225

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	June 30, 2021	December 31, 2020
Short-term trade payables:		
Trade payables	11,675,449	8,149,453
Debt accruals	1,076,793	679,971
Unearned credit finance charges	(141,116)	(180,051)
	12,611,126	8,649,373

NOTE 10 - OTHER PAYABLES

	June 30, 2021	December 31, 2020
Taxes and duties payable	613,856	600,045
Dividend payables to shareholders	35,834	31,187
Deposits and guarantees received	5,397	4,303
Other	95,142	90,539
	750,229	726,074

NOTE 11 - INVENTORIES

	June 30, 2021	December 31, 2020
Raw materials and supplies	4,707,703	2,873,767
Work in progress	321,753	202,444
Finished goods	5,507,608	3,244,160
Trade goods	2,110,221	898,108
Inventories (gross)	12,647,285	7,218,479
Provision for impairment on inventories	(138,781)	(122,857)
Inventories (net)	12,508,504	7,095,622

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 129,732 related with its local bank borrowings (December 31, 2020: TRY 128,501).

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

	June 30, 2021	December 31, 2020
Raw materials and supplies	49,300	28,964
Finished goods	74,467	79,800
Trade goods	15,014	14,093
	138,781	122,857

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NOTE 11 – INVENTORIES (Continued)

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

	2021	2020
As of January 1	122,857	91,826
Current year additions	35,108	13,174
Realized due to sales of inventory	(33,267)	(21,403)
Acquisitions	4,245	-
Currency translation differences	9,838	8,196
As of June 30	138,781	91,793

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2021		December 31, 2020	
	%	TRY	%	TRY
Koç Finansman	47,0	255,807	47,0	228,601
Arçelik – LG	45,0	235,069	45,0	197,317
VoltBek	49,0	177,046	49,0	202,788
Ram Dış Ticaret	33,5	16,018	33,5	16,843
Tamı Pazarlama	32,0	1,813	32,0	2,467
		685,753		648,016

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

	2021	2020
As of January, 1	648,016	526,499
Associate capital share contribution	38,220	35,228
Shares of income/loss of associates	(13,403)	24,658
Shares of other comprehensive income/loss of associates	1,149	94
Gross profit elimination on inventory	3,964	(2,099)
Dividends received	(11,165)	-
Currency translation difference	18,972	15,395
As of June, 30	685,753	599,775

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

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Koç Finansman	30,291	17,279	14,574	6,015
Arçelik - LG	34,067	32,617	19,688	21,013
Ram Dış Ticaret	5,849	5,125	3,891	4,194
Tamı Pazarlama	(676)	663	(1,066)	690
VoltBek	(82,934)	(31,026)	(55,033)	(14,790)
	(13,403)	24,658	(17,946)	17,122

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NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

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

June 30, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	4,126,921	1,392,260	1,821,016	1,406,522	8,746,719
Total liabilities	3,582,650	1,344,445	1,459,698	878,481	7,265,274
Net sales	342,653	2,012,475	437,682	1,335,343	4,128,153

December 31, 2020	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	3,207,223	1,294,591	1,235,365	742,213	6,479,392
Total liabilities	2,720,838	1,244,313	821,505	296,016	5,082,672
Net sales	450,043	3,745,954	476,996	1,427,499	6,100,492

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2021	2020
As of January 1		
Cost	13,910,235	11,502,131
Accumulated depreciation	(6,613,667)	(5,460,729)
Net carrying value	7,296,568	6,041,402
Net carrying value at the beginning of the period	7,296,568	6,041,402
Acquisitions (Note 3)	225,300	-
Subsidiary sale	-	(7,939)
Additions	817,570	613,045
Transfers	-	120
Disposals	(39,851)	(74,020)
Currency translation differences	718,303	330,896
Depreciation for the period	(574,038)	(453,954)
Net carrying value at the end of the period	8,443,852	6,449,550
As of June 30		
Cost	16,300,537	12,510,423
Accumulated depreciation	(7,856,685)	(6,060,873)
Net carrying value	8,443,852	6,449,550

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 30 June 2021, the net book value of the right of use assets classified under tangible assets is TRY 968,436 (30 June 2020: 834,866).

