(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

JANUARY 1 - DECEMBER 31, 2021 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including International Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

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3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matter*
Accounting for business combination - Arçelik Hitachi Home Appliances B.V. On 1 July 2021 ("closing date"), in return for TRY3,074,608 thousand the Group acquired 60% of the total shares of Arçelik Hitachi Home Appliances B.V., which was previously owned by Hitachi Global Life Solutions Inc. ("Hitachi GLS"), in accordance with the Share Purchase Agreement signed with Hitachi GLS on 16 December 2020. Consequently, Arçelik Hitachi Home Appliances B.V. and its subsidiaries ("Hitachi Home Appliances") became subsidiaries of the Group and have been consolidated using the full consolidation method. This transaction is recognized as a business combination in the framework of TFRS 3 "Business Combinations". The fair value of identifiable assets and liabilities in the consolidated balance sheet of Arçelik Hitachi Home Appliances B.V. and the resulting goodwill, which were recognized during the accounting application of such acquisition, are material to the consolidated financial statements. In addition, significant judgments and estimates (such as return on equity, multiplier value, control premium discount rate, discount rate used to calculate the capital cost of dividend payments and growth rates, etc.) are used in the purchase price allocation exercise, which the Group management had performed by the valuation experts. These judgements and estimates, used to calculate fair value, had a significant impact on the consolidated financial statements. Therefore, accounting for this acquisition is a key matter for our audit. Please refer to notes 2.3 and 3 of the consolidated financial statements for the relevant disclosures, and the accounting policy related to recognizing business combinations.	We performed the following auditing procedures in relation to the accounting for this business combination: • Examining the share transfer agreements and evaluating the impacts thereof on recognizing the transaction, • Performing audit procedures based on the relevant auditing standards, on Arçelik Hitachi Home Appliances B.V. closing date balance sheet, which was the basis of the purchase price allocation exercise, • By involving our valuation experts and comparing similar domestic and international transactions, assessing the completeness, measurement techniques and accuracy of the intangible fixed assets identified as part of the purchase price allocation exercise, • By involving our valuation experts, testing significant judgements used in the purchase price allocation exercise including return on equity, multiplier value, control premium discount rate, and discount rate used to calculate the capital cost of dividend payments and growth rates, and benchmarking these against the rates used in the industry, • Inquiry with the Group management to evaluate future plans and explanations used in these studies within the framework of macroeconomic data,

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
	• By involving our valuation experts, testing the market sensitivity of the assumptions used in the Group's purchase price allocation exercise and assessing the appropriateness of the fair value adjustments and intangible assets identified as a result of the exercise, • Testing the mathematical accuracy of the calculations carried out as a result of the above-mentioned studies and assessing the compliance of the accounting entries with TFRS, • Examining the disclosures in the consolidated financial statements in relation to recognising the business combination and evaluating the adequacy of information provided therein against the TFRS requirements. We had no material findings related to the accounting for business combination as a result of these procedures.

3. Key Audit Matters (Continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
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Recoverability of trade receivables

Trade receivables from third parties amounting to TL 23,188,103 thousand as of 31 December 2021, constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer - the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit.

Please refer to notes 2.3, 9 and 34 of the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy.

</td><td>

We performed the following auditing procedures in relation to the recoverability of trade receivables:

• Understanding the business process for collections from customers, evaluating the operational effectiveness of controls embedded in the business process and testing of selected key controls,

• Understanding and evaluating the customer and distributor collections process run by the finance department,

• Comparing trade receivable turnover days to the prior period,

• Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables,

• Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records,

• Testing collections in the subsequent period from selected customers and distributors,

• Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash,

• Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements.

We had no material findings related to the recoverability of trade receivables as a result of these procedures.

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3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Provision for the impairment of inventories The Group's inventories, amounting to TL 16,828,699 thousand as of 31 December 2021, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow-moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit. Please refer to notes 2.3 and 11 of the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.	Auditing procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year and determination of slow-moving inventories based on group of products if any, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, test of mathematical accuracy of the calculation and reconciliation of the provision to the Group's consolidated financial statements, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. We had no material findings related to the provision for the impairment of inventories as a result of these procedures.

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3. Key Audit Matters (Continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment tests of indefinite-life intangible assets
The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 2,617,183 thousand and TL 2,844,448 thousand, respectively, in the consolidated financial statements as of 31 December 2021.
In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually.
Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit.
Please refer to notes 2.3, 2.4, 14 and 15 of the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.
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We performed the following auditing procedures in relation to the impairment tests of brands and goodwill:

Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management,
Evaluating management forecasts and future plans based on macroeconomic information,
Comparing forecasted cash flows for each CGU with its historical financial performance,
Through involvement of our valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries,
Testing of the setup of the discounted cash flow models and their mathematical accuracy,
Assessing management's sensitivity analysis for key assumptions,
Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets and evaluating the adequacy of these disclosures for TFRS' requirements.

We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.
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4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5. **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 January 2022.

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

Cihan Harman, SMMM
Partner

Istanbul, 26 January 2022

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

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

		Audited	
	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	5	16,014,589	12,002,246
Trade receivables			
-Due from related parties	33	269,306	103,153
-Trade receivables, third parties	9	23,142,238	12,046,292
Derivative instruments	8	16,094	27,354
Inventories	11	16,828,699	7,095,622
Prepaid expenses	20	648,799	496,783
Current income tax assets	21	415,431	143,032
Other current assets	23	2,259,652	1,146,367
Total current assets		**59,594,808**	**33,060,849**
Non-current assets:			
Financial investments	6	10,531	5,614
Trade receivables			
-Trade receivables, third parties	9	45,865	68,225
Derivative instruments	8	19,157	-
Investments accounted for using the equity method	12	855,409	648,016
Property, plant and equipment	13	13,125,336	7,296,568
Intangible assets			
-Goodwill	15	2,844,448	989,060
-Other intangible assets	14	6,573,315	3,563,944
Prepaid expenses	20	186,057	83,484
Deferred tax assets	31	1,823,680	833,284
Total non-current assets		**25,483,798**	**13,488,195**
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Total assets		**85,078,606**	**46,549,044**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

		Audited	
	Notes	December 31, 2021	December 31, 2020
LIABILITIES			
Current liabilities:			
Short-term borrowings	7	10,584,261	4,840,622
Short-term portion of long-term borrowings	7	2,459,839	5,390,255
Trade payables			
-Due to related parties	33	1,592,704	995,829
-Trade payables, third parties	9	18,076,327	8,649,373
Derivative instruments	8	245,292	8,266
Employee benefit obligations	22	775,090	492,554
Other payables			
-Other payables, third parties	10	1,245,608	726,074
Current income tax liabilities	31	55,292	7,736
Provisions			
-Other provisions	18	2,087,963	977,478
Other current liabilities	23	3,379,248	1,738,729
Total current liabilities		**40,501,624**	**23,826,916**
Non-current liabilities:			
Long-term borrowings	7	19,535,399	6,844,348
Provisions			
-Provision for employee benefits	19	935,609	419,517
-Other provisions	18	439,072	289,640
Deferred tax liabilities	31	1,528,994	563,071
Other non-current liabilities	23	1,082,693	581,706
Total non-current liabilities		**23,521,767**	**8,698,282**
Total liabilities		**64,023,391**	**32,525,198**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

		Audited	
	Notes	December 31, 2021	December 31, 2020
EQUITY			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	468,811	468,811
Treasury shares	24	(1,215,266)	-
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(396,514)	(298,280)
-Revaluation/ remeasurement of intangible assets		6,900	-
-Other gains/ losses on revaluation and remeasurement		6,109	4,918
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		11,381,483	5,225,745
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(1,835,770)	(966,053)
-Gains/ losses on cash flow hedges		15,080	(3,072)
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital		14,507	14,507
Restricted reserves	24	1,771,002	409,115
Retained earnings		5,425,850	5,439,898
Net income for the period		3,064,674	2,847,839
Equity holders of the parent		19,383,483	13,820,045
Non-controlling interest		1,671,732	203,801
Total equity		**21,055,215**	**14,023,846**
Total liabilities and equity		**85,078,606**	**46,549,044**
Commitments, contingent assets and liabilities	17		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

		Audited	
	Notes	**2021**	**2020**
Net sales	4,25	68,184,437	40,872,483
Cost of sales	26	(47,706,092)	(27,066,110)
Gross profit		**20,478,345**	**13,806,373**
General administrative expenses	26	(3,106,770)	(2,175,948)
Marketing expenses	26	(11,919,993)	(7,469,259)
Research and development expenses	26	(444,068)	(318,211)
Other income from operating activities	27	5,776,423	1,769,360
Other expenses from operating activities	27	(3,763,793)	(760,019)
Operating profit		**7,020,144**	**4,852,296**
Income from investment activities	28	316,840	240,668
Expenses from investment activities	28	(9,579)	(64,485)
Share of profit/loss of investments accounted for using the equity method	12	(44,514)	41,226
Operating income before financial income/(expense)		**7,282,891**	**5,069,705**
Financial income	29	11,309,358	3,852,496
Financial expenses	30	(14,969,635)	(5,424,296)
Profit from continuing operations before tax		**3,622,614**	**3,497,905**
Tax income/(expense), continuing operations			
- Taxes on expense	31	(759,496)	(481,032)
- Deferred tax income/(expense)	31	387,891	(137,884)
Net income		**3,251,009**	**2,878,989**
Attributable to			
Non-controlling interest		186,335	31,150
Equity holders of the parent		**3,064,674**	**2,847,839**
Earnings per share (kurus)	32	**4.608**	**4.214**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Audited	
	2021	**2020**
Net income	**3,251,009**	**2,878,989**
Other comprehensive income		
Not to be reclassified to profit or loss	**(121,942)**	**(85,090)**
Gain/ loss arising from defined benefit plans	(127,324)	(87,480)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(2,727)	(215)
Revaluation of intangible assets	6,900	-
Other gain/ losses not to be reclassified to profit or loss	1,209	2,605
Not to be reclassified to profit or loss, tax effect	**31,815**	**17,396**
Gain/ loss arising from defined benefit plans, tax effect	31,817	17,526
Other gain/ losses not to be reclassified to profit or loss, tax effect	(2)	(130)
To be reclassified to profit or loss	**5,102,508**	**1,365,694**
Currency translation differences	6,083,850	1,618,076
Other comprehensive income related with hedges of net investments in foreign operations	(1,129,501)	(362,658)
Other comprehensive income related with cash flow hedge	19,157	66,180
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	129,002	44,096
-Currency translation differences of investments accounted for using the equity method	125,217	38,689
-Gain/loss from cash flow hedges of investments accounted for using equity method	3,785	5,407
To be reclassified to profit or loss, tax effect	**254,994**	**57,974**
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	259,784	72,532
Other comprehensive income related with cash flow hedge, tax effect	(4,790)	(14,558)
Other comprehensive income/ (loss) (net of tax)	**5,267,375**	**1,355,974**
Total comprehensive income	**8,518,384**	**4,234,963**
Attributable to:		
Non-controlling interest	239,680	73,202
Equity holders of the parent	**8,278,704**	**4,161,761**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Paid-in capital	Adjustment to share capital	Treasury shares	Share premium/ discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value throughout comprehensive income	Gains/losses on hedge	Revaluation fund of intangible assets	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 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	-	-	-	-	-	(70,169)	2,475	(233,097)	-	1,614,713	-	-	2,847,839	**4,161,761**	73,202	**4,234,963**
Net income	-	-	-	-	-	-	-	-	-	-	-	-	2,847,839	**2,847,839**	31,150	**2,878,989**
Other comprehensive income	-	-	-	-	-	**(70,169)**	**2,475**	**(233,097)**	-	**1,614,713**	-	-	-	**1,313,922**	**42,052**	**1,355,974**
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,086)	**(27,086)**
As of December 31, 2020	**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**
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	-	-	-	-	-	**(98,234)**	**1,191**	**(851,565)**	**6,900**	**6,155,738**	-	-	**3,064,674**	**8,278,704**	**239,680**	**8,518,384**
Net income	-	-	-	-	-	-	-	-	-	-	-	-	3,064,674	**3,064,674**	186,335	**3,251,009**
Other comprehensive income	-	-	-	-	-	**(98,234)**	**1,191**	**(851,565)**	**6,900**	**6,155,738**	-	-	-	**5,214,030**	53,345	**5,267,375**
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,241,473	**1,241,473**
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)	(13,222)	**(1,513,222)**
Increase/decrease due to acquisition of treasury shares	-	-	(1,215,266)	-	-	-	-	-	-	-	1,215,266	(1,215,266)	-	(1,215,266)	-	(1,215,266)
As of December 31, 2021	**675,728**	**468,811**	**(1,215,266)**	**889**	**14,507**	**(396,514)**	**6,109**	**(1,820,690)**	**6,900**	**11,381,483**	**1,771,002**	**5,425,850**	**3,064,674**	**19,383,483**	**1,671,732**	**21,055,215**

The accompanying notes form an integral part of these consolidated financial statement