Additions to rights-to-use assets for the six months period ended 30 June 2021 166,216 TL (30 June 2020:209,034 TL), depreciation expenses are TRY 168,957 (30 June 2020: 128,478).

There is no mortgage on property, plant and equipment as of June 30, 2021 (December 31, 2020: None)

NOTE 14 – OTHER INTANGIBLE ASSETS

	2021	2020
As of January 1		
Cost	5,130,667	4,242,324
Accumulated amortization	(1,566,723)	(1,264,389)
Net carrying value	3,563,944	2,977,935
Net carrying value at the beginning of the period	3,563,944	2,977,935
Acquisitions	3,775	-
Subsidiary sale	-	(40,132)
Additions	268,164	189,507
Transfers ^(*)	-	(226)
Disposals	-	(79)
Currency translation differences	431,552	144,166
Amortization for the period	(162,224)	(133,865)
Net carrying value at the end of the period	4,105,211	3,137,306
As of June 30		
Cost	5,996,056	4,541,231
Accumulated amortization	(1,890,845)	(1,403,925)
Net carrying value	4,105,211	3,137,306

As of 30 June 2021, total amount of capitalized borrowing cost is 985 TL (30 June 2020: None)

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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2021, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,419,069,635 (December 31, 2020: USD 321,306,330). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

	June 30, 2021	December 31, 2020
Collaterals obtained	6,071,573	4,852,845

Collaterals/ pledges/ mortgages/bill of guarantees (“CPMB”) position of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
CPMB’s given by the Company		
A. CPMB’s given for Company’s own legal personality	473,072	300,894
B. CPMB’s given on behalf of fully consolidated companies	2,116,553	1,625,843
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	2,589,625	1,926,737

TRY equivalents of CPMB given as of June 30, 2021 and December 31, 2020 are as follows on original currency basis are as follows:

	June 30, 2021	December 31, 2020
CPMB's given by the Company		
TRY	155,722	101,312
EUR	787,168	685,979
USD	309,233	278,730
Other currencies	1,337,502	860,716
	2,589,625	1,926,737

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NOTE 16 – OTHER PROVISIONS

	June 30, 2021	December 31, 2020
Other short-term provisions		
Warranty provision	667,144	572,725
Provision for transportation cost	266,304	96,459
Assembly provision	211,673	135,561
Provisions for lawsuits	47,331	27,600
Provision for returns	3,317	2,883
Other	255,999	142,250
	1,451,768	977,478
Other long-term provisions		
Warranty provision	319,239	289,640
	319,239	289,640

NOTE 17 – PREPAID EXPENSES

	June 30, 2021	December 31, 2020
Short-term prepaid expenses	313,868	309,640
Advances given for inventories	247,810	187,143
	561,678	496,783
	June 30, 2021	December 31, 2020
Long-term prepaid expenses	103,855	83,484
	103,855	83,484

NOTE 18 – CURRENT INCOME TAX ASSETS

	June 30, 2021	December 31, 2020
Prepaid taxes and funds	164,281	143,032
	164,281	143,032

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	June 30, 2021	December 31, 2020
Payables to personnel	356,985	333,481
Social security payables	111,918	91,155
Accruals for bonuses and premiums	56,317	67,918
	525,220	492,554

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NOTE 20 - OTHER ASSETS AND LIABILITIES

	June 30, 2021	December 31, 2020
Other current assets:		
Value added tax and private consumption tax receivable	720,996	455,657
Taxes and funds deductible	670,123	454,966
Income accruals	54,605	88,832
Other	98,170	146,912
	1,543,894	1,146,367
	June 30, 2021	December 31, 2020
Other non-current assets:		
Payment for subsidiary acquisition (*)	2,986,099	-
	2,986,099	-

(*) The process of establishing a joint venture was completed on 1 July 2021. Arçelik A.Ş will control with the majority interest to operate in the global home appliances market outside the Japanese market. In this context Hitachi GLS incorporated a new company in Netherlands and transfer all the assets and home appliances business lines owned by its 11 subsidiaries to the new company. Arçelik A.Ş bought %60 of the of this company (the "Company") as of July 1, 2021. Transaction value is calculated as USD 343 million on a cash-free and debt-free basis for 60% of the business, including all the minority shares. The transaction value is subject to customary adjustments based on the independent audit results of the Company as of closing date. In addition to this, Hitachi GLS may acquire some of the minority interests until the closings and the transaction value is subject to customary adjustments. The purchase price has been paid as of 30 June and the control of the company has passed to the Group on July 1, 2021.