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

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

		Audited	
	Notes	**January 1- December 31, 2021**	**January 1- December 31, 2020**
Cash flows from operating activities:			
Net income:		**3,251,009**	**2,878,989**
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for depreciation and amortisation expense	26	1,845,682	1,221,994
Adjustments for impairment loss	36	119,355	182,697
Adjustments for other provisions	36	2,655,046	856,376
Adjustments for interest income	29	(217,672)	(231,593)
Adjustments for interest expense	30	1,817,588	1,341,916
Adjustments for income arised from government grants	27	(90,990)	(109,988)
Adjustments for unrealised foreign exchange losses (gains)	29,30	1,639,073	89,246
Adjustments for fair value (gains) losses on derivative financial instruments	29,30	436,011	364,222
Adjustments for undistributed profits of investments accounted for using equity method	12	44,514	(41,226)
Adjustments for tax expense/income	31	371,605	618,916
Adjustments for losses (gains) on disposal of non-current assets	28	(15,310)	1,705
Adjustment for bargained acquisition profit	28	(234,997)	-
Other adjustments to reconcile profit (loss)	29,30	(14,723)	8,009
Adjustments for losses (gains) on disposal of interests in associates or joint ventures	28	(930)	-
Adjustments for dividend (income) loss		(342)	(93)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	28	(55,682)	(226,498)
Adjustments regarding net profit reconciliation for the period		**11,549,237**	**6,954,672**
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(10,244,163)	(2,781,751)
Adjustments for decrease (increase) in inventories		(8,778,570)	(1,550,665)
Decrease (increase) in prepaid expenses		(121,529)	(286,948)
Adjustments for increase (decrease) in trade payables		8,066,660	4,427,202
Increase (decrease) in employee benefit liabilities		(68,446)	(75,730)
Adjustments for increase (decrease) in other operating payables		(89,181)	(37,894)
Increase (decrease) in government grants and assistance		51,304	53,400
Other adjustments for other increase (decrease) in working capital		(494,036)	(113,935)
Income taxes refund (paid)		(498,723)	(167,446)
Cash flows from operating activities		**(627,447)**	**6,420,905**
Investing activities:			
Cashflow used in obtaining control of subsidiaries or other businesses	3	(2,136,004)	-
Cash inflows related to sales that will result in loss of control of subsidiaries		323,703	275,778
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	12	(140,840)	(35,228)
Cash outflows from purchases of property, plant and equipment and intangible assets		(2,515,344)	(1,735,316)
Cash inflows from sale of property, plant and equipment and intangible assets		70,244	172,913
Dividends received		11,507	93
Cash inflows due to sale of shares in associates or joint ventures or capital reduction		3,136	-
Cash flows from investing activities		**(4,383,598)**	**(1,321,760)**
Financing activities:			
Proceeds from borrowings	7	12,510,560	4,212,527
Repayments of borrowings	7	(9,522,410)	(3,614,211)
Bonds issued	7	6,632,916	-
Payments of lease liabilities	7	(635,575)	(303,233)
Dividends paid		(1,513,222)	(27,086)
Cash inflows from derivative instruments (net)		(204,839)	(399,379)
Cash outflows from acquisition of treasury shares	24	(1,215,266)	-
Interest paid		(1,493,546)	(1,399,666)
Interest received		229,017	231,696
Other inflows (outflows) of cash	30,31	14,723	(8,009)
Cash flows from financing activities		**4,802,358**	**(1,307,361)**
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**(208,687)**	**3,791,784**
Effect of currency translation differences		4,232,375	1,273,505
Net increase/(decrease) in cash and cash equivalents		**4,023,688**	**5,065,289**
Cash and cash equivalents at January 1	5	**11,988,227**	**6,922,938**
Cash and cash equivalents at December 31	5	**16,011,915**	**11,988,227**

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

(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-six manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 24).

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 December 31, 2021, the publicly listed shares are 25.15% of the total shares. (December 31, 2020: 25.15%)

The average number of personnel employed by categories in the Group in 2021 is 8,960 monthly paid (1 January – 31 December 2020: 7,979) and 30,527 hourly paid (1 January – 31 December 2020: 25,848) totalling to 39,487 (1 January – 31 December 2020: 33,827).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of balance sheet date:			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Arch R&D Co. Ltd. ("Arch R&D")	China	R&D	Developing technology and design
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Arcwaste Collection SRL ("Arcwaste")(*)	Romania	Service	Service
Ardutch B.V. Taiwan ("Ardutch Taiwan") (*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia")	New Zealand	Sales	Consumer Durables
Beko A and NZ Pty Ltd. New Zealand Branch ("Beko New Zealand")(*)	New Zealand	Sales	Consumer Durables
Beko Appliances 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")	Kazakhistan	Sales	Consumer Durables
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Grundig Schweiz GmbH (Switzerland)	Switzerland	Sales	Consumer Durables/Electronics
Beko Grundig Deutschland GmbH Croatia Branch ("Beko Crotaia") (*)	Crotaia	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	Marketing	Consumer Durables
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Morocco Household Appliances SARL ("Beko Morocco")	Morocco	Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK")	England	Sales	Consumer Durables/Electronics
Beko Plc ("Beko Ireland") (*)	Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. ("Beko Philippines")	Republic of the Philippines	Sales	Consumer Durables
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic of the South Africa	Production/Sales	Consumer Durables
Defy Sales East Africa Limited ("Defy East Africa")	Republic of the South Africa	Sales	Consumer Durables
DEL Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz") (3)	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 AB Finland Branch of Nordic AB ("Grundig Finland")(*)	Finland	Sales	Consumer Durables/Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic Denmark Branch of Grundig Nordic AS ("Grundig Denmark")(*)	Denmark	Sales	Consumer Durables/Electronics
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
PT Home Appliances Indonesia	Indonesia	Sales	Consumer Durables
PT Beko Appliances Indonesia	Indonesia	Sales	Consumer Durables

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

Subsidiaries and branches (continued)	**Country of incorporation**	**Core business**	**Nature of business**
Continuing operations as of balance sheet date:			
Retail Holdings Bhold B.V ("Retail Holdings")	Netherlands	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Singer Bangladesh Limited ("Singer Bangladesh")	Bangladesh	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables
Arçelik Üretim ve Teknoloji A.Ş(1)	Turkey	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances B.V. (2)	Netherlands	Investment	Holding
Arçelik Hitachi Home Appliances (Shanghai) Co., Ltd.	China	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances (Thailand) Ltd.	Thailand	Production/Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (China) Ltd.	China	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd.	Singapore	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales (Thailand) Ltd.	Thailand	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd.	Malaysia	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Middle East Fze	United Arab Emirates	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd.	Vietnam	Sales	Consumer Durables
Arçelik Hitachi Home Appliances Sales Hong Kong Limited	Hong Kong, China	Sales	Consumer Durables
Arçelik Hitachi Taiwan Home Appliances Sales Ltd.	Taiwan	Sales	Consumer Durables
PT. Arcelik Hitachi Home Appliances Sales Indonesia	Indonesia	Sales	Consumer Durables

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

(1) The Company title have been changed on October 1, 2021 and The Company's former title Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş has been registered as Arçelik Üretim ve Teknoloji A.Ş.

(2) Purchased on July 1, 2021.

(3) Elektra Bregenz AG's title has been registered as "Beko Grundig Österreich AG" on January 11, 2022.

Ceased operations as of reporting date:	**Country of incorporation**	**Core business**	**Nature of business**
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
Joint Ventures			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited ("VoltBek")	India	Production/Sales	Consumer Durables

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2021 has been approved for issue by the Board of Directors on 26 January 2022. These consolidated financial statements will be finalised following their approval in the General Assembly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The 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.

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 and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/TFRS and IFRIC interpretations effective as of January 1, 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 31 December 2021:

- **Amendments to IFRS 7 and IFRS 16 - Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. These amendments have no material impact on the Group's consolidated financial statements.

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 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 IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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

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

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

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

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

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

2.1 Basis of presentation (Continued)

New and amended standards and interpretations (Continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 2021: (Continued)

- **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.

These amendments are not expected to have a material impact on the financial statements of the Group and its performance.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

(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)

Consolidation principles (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 December 31, 2021 and December 31, 2020 (%) and their functional currencies:

		December 31, 2021		December 31, 2020	
Continuing operations as of balance sheet date:	**Functional currency**	**Ownership Interest**	**Effective shareholding**	**Ownership Interest**	**Effective shareholding**
Arch R&D	Chinese Yuan	100	100	100	100
Arctic	Romanian Lei	96,72	96,72	96,72	96,72
Arcwaste	Romanian Lei	96,72	96,72	96,72	96,72
Ardutch	Euro	100	100	100	100
Ardutch Taiwan	Taiwanese Dollar	100	100	100	100
Beko APAC	Thai Baht	100	100	100	100
Beko Australia	Australian Dollar	100	100	100	100
Beko New Zealand	New Zealand Dollar	100	100	100	100
Beko Balkans	Serbian Dinar	100	100	100	100
Beko China	Chinese Yuan	100	100	100	100
Beko Central Asia	Kazakhstan Tenge	100	100	100	100
Beko Grundig Deutschland	Euro	100	100	100	100
Beko Crotaia	Croation Kuna	100	100	100	100
Beko Egypt	Egyptian Lira	100	100	100	100
Beko Espana	Euro	100	100	100	100
Beko France	Euro	100	100	100	100
Beko Gulf	Dirham	100	100	100	100
Beko Portugal	Euro	100	100	100	100
Beko Hong Kong	US Dollar	100	100	100	100
Beko Indonesia	Indonesian Rupiah	100	100	100	100
Beko Israel	New Israeli Shekel	100	100	100	100
Beko Italy	Euro	100	100	100	100
Beko Malaysia	Malaysian Ringgit	100	100	100	100
Beko Morocco	Moroccan Dirham	100	100	100	100
Beko Polska	Polish Zloty	100	100	100	100
Beko Philippines	Philippine Peso	100	100	100	100
Beko Russia	Russian Ruble	100	100	100	100
Beko Shanghai	Chinese Yuan	100	100	100	100
Beko Slovakia	Euro	100	100	100	100
Beko Grundig Schweiz	Swiss Franc	100	100	100	100
Beko Thailand	Thai Baht	100	100	100	100
Beko UK	British Pound	100	100	100	100
Beko Ireland	Euro	100	100	100	100
Beko Ukraine	Ukrainian Hryvna	100	100	100	100
Beko US	US Dollar	100	100	100	100
Dawlance (Private)	Pakistani Rupee	100	100	100	100
Defy	South Africa Rand	100	100	100	100
Defy Botswana	Botswana Pula	100	100	100	100
Defy Namibia	Namibian Dollar	100	100	100	100
Defy Swaziland	Svazi Lilangeni	100	100	100	100
Defy East Africa	South Africa Rand	100	100	100	100
DEL Electronics	Pakistani Rupee	100	100	100	100
Elektra Bregenz	Euro	100	100	100	100
Grundig Multimedia	Euro	100	100	100	100
Grundig Norway	Norwegian Krone	100	100	100	100
Grundig Denmark	Danish Krone	100	100	100	100
Grundig Sweden	Swedish Krona	100	100	100	100
Grundig Finland	Euro	100	100	100	100
Grundig Switzerland	Swiss Franc	100	100	100	100
International Appliances(**)	Bangladeshi Taka	-	-	56,99	56,99
Pan Asia	US Dollar	100	100	100	100
Pazarlama A.Ş.	Turkish Lira	100	100	100	100
PT Home Appliances Indonesia	Indonesian Rupiah	67	67	67	67
PT Beko Appliances Indonesia	Indonesian Rupiah	100	100	100	100
Retail Holdings	Euro	100	100	100	100
Singer Bangladeş	Bangladeshi Taka	56,99	56,99	56,99	56,99
United Refrigeration Industries	Pakistani Rupee	100	100	100	100
Vietbeko	Vietnamase Dong	100	100	100	100
Arçelik Üretim ve Teknoloji	Turkish Lira	100	100	-	-
Arçelik Hitachi	Euro	60	60	-	-
Arçelik Hitachi Shangai	Chinese Yuan	57	57	-	-

(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)

Consolidation principles (Continued)

		December 31, 2021		December 31, 2020	
Continuing operations as of balance sheet date: (Continued)	**Functional currency**	**Ownership Interest**	**Effective shareholding**	**Ownership Interest**	**Effective shareholding**
Arçelik Hitachi Thailand	Thai Baht	50,4	50,4	-	-
Arçelik Hitachi China	Chinese Yuan	60	60	-	-
Arçelik Hitachi Singapore	Singapore Dollar	60	60	-	-
Arçelik Hitachi Sales Thailand	Thai Baht	60	60	-	-
Arçelik Hitachi Malaysia	Malaysian Ringgit	60	60	-	-
Arçelik Hitachi Dubai	Dirham	60	60	-	-
Arçelik Hitachi Vietnam	Vietnamese Dong	60	60	-	-
Arçelik Hitachi Hong Kong	Hong Kong Dollar	60	60	-	-
Arçelik Hitachi Taiwan	Taiwanese Dollar	60	60	-	-
Arçelik Hitachi Indonesia	Indonesian Rupiah	40,5	40,5	-	-
Wat Motor Sanayi ve Ticaret A.Ş. ("Wat Motor")(*)	Turkish Lira	-	-	100	100

(*) The Group has sold 100% owned subsidiary Wat Motor Sanayi ve Ticaret A.Ş. for a total price of TRY 369.8 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 November 2021.