	June 30, 2021	December 31, 2020
Other current liabilities:		
Accruals for customer premiums	1,745,307	1,336,801
Advances received	243,762	317,015
Liabilities attributable to the acquisition of subsidiary (Note 3)	152,227	-
Deferred income	80,847	76,891
Other	27,279	8,022
	2,249,422	1,738,729
	June 30, 2021	December 31, 2020
Other long-term liabilities:		
Deferred income	654,974	487,712
Other	114,257	93,994
	769,231	581,706

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NOTE 21 - EQUITY

Paid-in capital

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

	June 30, 2021	December 31, 2020
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	June 30, 2021		December 31, 2020	
	Share (%)	Amount	Share (%)	Amount
Shareholders				
Koç Holding A.Ş.	40.56	274,070	40.56	274,070
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	51.98	351,237	51.98	351,237
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.12	809	0.12	809
Other	25.15	169,960	25.15	169,960
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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NOTE 21 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	June 30, 2021	December 31, 2020
Legal reserves	555,736	409,115

As agreed in the ordinary general meeting dated March 23, 2021, the decision to pay dividends as cash has been taken and the payment was made in March 2021 (1,5 Billion). The dividend details are as follows: 221.98274% (2020: None) corresponding to gross TRY 2.2198274 (full) (2020:None) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 221.98274% (2020: None) corresponding to gross TRY 2.2198274 (full) (2020: None) and net TRY 1.8868532 (full) (2020: None) per share of TRY 1.00 (full) nominal value to the other shareholders.

Dividend distribution

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Other income from operating activities:				
Foreign exchange gains arising from trading activities	1,284,032	660,235	428,846	327,778
Income from claims and grants(*)	32,440	321,897	13,315	93,087
Credit finance income arising from trading	29,286	20,746	15,906	9,654
Reversal of provisions for doubtful receivables (Note 9)	2,140	1,079	1,346	41
Other	3,104	3,096	1,572	1,441
	1,351,002	1,007,053	460,985	432,001
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(992,001)	(288,641)	(382,825)	(149,406)
Credit finance charges arising from trading activities	(166,856)	(68,022)	(40,470)	(47,399)
Provision expense for doubtful receivables (Note 9)	(11,115)	(21,118)	(6,490)	(7,804)
Other	(22,634)	(3,926)	(12,093)	(1,688)
	(1,192,606)	(381,707)	(441,878)	(206,297)

(*) 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 284.4 million TL was obtained from CRT suppliers by settlement. The amount is presented in income from claims and grants line

NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Income from investment activities:				
Profit from sales of subsidiary (*)	-	226,498	-	226,498
Income from sales of property plant and equipment	3,306	1,653	1,150	851
Dividends received from financial investments	117	93	-	-
	3,423	228,244	1,150	227,349
Expenses from investment activities:				
Loss from sales of property plant and equipment	(2,765)	(1,451)	(169)	(776)
	(2,765)	(1,451)	(169)	(776)

(*) The Company has sold 100% owned subsidiary Token Finansal Teknolojiler A.Ş. for a total price of TRY 312.4 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 April 2020.

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NOTE 24- FINANCIAL INCOME

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Foreign exchange gains (*)	1,782,061	1,054,953	535,249	535,542
Gains on derivative instruments	619,256	351,884	191,004	212,680
Interest income	146,091	72,548	47,243	39,081
Other	8,300	6,075	6,027	4,073
	2,555,708	1,485,460	779,523	791,376

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

NOTE 25 - FINANCIAL EXPENSES

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Foreign exchange losses (*)	(1,773,092)	(1,109,758)	(601,623)	(558,617)
Interest expenses (**)	(753,043)	(722,471)	(420,515)	(348,994)
Losses on derivative instruments	(864,508)	(545,068)	(214,322)	(308,086)
Other	(19,817)	(10,738)	(9,727)	(5,878)
	(3,410,460)	(2,388,035)	(1,246,187)	(1,221,575)

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

(**) TRY 31,280 of the interest expenses consists of the interest expense related to lease liabilities (2020: TRY 27,773).