		December 31, 2021		December 31, 2020	
Ceased operations as of balance sheet date:					
Beko Cesko	-	100	100	100	100
Grundig Austria	-	100	100	100	100
Grundig Portugal	-	100	100	100	100

(**) International Appliances have been merged with Singer Bangladesh in the first quarter of 2021.

(d) Associates and joint ventures are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the date of the caesura of the significant influence, the investment is carried at fair value.

The table below sets out all associates and joint ventures shows their direct and indirect ownership as of December 31, 2021 and 2020 (%):

	2021	2020
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Voltbek	49.00	49.00
Tanı Pazarlama(*)	-	32.00

(*) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on 30 November 2021.

(e) Financial assets in which the Group has ownership interests below 20%, or in which a significant influence is not exercised by the Group that have quoted market prices in active markets and whose fair values can be reliably measured are classified as financial assets measured at fair value through other comprehensive income in the consolidated financial statements.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

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

2.1 Basis of presentation (Continued)

Consolidation principles (Continued)

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 33).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus, these transactions are eliminated in the consolidated financial statements.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 9).

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

2.3 Summary of significant accounting policies (Continued)

Trade receivables (Continued)

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account. Factoring are not frequently performed in terms of treasury transactions. Therefore, it does not affect the "held to collect" business model of the Group.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

2.3 Summary of significant accounting policies (Continued)

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

2.3 Summary of significant accounting policies (Continued)

Recognition and de-recognition of financial instruments (Continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired,
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 34).

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

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

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line or unit of production methods based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 13). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 14).

a) Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

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

2.3 Summary of significant accounting policies (Continued)

Other intangible assets (Continued)

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

d) Trademark licenses, patents and trademark usage right

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5-10 years).

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (5, 8, 12, 22 and 50 years).

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

2.3 Summary of significant accounting policies (Continued)

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
    i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group reflects a right-of-use asset and a lease liability in its financial statements at the actual commencement date of the lease.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset by applying cost method:

a) After netting-off accumulated depreciation and impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

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

2.3 Summary of significant accounting policies (Continued)

Leases (Continued)

The Group – as a lessee (continued)

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments;

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.

c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,

b) Reducing the carrying amount to reflect the lease payments made and

c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The duration of the contract that make up the Group's lease laibilities varies between 1 and 5 years.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. The Group do not have significant lease contracts with extension and termination options that are not included in the lease liability since they are not reasonably certain.

The Group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. As result of the evaluations performed in the current period, there is no lease obligation or right of use assets arising from the inclusion of extension and early termination options in the lease period

Variable lease payments

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

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

2.3 Summary of significant accounting policies (Continued)

Leases (Continued)

The Group – as a lessor

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

Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations have been accounted for by using the purchase method in the scope of TFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 15). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 14). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 30).

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

2.3 Summary of significant accounting policies (Continued)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 31).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future;
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent can control the timing of the reversal of the temporary difference;
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

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

2.3 Summary of significant accounting policies (Continued)

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one-year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 19).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts,
(b) Identification of performance obligations,
(c) Determination of transaction price in the contract,
(d) Allocation of price to performance obligations,
(e) Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

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

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (continued)

Revenue from sale of goods

Group recognizes revenue based on the sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 25). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

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

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (continued)

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short-term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 18).

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

2.3 Summary of significant accounting policies (Continued)

Assembly provisions

Assembly provision includes provision provided for the marketing expenses incurred for the assembly of products bought by the end users. This provision is calculated based on the past statistical information and projections for the future (Note 18).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 17).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 4).

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

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

2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 14 and 15). Impairment was not identified as a result of these tests.

Provision for employee termination benefits

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Not 19).

Useful lives

The Group capitalizes the tangible and intangible assets in accordance with TAS 16 and TAS 38. The Group defines useful life of its assets in terms of the assets expected utility to the Group. Economic useful lives accepted by the Group is disclosed in Note 2.3.

Warranty expenses

The Group recognizes warranty provisions for products under the scope of the warranty terms based the estimations using past statistical information (Note 18).

NOTE 3 - BUSINESS COMBINATION

i) On June 30, 2021 the Group has acquired 100% of the shares of Whirlpool Beyaz Eşya Sanayi ve Ticaret A.Ş. and has changed the title as Arçelik Üretim ve Teknoloji A.Ş. ("Arçelik Üretim ve Teknoloji") on October 1, 2021.

Arçelik Üretim ve Teknoloji 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%.

Based on the share transfer agreement, the purchase price TRY 811.5 million paid at the date of the transaction has been recalculated due to changes in the amount of net assets purchased excluding property, plant and equipment as a result of the audited closing June 30, 2021 dated balance sheet and additional TRY 5.2 million had been paid. As a result of evaluations, VAT receivables of Arçelik Üretim ve Teknoloji's closing balance will be collected or set off until 2023. It consists of the possible contingent payment price. The total amount of TRY 94.7 million calculated according to the best estimates made by the Group management as of 31 December 2021 is included in the purchase price and considered 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 December 31, 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.

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

NOTE 3 - BUSINESS COMBINATION (Continued)

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

Cash consideration	816,739
Contingent consideration and deferred purchase price (Note 23)	94,705
Total consideration	**911,444**
Cash and cash equivalents	450,054
Trade receivables	218,279
Inventories	464,996
Other current assets	312,374
Property, plant and equipment (Note 13)	934,816
Intangible assets (Note 14)	5,154
Deferred tax assets (Note 31)	46,124
Trade and other payables	(1,090,908)
Other liabilities	(88,692)
Deferred tax liability (Note 31)	(105,756)
Total value of identifiable net assets (100%)	**1,146,441**
Gain from a bargain purchase (Note 28)	(234,997)
Total consideration	**911,444**

After the acquisition date, total sales of Arçelik Üretim ve Teknoloji was amounting to TRY 1,533,231 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 23,543.

Had the financial statements of Arçelik Üretim ve Teknoloji 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 23,532 respectively.

As of December 31, 2021, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 1,235.

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

Total consideration in cash	816,739
Cash and cash equivalents – acquired	(450,054)
Cash outflow due to acquisition of subsidiary (net)	**366,685**

ii) Share purchase agreement has been signed between the Group 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. Transaction value is calculated as USD 350.2 million including all minority rights on a cash-free and debt-free basis for 60% of the shares.

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

NOTE 3 - BUSINESS COMBINATION (Continued)

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

Total consideration	**3,074,608**
Cash and cash equivalents	1,305,289
Trade receivables	1,216,146
Inventories	821,130
Other current asset	255,164
Financial investments (Note 6)	20,627
Property, plant and equipment (Note 13)	799,872
Intangible assets (Note 14)	1,410,678
Right of use assets (Note 13)	49,986
Deferred tax assets (Note 31)	136,454
Deferred tax liability (Note 31)	(295,724)
Financial borrowings and lease liabilities (Note 7)	(56,073)
Trade and other payables	(2,089,958)
Other liabilities	(469,908)
Total value of identifiable net assets (100%)	**3,103,683**
Corresponding to 60% share purchased	**1,862,210**
Goodwill (Note 15)	1,212,398
Total consideration	**3,074,608**

After the acquisition date, total sales of Arçelik Hitachi was amounting to TRY 4,868,534 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 290,135.

The fair value of the non-controlling interests has been measured on the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets.

Had the financial statements of Arçelik Hitachi been consolidated since January 1, 2021, the consolidated sales and net profit of Arçelik Group would have been higher by TRY 4,108,139 and TRY 320,911 respectively.

As of December 31, 2021, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 96,645.

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

Total consideration in cash	3,074,608
Cash and cash equivalents – acquired	(1,305,289)
Cash outflow due to acquisition of subsidiary (net)	**1,769,319**

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.

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

NOTE 4 - SEGMENT REPORTING (Continued)

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.

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2021 are as follows:

	White goods	**Consumer electronics**	**Other**	**Total**
Net sales (*)	**53,109,742**	**5,578,303**	**9,496,392**	**68,184,437**
Gross profit	16,410,538	1,073,278	2,994,529	20,478,345
Depreciation and amortization	1,450,864	219,174	197,282	1,867,320
Capital expenditures	2,100,824	324,749	111,409	2,536,982

(*) The Group recognised net sales amounting to TRY 68,155,349 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2021 (2020: TRY 40,841,648).

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2020 are as follows:

	White goods	**Consumer electronics**	**Other**	**Total**
Net sales	**31,027,344**	**4,516,077**	**5,329,062**	**40,872,483**
Gross profit	11,240,272	1,009,669	1,556,432	13,806,373
Depreciation and amortization	949,701	177,858	113,989	1,241,548
Capital expenditures	1,464,492	227,371	63,007	1,754,870

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2021	**December 31, 2020**
Cash in hand	5,068	843
Cash at banks		
- demand deposits	3,705,276	1,094,544
- time deposits	11,964,444	10,710,844
Cheques and notes	126,371	83,672
Other	210,756	98,324
Cash and cash equivalents in cash flow statement	**16,011,915**	**11,988,227**
Interest income accruals	2,674	14,019
	16,014,589	**12,002,246**

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

Up to 30 days	15,484,875	11,543,147
30-90 days	529,714	459,099
	16,014,589	**12,002,246**

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

NOTE 6 - FINANCIAL INVESTMENTS

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

	December 31, 2021	December 31, 2020
Financial assets that its fair value gain/losses of reflected to other comprehensive income	10,531	5,614
Total	**10,531**	**5,614**

	December 31, 2021	December 31, 2020
Tat Gıda Sanayi A.Ş.	5,582	5,535
E&E Recycling, INC (*)	2,829	-
Thai Refrigeration Components Co., Ltd.(*)	2,041	-
Diğer	79	79
	10,531	**5,614**

(*) Due to acqusition of Hitachi Global Life Solutions Inc realized. at July 1, 2021 (Note 3).

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

Financial assets that its fair value gain/losses of reflected to other comprehensive income

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 47 (December 31, 2020: TRY 2,475) and net of deferred tax effect amounting to TRY 2 (December 31, 2020: TRY 130) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets " in the year ended December 31, 2021.

The details of financial investments for the years ended December 31, are as follows:

	2021	2020
As of January 1	**5,614**	**3,009**
Change in fair value	1,209	2,605
Acqusition	20,627	-
Disposal	(26,971)	-
Currency translation differences	10,052	-
As of December 31	**10,531**	**5,614**

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

NOTE 7 - BORROWINGS

a) Short-term borrowings

	December 31, 2021	December 31, 2020
Short-term bank borrowings	10,002,990	4,518,863
Short-term lease liabilities	330,258	201,043
Payables due to factoring activities (*)	251,013	120,716
Total short-term borrowings	**10,584,261**	**4,840,622**
Short-term portion of long-term bank borrowings and interest accruals	2,244,370	1,132,201
Short term portion of long-term bond issued and interest accruals (**)	215,469	4,258,054
Total short-term portion of long-term borrowings	**2,459,839**	**5,390,255**

(*) Factoring liabilities are amounting to TRY 126,892 denominated in EUR (December 31, 2020: TRY 69,062), TRY 124,121 denominated in GBP (December 31, 2020: TRY 51,654) and interest rates are between 0.6 % for EUR (December 31, 2020: 0.6%) and 0.62 % for GBP (December 31, 2020: 0.62 %).

(**) Long term bonds issued:

2021:

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

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

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

2013:

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

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

NOTE 7 - BORROWINGS (Continued)

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

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

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

	December 31, 2021	December 31, 2020
Long-term bonds issued	13,119,453	3,667,163
Long-term bank borrowings	5,311,582	2,461,293
Long-term lease liabilities	1,104,364	715,892
	19,535,399	**6,844,348**

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

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

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

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 December 31, 2021, 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	505,940,653	6,565,845
EUR	3.0	353,898,916	5,225,415
TRY	19.9	1,543,662,462	1,543,662
			13,334,922
Interest accruals of long-term bonds issued			(215,469)
			13,119,453

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:

	December 31, 2021	December 31, 2020
2022	-	1,138,782
2023	10,935,200	4,319,941
2024	453,368	208,782
2025 to 2029	7,050,569	464,038
	18,439,137	**6,131,543**

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

NOTE 7 - BORROWINGS (Continued)

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

	December 31, 2021	December 31, 2020
Up to 3 months	8,833,569	3,296,338
3 - 12 months	5,036,068	6,840,891
1-5 years	14,298,812	4,981,856
Over 5 years	2,233,058	679,320
	30,401,507	**15,798,405**

As of December 31, 2021, and 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	**(916,935)**	**(10,029,834)**	**(6,128,456)**	**(17,075,225)**
Cash flows	635,575	1,189,195	(10,810,261)	(8,985,491)
Transfer	-	(2,865,274)	2,865,274	-
Changes in interest accruals	(67,017)	(257,025)	-	(324,042)
Changes in factoring liabilities	-	(130,297)	-	(130,297)
Changes in lease liabilities	(594,345)	-	-	(594,345)
Acqusition	56,073	-	-	56,073
Currency translation adjustments	(547,973)	(620,607)	(4,357,592)	(5,526,172)
Financial debt as of December 31	**(1,434,622)**	**(12,713,842)**	**(18,431,035)**	**(32,579,499)**