NOTE 26 - TAX ASSETS AND LIABILITIES

	June 30, 2021	December 31, 2020
Corporation and income taxes	442,608	366,674
Prepaid tax	(342,774)	(358,938)
Tax liabilities (net)	99,834	7,736
Deferred tax assets	1,208,284	833,284
Deferred tax liabilities	(817,835)	(563,071)
Deferred tax assets, net	390,449	270,213

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

As of 30 June 2021, the corporate tax rate is 25% in Turkey (December 31, 2020: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Tax (expense)/income				
- Current period tax expense	(372,764)	(141,749)	(152,109)	(65,670)
- Deferred tax income	136,317	(24,381)	109,726	(51,501)
Total tax (expense)/income, net	(236,447)	(166,130)	(42,383)	(117,171)

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

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Property, plant and equipment and intangible assets	5,200,451	4,407,368	(1,234,691)	(1,043,338)
Unused tax advantages (*)	-	-	244,707	409,654
Unused tax credits	(1,136,940)	(822,908)	321,706	269,760
Provision for warranty, assembly and transportation expenses	(1,283,040)	(1,036,964)	302,907	220,513
Inventories	(741,660)	(606,250)	239,058	174,480
Provision for employment termination benefits	(464,950)	(398,093)	106,480	79,832
Provision for doubtful receivables	(130,266)	(125,179)	35,460	32,594
Derivative instruments	4,482	9,927	(1,113)	(1,988)
Other	(1,478,848)	(584,579)	375,935	128,706
Deferred tax assets, net			390,449	270,213

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of June 30, 2021 the tax advantage of TRY 244,707 (December 31, 2020: TRY 409,654) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the condensed consolidated financial statements.

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

	2021	2020
Balance as of January 1	270,213	436,392
Deferred tax income recognized		
in statement of profit or loss	136,317	(24,381)
Acquisitions (Note 3)	70,593	-
Deferred tax income recognized directly in the equity	6,109	11,379
Deferred tax income from subsidiary sales	-	1,041
Currency translation differences	(92,783)	7,218
Balance as of June 30	390,449	431,649

NOTE 27 - EARNINGS PER SHARE

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

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

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

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
Profit for the year attributable to shareholders of the Company	1,623,361	662,357	530,626	406,623
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) (*)	2.402	0.980	0.785	0.602
Diluted earnings per share (kurus) (*)	2.402	0.980	0.785	0.602

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

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NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2021	December 31, 2020
(a) Due from related parties:		
Voltbek ⁽²⁾	85,506	63,945
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	60,465	30,117
Token Finansal Teknolojiler A.Ş. ⁽¹⁾	22,953	6,475
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	2,759	1,651
Other	3,433	965
	175,116	103,153
(b) Due to related parties:		
Current:		
Arçelik-LG ⁽⁴⁾	578,094	198,207
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	488,595	463,096
Ram Dış Ticaret ⁽²⁾	260,754	171,657
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	46,719	46,081
Ingage Dijital Pazarlama Hizmetleri ⁽¹⁾	28,617	37,434
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	25,391	16,475
Koç Holding A.Ş. ⁽³⁾	3,054	34,665
Other	16,945	28,214
	1,448,169	995,829

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Parent company

⁽⁴⁾ Joint venture

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	1.748.909	3,251,407
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⁽¹⁾ Koç Holding group companies

(d) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
June 30, 2021		
Yapı ve Kredi Bankası A.Ş.	3,539,816	7,243 (7,687)
December 31, 2020		
Yapı ve Kredi Bankası A.Ş.	1,926,271	5,230 (311)

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NOTE 28 - RELATED PARTY DISCLOSURES(Continued)

(ii) Transactions with related parties

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
(a) Sales of goods and services:				
Voltbek	119,107	41,087	6,972	8,527
Token Finansal Teknolojiler A.Ş.	55,074	37,542	18,707	37,542
Koçtaş Yapı Marketleri Ticaret A.Ş.	50,878	17,873	31,702	8,012
Bilkom Bilişim Hizmetleri A.Ş.	40,273	6	28,688	-
Yapı ve Kredi Bankası A.Ş.	1,794	1,161	1,259	456
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,043	675	547	233
Other	4,104	4,359	1,965	2,540
	272,273	102,703	89,840	57,310
	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
(b) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,241,461	593,086	730,066	302,585
Arçelik-LG	675,358	391,401	427,467	274,485
Ram Dış Ticaret	349,626	189,567	225,652	101,415
Bilkom Bilişim Hizmetleri A.Ş.	95,132	127,428	48,618	65,055
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	70,111	39,888	51,356	22,849
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)}	65,210	44,676	603	6,340
Ingage Dijital Pazarlama Hizmetleri	53,054	15,797	42,010	12,012
Token Finansal Teknolojiler A.Ş.	49,150	26,071	20,168	26,071
Other	90,726	82,524	48,510	35,256
	2,689,828	1,510,438	1,594,450	846,068

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

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

(*) As at December 31, 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 year ended June 30, 2021 amounts to TRY 18,776 (January 1 -June 30, 2020 TRY 11,309).

TRY 3,938 (June 30, 2020: none) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

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NOTE 28 - RELATED PARTY DISCLOSURES(Continued)

(d) Other transactions:

	January 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2021	April 1- June 30, 2020
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş.	47,505	4,795	13,624	3,127
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş.	-	23	-	-

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity risk

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

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

Interest Rate Risk

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

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

Funding risk

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

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

Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of June 30, 2021 and December 31, 2020 are as follows:

June 30, 2021	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	175,116	17,038,593	10,391,185	38,205
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(12,480,145)	-	-
A. Net book value of financial asset either are not due or not impaired	175,116	16,103,343	10,391,185	38,205
-Secured portion by guarantees, etc.	-	(11,770,051)	-	-
B. Net book value of overdue but not impaired financial assets	-	923,010	-	-
- Secured portion by guarantees, etc.	-	(684,717)	-	-
C. Net book value of the impaired assets	-	25,377	-	-
- Overdue (Gross book value)	-	350,940	-	-
- Impairment (-)	-	(325,563)	-	-
- Secured portion of the net value by guarantees, etc.	-	(25,377)	-	-
D. Expected credit losses (-)	-	(13,137)	-	-

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

Details of credit and receivable risk as of June 30, 2021 and December 31, 2020 are as follows:

December 31, 2020	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	103,153	12,114,517	11,819,407	27,354
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(9,147,345)	-	-
A. Net book value of financial asset either are not due or not impaired	103,153	11,452,216	11,819,407	27,354
-Secured portion by guarantees, etc.	-	(8,616,932)	-	-
B. Net book value of overdue but not impaired financial assets	-	618,934	-	-
- Secured portion by guarantees, etc.	-	(475,930)	-	-
C. Net book value of the impaired assets	-	54,483	-	-
- Overdue (Gross book value)	-	344,032	-	-
- Impairment (-)	-	(289,549)	-	-
- Secured portion of the net value by guarantees, etc.	-	(54,483)	-	-
D. Expected credit losses (-)	-	(11,116)	-	-

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

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

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

	June 30, 2021	December 31, 2020
Group 1	292,371	396,995
Group 2	15,421,665	10,814,135
Group 3	564,423	344,239
	16,278,459	11,555,369

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

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

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

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

	June 30, 2021	December 31, 2020
0-1 month	431,515	280,494
1-3 months	206,960	115,120
3-12 months	210,315	86,777
1-5 years	74,220	136,543
	923,010	618,934

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

The Group has applied the simplified approach stated in TFRS 9 for the calculation of expected credit loss provision for trade receivables. This approach allows expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group appropriately classified its trade receivables based on maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables, which is grouped using past loan loss experiences and forward-looking macroeconomic indicators, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and totals of trade receivable.

Details of the calculation as of June 30, 2021 are as follows:

June 30, 2021	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.01	0.09	0.26	1.41	
Gross carrying amount	16,144,186	447,951	206,960	750,957	17,550,054
Loss allowance provision	1,666	382	529	10,560	13,137

Details of the calculation as of December 31, 2020 are as follows:

December 31, 2020	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.02	0.05	0.73	1.42	
Gross carrying amount	11,555,369	303,297	115,120	581,799	12,555,585
Loss allowance provision	1,869	141	843	8,263	11,116

Foreign exchange risk

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of June 30, 2021, a portion of bank borrowings amounting to EUR 240,000,000(before tax) was designated as a net investment hedging instrument (December 31, 2020: EUR 153,846,154).