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	303,233	331,687	(930,003)	(295,083)
Transfer	-	(3,746,937)	3,746,937	-
Changes in interest accruals	(59,922)	117,672	-	57,750
Changes in factoring liabilities	-	5,250	-	5,250
Changes in lease liabilities	(271,465)	-	-	(271,465)
Currency translation adjustments	(153,361)	(763,034)	(700,146)	(1,616,541)
Financial debt as of December 31	**(916,935)**	**(10,029,834)**	**(6,128,456)**	**(17,075,225)**

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

	December 31, 2021			December 31, 2020		
	Contract amount	Fair value assets	/(liabilities)	Contract amount	Fair value assets	/(liabilities)
Short-term derivative instruments						
Held for trading:						
Foreign currency forward transactions	16,679,404	14,103	(145,352)	1,863,257	9,845	(267)
Foreign currency swap contracts	6,560,163	1,991	(99,940)	8,764,899	17,509	(5,084)
Cash flow hedge:						
Interest rate swap contracts (*)	-	-	-	1,000,000	-	(2,915)
Short-term derivative instruments, net		**16,094**	**(245,292)**		**27,354**	**(8,266)**
Long-term derivative instruments						
Cash flow hedge:						
Interest rate swap contracts (**)	300,000	19,157	-	-	-	-
Long-term derivative instruments,net		**19,157**	-	-	-	-

(*) As of December 31, 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of long term bond issued amounting to TRY 300 million on 29 April 2021 and maturity of the bond is April 27 2023, with a fixed rate instalment payment for the purpose of cash flow hedge (31 December 2020: Interest rate swap transactions consist of the exchange of floating rate instalment payments for long term bond issued on 15 February 2019 and 24 July 2019 with fixed rate instalment payments for cash flow hedging).

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2021	December 31, 2020
Short-term trade receivables:		
Trade receivables	22,291,306	10,925,282
Notes receivables	1,164,206	1,246,101
Cheques receivables	414,337	384,202
Short-term trade receivables (gross)	**23,869,849**	**12,555,585**
Provision for expected credit loss	(439,696)	(300,665)
Unearned credit finance income	(287,915)	(208,628)
Short-term trade receivables (net)	**23,142,238**	**12,046,292**

As of December 31, 2021, the Group has offsetted TRY 2,366,439 (December 31, 2020: TRY 1,238,538) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 338,435 related with its local bank borrowings (December 31, 2020: TRY 124,268).

The movements of expected credit loss for the years ended December 31, are as follows:

	2021	2020
As of January, 1	**300,665**	**232,307**
Current year additions (Note 27)	59,835	58,484
Provisions no longer required (Note 27)	(34,779)	(14,188)
Acquisitions	30,495	-
Write-offs (*)	(35,779)	(18,385)
Sale of subsidiary	(166)	-
Currency translation differences	119,425	42,447
As of December, 31	**439,696**	**300,665**

(*) 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.

Long-term trade receivables	December 31, 2020	December 31, 2021
Trade receivables	101,746	126,885
Unearned credit finance income	(55,881)	(58,660)
	45,865	**68,225**

	December 31, 2021	December 31, 2020
Short-term trade payables:		
Trade payables	16,296,508	8,149,453
Debt accruals	1,986,561	679,971
Unearned credit finance charges	(206,742)	(180,051)
	18,076,327	**8,649,373**

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

NOTE 10 - OTHER PAYABLES

	December 31, 2021	December 31, 2020
Taxes and duties payable	971,148	600,045
Dividend payables to shareholders	46,414	31,187
Deposits and guarantees received	16,948	4,303
Other	211,098	90,539
	1,245,608	**726,074**

NOTE 11 - INVENTORIES

	December 31, 2021	December 31, 2020
Raw materials and supplies	6,781,587	2,873,767
Work in progress	466,732	202,444
Finished goods	7,180,847	3,244,160
Trade goods	2,626,519	898,108
Inventories (gross)	**17,055,685**	**7,218,479**
Provision for impairment on inventories	(226,986)	(122,857)
Inventories (net)	**16,828,699**	**7,095,622**

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 395,880 related with its local bank borrowings (December 31, 2020: 128,501).

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

	December 31, 2021	December 31, 2020
Raw materials and supplies	87,605	28,964
Finished goods	106,040	79,800
Trade goods	33,341	14,093
	226,986	**122,857**

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2021	2020
As of January 1	**122,857**	**91,826**
Current year additions (Note 26)	59,520	75,510
Realized due to sales of inventory	(83,083)	(51,373)
Sale of subsidiary	(254)	-
Acquisitions	36,494	-
Currency translation differences	91,452	6,894
As of December 31	**226,986**	**122,857**

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

NOTE 12 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2021		December 31, 2020	
	%	TRY	%	TRY
VoltBek	49.0	307,880	49.0	202,788
Koç Finansman	47.0	289,570	47.0	228,601
Arçelik - LG	45.0	237,544	45.0	197,317
Ram Dış Ticaret	33.5	20,415	33.5	16,843
Tanı Pazarlama(*)	-	-	32.0	2,467
		855,409		**648,016**

(*) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on 30 November 2021.

The movements of associates for the years ended December 31, are as follows:

	2021	2020
As of January 1	**648,016**	**526,499**
Shares of income/loss of associates	(44,514)	41,226
Shares of other comprehensive income/loss of associates	1,058	5,192
Gross profit elimination on inventory	(1,838)	1,182
Share participation in associates	140,840	35,228
Cash dividend from associates	(11,165)	-
Disposal of shares on associates	(2,205)	-
Currency translation difference	125,217	38,689
As of December 31	**855,409**	**648,016**

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

	2021	2020
Koç Finansman	61,684	44,672
Arçelik - LG	44,747	47,823
Ram Dış Ticaret	10,304	8,014
Tanı Pazarlama	(285)	667
VoltBek	(160,964)	(59,950)
	(44,514)	**41,226**

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

December 31, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Diğer	Toplam
Total assets	4,825,845	2,494,769	2,785,492	1,516,591	11,622,697
Total liabilities	4,209,739	2,433,828	2,157,165	988,716	9,789,448
Net sales	800,165	5,043,644	1,060,018	2,158,114	9,061,941

December 31, 2020	Koç Finansman	Ram Dış Ticaret	Voltbek	Diğer	Toplam
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