Foreign currency position

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

	June 30, 2021	December 31, 2020
Assets	16,837,073	14,798,292
Liabilities	(20,515,651)	(13,445,264)
Net position of financial statement	(3,678,578)	1,353,028
Net position of derivative instruments	3,723,664	(1,922,645)
Foreign currency position (net)	45,086	(569,617)

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of June 30, 2021 are as follows:

	EUR	USD	GBP	AUD	CNY	PLN	CHF	CZK	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	482,903	261,067	117,728	30,914	471,802	88,123	1,406	145,151	207,767,460	150,433	10,032,434
Monetary financial assets	431,048	232,986	2,674	355	-	4	-	7	-	15,182	6,545,485
Other	577	6,921	-	-	80,774	-	-	-	-	-	174,482
Non Current Assets											
Trade receivables	66	9,648	-	-	-	-	-	-	-	-	84,672
Total Assets	914,594	510,622	120,402	31,269	552,576	88,127	1,406	145,158	207,767,460	165,615	16,837,073
Current Liabilities											
Trade payables	356,144	381,042	4,215	7,399	237,637	-	34	-	5,899,651	13,837	7,442,323
Financial liabilities	25,447	44,558	-	-	-	-	-	-	-	-	651,631
Other monetary liabilities	5,240	11,124	2	-	-	-	-	-	-	-	151,171
Non-Current Liabilities											
Trade payables	-	7,243	-	-	-	-	-	-	-	-	63,052
Financial liabilities	757,710	500,000	-	-	-	-	-	-	-	-	12,205,885
Other monetary liabilities	-	183	-	-	-	-	-	-	-	-	1,589
Toplam Liabilities	1,144,541	944,150	4,217	7,399	237,637	-	34	-	5,899,651	13,837	20,515,651
Net Position of Financial Statement	(229,947)	(433,528)	116,185	23,870	314,939	88,127	1,372	145,158	201,867,809	151,778	(3,678,578)
Off-balance sheet											
derivative assets (*)	305,300	442,399	-	7,000	124,558	-	-	-	-	-	7,228,201
Off-balance sheet											
derivative liabilities (*)	(60,880)	(35,470)	(112,650)	(30,000)	(470,000)	(80,894)	-	(125,616)	-	(146,336)	(3,504,537)
Net position of											
off-balance sheet items	244,420	406,929	(112,650)	(23,000)	(345,442)	(80,894)	-	(125,616)	-	(146,336)	3,723,664
Net Asset/(Liability) Position of Foreign Currency	14,473	(26,599)	3,535	870	(30,503)	7,233	1,372	19,542	201,867,809	5,442	45,086
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(229,947)	(433,528)	116,185	23,870	314,939	88,127	1,372	145,158	201,867,809	151,778	(3,678,578)
Hedged Amount of Foreign Currency A:	60,880	35,470	112,650	30,000	470,000	80,894	-	125,616	-	146,336	3,504,537
Hedged Amount of Foreign Currency Liabilities	305,300	442,399	-	7,000	124,558	-	-	-	-	-	7,228,201

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

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2020 are as follows:

	EUR	USD	GBP	DKK	CNY	PLN	ZAR	CZK	VND	Other Currency' s TRY Equivalen t	TRY Equivalent
Current Assets											
Trade receivables	462,086	216,884	118,865	51,732	457,319	132,958	-	323,228	232,159,305	207,025	8,167,183
Monetary financial assets	115,680	738,471	42	4,158	-	1	-	8	-	272	6,468,502
Other	643	8,974	-	-	37,790	-	-	-	-	-	113,923
Non-Current Assets											
Trade receivables	107	6,501	-	-	-	-	-	-	-	-	48,684
Total Assets	578,516	970,830	118,907	55,890	495,109	132,959	-	323,236	232,159,305	207,297	14,798,292
Current Liabilities											
Trade payables	283,315	376,169	5,505	623	237,140	-	2,250	-	5,891,861	51,620	5,688,632
Financial liabilities	12,163	10,241	-	-	-	-	-	-	-	-	184,737
Other monetary liabilities	4,114	9,148	2	-	-	-	-	-	-	-	104,230
Non-Current Liabilities											
Trade payables	-	3,748	-	-	-	-	-	-	-	-	27,512
Financial liabilities	418,316	500,000	-	-	-	-	-	-	-	-	7,438,399
Other monetary liabilities	-	239	-	-	-	-	-	-	-	-	1,754
Toplam Liabilities	717,908	899,545	5,507	623	237,140	-	2,250	-	5,891,861	51,620	13,445,264
Net Position of Financial Statement	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Off-balance sheet derivative assets (*)	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069
Off-balance sheet derivative liabilities (*)	(93,950)	(159,450)	(112,650)	(73,500)	(455,000)	(128,747)	-	(321,753)	-	(192,117)	(4,293,714)
Net position of off-balance sheet items	125,448	(131,610)	(112,650)	(73,500)	(324,851)	(128,747)	-	(321,753)	-	(147,256)	(1,922,645)
Net Asset/(Liability) Position of Foreign Currency	(13,944)	(60,325)	750	(18,233)	(66,882)	4,212	(2,250)	1,483	226,267,444	8,421	(569,617)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Hedged Amount of Foreign Currency A: Hedged Amount of Foreign Currency Liabilities	93,950	159,450	112,650	73,500	455,000	128,747	-	321,753	-	192,117	4,293,714
	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069

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

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

As of June 30, 2021, and December 31, 2020, 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	Foreign exchange	Foreign exchange	Foreign exchange
June 30, 2021	ciation by 10%	reciation by 10%	preciation by 10%	epreciation by 10%
USD net asset/liability	(377,394)	377,394	(389,526)	389,526
Secured portion from USD risk	354,240	(354,240)	354,240	(354,240)
USD Net effect	(23,154)	23,154	(35,286)	35,286
EUR net asset/liability	(78,874)	78,874	(124,971)	124,971
Secured portion from EUR risk	93,875	(93,875)	253,329	(253,329)
EUR Net effect	15,001	(15,001)	128,358	(128,358)
GBP net asset/liability	139,821	(139,821)	187,270	(187,270)
Secured portion from GBP risk	(135,566)	135,566	(135,566)	135,566
GBP Net effect	4,255	(4,255)	51,704	(51,704)
AUD net asset/liability	15,623	(15,623)	856	(856)
Secured portion from AUD risk	(15,053)	15,053	(15,053)	15,053
AUD Net effect	570	(570)	(14,197)	14,197
PLN net asset/liability	20,203	(20,203)	60,221	(60,221)
Secured portion from PLN risk	(18,545)	18,545	(18,545)	18,545
PLN Net effect	1,658	(1,658)	41,676	(41,676)
CHF net asset/liability	1,294	(1,294)	1,294	(1,294)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	1,294	(1,294)	1,294	(1,294)
VND net asset/liability	7,636	(7,636)	8,110	(8,110)
Secured portion from VND risk	-	-	-	-
VND Net effect	7,636	(7,636)	8,110	(8,110)
CNY net asset/liability	42,208	(42,208)	32,481	(32,481)
Secured portion from CNY risk	(46,296)	46,296	(46,296)	46,296
CNY Net effect	(4,088)	4,088	(13,815)	13,815
CZK net asset/liability	5,903	(5,903)	16,029	(16,029)
Secured portion from CZK risk	(5,108)	5,108	(5,108)	5,108
CZK Net effect	795	(795)	10,921	(10,921)
Other net asset/liability	15,178	(15,178)	861,155	(861,155)
Secured portion from other currenc	(14,636)	14,636	(14,634)	14,634
Other Currency Net effect	542	(542)	846,521	(846,521)
	4,509	(4,509)	1,025,286	(1,025,286)

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

December 31, 2020	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	52,327	(52,327)	40,991	(40,991)
Secured portion from USD risk	(96,608)	96,608	(96,608)	96,608
USD Net effect	(44,281)	44,281	(55,617)	55,617
EUR net asset/liability	13,020	(13,020)	(37,462)	37,462
Secured portion from EUR risk	(25,581)	25,581	113,002	(113,002)
EUR Net effect	(12,561)	12,561	75,540	(75,540)
GBP net asset/liability	112,763	(112,763)	142,261	(142,261)
Secured portion from GBP risk	(112,017)	112,017	(112,017)	112,017
GBP Net effect	746	(746)	30,244	(30,244)
DKK net asset/liability	6,682	(6,682)	6,682	(6,682)
Secured portion from DKK risk	(8,886)	8,886	(8,886)	8,886
DKK Net effect	(2,204)	2,204	(2,204)	2,204
PLN net asset/liability	26,462	(26,462)	56,442	(56,442)
Secured portion from PLN risk	(25,623)	25,623	(25,623)	25,623
PLN Net effect	839	(839)	30,819	(30,819)
ZAR net asset/liability	(113)	113	153,252	(153,252)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	(113)	113	153,252	(153,252)
VND net asset/liability	7,199	(7,199)	9,235	(9,235)
Secured portion from VND risk	-	-	-	-
VND Net effect	7,199	(7,199)	9,235	(9,235)
CNY net asset/liability	28,846	(28,846)	21,000	(21,000)
Secured portion from CNY risk	(36,325)	36,325	(36,325)	36,325
CNY Net effect	(7,479)	7,479	(15,325)	15,325
CZK net asset/liability	11,133	(11,133)	18,945	(18,945)
Secured portion from CZK risk	(11,082)	11,082	(11,082)	11,082
CZK Net effect	51	(51)	7,863	(7,863)
Other net asset/liability	15,567	(15,567)	574,966	(574,966)
Secured portion from other currency	(14,726)	14,726	(14,726)	14,726
Other Currency Net effect	841	(841)	560,240	(560,240)
	(56,962)	56,962	794,047	(794,047)

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

Import and exports performed to / from Turkey for the year ended as of June 30, 2021 and June 30 2020 are as follows:

	June 30, 2021 TRY	June 30, 2020 TRY
EUR	5,190,409	2,751,562
GBP	2,001,506	917,105
USD	1,928,791	766,633
Other	866,560	516,263
Total exports	9,987,266	4,951,563
USD	4,838,909	2,180,151
EUR	2,245,213	895,195
Other	11,427	4,616
Total imports	7,095,549	3,079,962

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

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NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (continued)

As of June 30, 2021, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 18,571,719 (December 31, 2020: TRY 11,518,711) and TRY 18,622,847 (December 31, 2020: TRY 11,679,705) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of June 30, 2021 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 8)	-	38,205	-
Financial investments (Note 6)	3,784	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(34,083)	-

Fair value hierarchy table as of December 31, 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 8)	-	27,354	-
Financial investments (Note 6)	5,535	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(8,266)	-

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NOTE 31 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	1 January- June 30, 2021	1 January- June 30, 2020
Adjustments for provisions:		
Accrual for customer premiums	408,506	54,375
Provision for assembly and transportation cost	245,957	58,285
Warranty provision	124,018	90,378
Provision for employment termination benefits	25,207	17,899
Provision for vacation pay liability	32,056	11,687
Accrual for bonuses and premiums	(11,601)	(10,070)
Other provisions	253,026	(85,948)
	1,077,169	136,606

	1 January- June 30, 2021	1 January- June 30, 2020
Adjustments for impairment loss:		
Provision for impairment on inventories (Note 11)	35,108	13,174
Provision for doubtful receivables (Note 9)	11,115	21,118
	46,223	34,292

NOTE 32 – EVENTS AFTER BALANCE SHEET DATE

As a result of the developing marketplace, market conditions, the effects of global economic developments on the sector in which we operate and their reflections on the Turkish capital markets, Arçelik A.Ş.'s market capitalization in Borsa İstanbul has been evaluated as not reflecting the actual performance of the Company's activities, therefore in order to contribute to the formation of healthy prices; Group decided to start the buy-back company shares on the Stock Exchange. Buy-back process continues. A nominal share of 3,451.8 TL Which is 0.5108% of the capital has been bought back between 1 July-6 August, total cost is 112,010 TL

A significant part of closing conditions specified in the Purchase Agreement regarding the acquisition of 60% shares of "Hitachi Home Appliances Netherland B.V." (JV) which is established in Netherlands as a part of the partnership with Hitachi Global Life Solutions, Inc. ("HGLS"), have been completed as of June 1 2021.

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