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1 2021	Subsidiary sales (*)	Additions	Disposals	Transfer (***)	Acqusition (**)	Currency Translation Differences	December 31 2021
Cost								
Land	303,471	-	6,794	(908)	-	381,268	161,874	852,499
Land improvements	57,680	(237)	5,303	(11)	100	-	13,981	76,816
Buildings	3,346,003	(477)	263,930	(174,332)	39,755	371,330	1,888,100	5,734,309
Machinery. equipment and moulds	7,604,352	(145,958)	763,374	(152,776)	751,144	822,890	3,375,459	13,018,485
Motor vehicles and fixtures	1,473,446	(5,756)	483,427	(153,382)	176,577	175,794	876,184	3,026,290
Leasehold improvements	133,836	(688)	15,788	(433)	-	-	72,590	221,093
Construction in progress	931,949	(840)	824,063	(28,953)	(961,394)	33,392	223,919	1,022,136
	13,850,737	**(153,956)**	**2,362,679**	**(510,795)**	**6,182**	**1,784,674**	**6,612,107**	**23,951,628**
Accumulated depreciation:								
Land improvements	(42,729)	187	(6,537)	11	-	-	(11,069)	(60,137)
Buildings	(927,786)	122	(363,016)	136,845	(3,635)	-	(703,380)	(1,860,850)
Machinery. equipment and moulds	(4,486,252)	84,676	(786,920)	152,342	-	-	(2,123,530)	(7,159,684)
Motor vehicles and fixtures	(989,944)	3,264	(271,672)	91,810	(2,678)	-	(438,749)	(1,607,969)
Leasehold improvements	(107,458)	11	(10,887)	433	-	-	(19,751)	(137,652)
	(6,554,169)	**88,260**	**(1,439,032)**	**381,441**	**(6,313)**	**-**	**(3,296,479)**	**(10,826,292)**
Net book value	**7,296,568**	**(65,696)**	**923,647**	**(129,354)**	**(131)**	**1,784,674**	**3,315,628**	**13,125,336**

(*) The disposals are related to the sale of WAT Motor shares on November 30, 2021 (Note 2)

(**) Due to acqusition of Hitachi Global Life Solutions Inc realized at July 1, 2021 and acqusition of Arçelik Üretim ve Teknoloji A.Ş. realized at June 30, 2021(Note 3).

(***) Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 14).

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

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of December 31, 2021 and December 31, 2020 the details of right-of-use assets recognized in the consolidated financial statements are as follows:

	December 31, 2021	**December 31, 2020**
Land improvements	5,031	2,641
Buildings	1,168,052	759,186
Machinery, equipments and moulds	36,801	30,718
Motor vehicles	207,616	76,036
Total right-of-use	**1,417,500**	**868,581**

Additions to rights-to-use assets for the year ended December 31, 2021 TRY 463,515 (2020: 285,705), depreciation expenses are TRY 387,854 (2020: TRY 272,943).

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1 2020	Subsidiary sales (*)	Additions	Disposals	Transfers	Impairment (**)	Currency Translation Differences	December 31 2020
Cost								
Land	235,830	-	810	(2,130)	-	-	68,961	303,471
Land improvements	53,750	-	1,275	-	-	-	2,655	57,680
Buildings	2,365,680	-	267,494	(133,026)	490,809	(7,961)	363,007	3,346,003
Machinery. equipment and moulds	6,597,877	(5,367)	322,779	(334,867)	297,785	(40,156)	766,301	7,604,352
Motor vehicles and fixtures	1,186,588	(2,567)	202,868	(54,309)	792	(586)	140,660	1,473,446
Leasehold improvements	129,704	(1,721)	10,249	(5,299)	(34,252)	-	35,155	133,836
Construction in progress	873,202	(1,111)	776,283	(8,238)	(755,134)	-	46,947	931,949
	11,442,631	**(10,766)**	**1,581,758**	**(537,869)**	**-**	**(48,703)**	**1,423,686**	**13,850,737**
Accumulated depreciation:								
Land improvements	(37,308)	-	(5,286)	-	-	-	(135)	(42,729)
Buildings	(614,935)	-	(259,608)	64,114	-	-	(117,357)	(927,786)
Machinery. equipment and moulds	(3,976,743)	941	(520,704)	221,911	-	-	(211,657)	(4,486,252)
Motor vehicles and fixtures	(702,438)	1,304	(161,897)	35,405	-	-	(162,318)	(989,944)
Leasehold improvements	(69,805)	928	(9,591)	2,213	-	-	(31,203)	(107,458)
	(5,401,229)	**3,173**	**(957,086)**	**323,643**	**-**	**-**	**(522,670)**	**(6,554,169)**
Net book value	**6,041,402**	**(7,593)**	**624,672**	**(214,226)**	**-**	**(48,703)**	**901,016**	**7,296,568**

(*) The disposals are related to the sale of Token shares on April 30, 2020 (Note 2)

(**) Mainly consists of assets related to the production facility located in Changzhou, Jiangsu Province of the People's Republic of China, which the Company has a plan to sell as of September 30, 2020 and the sales transaction is expected to be completed until the end of the year. These assets with a net book value of TRY 154.8 million has been classified as non-current assets held for sale and then measured with lower of book value and fair value (TRY 128.2 million) less cost to sell. As a result of this measurement, a provision for impairment of TRY 26.6 million has been accounted for under income and expenses from investment activities (Note 28).

In addition, as a result of the evaluation, The Company has set aside a provision for impairment of TRY 22 million for its fixed assets which is not expected to provide economic benefits in the future, and is accounted for under expenses in investment activities (Note 28).

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

NOTE 14 - OTHER INTANGIBLE ASSETS

	January 1 2021	Subsidiary sales (*)	Additions	Disposals	Transfer (***)	Acqusition (**)	Revaluation increase	Currency Translation Differences	December 31, 2021
Cost:									
Brands	1,746,059	-	-	-	-	-	-	871,124	2,617,183
Development costs	2,079,653	(49,082)	525,286	-	-	-	-	-	2,555,857
Computer software and rights	503,539	(2,624)	111,879	(13,625)	131	35,149	-	297,160	931,609
Trademark licenses and patents	141,645	-	653	(9)	-	-	-	45,558	187,847
Customer relationships	659,771	-	-	-	-	1,362,470	-	382,278	2,404,519
Memberships	-	-	-	-	-	18,213	6,900	8,532	33,645
	5,130,667	**(51,706)**	**637,818**	**(13,634)**	**131**	**1,415,832**	**6,900**	**1,604,652**	**8,730,660**
Accumulated depreciation:									
Development costs	(1,058,831)	15,823	(188,248)	-	-	-	-	-	(1,231,256)
Computer software and rights	(309,838)	2,431	(76,408)	8,861	-	-	-	(90,095)	(465,049)
Trademark licenses and patents	(69,296)	-	(12,348)	9	-	-	-	(35,945)	(117,580)
Customer relationships	(128,758)	-	(151,284)	-	-	-	-	(63,418)	(343,460)
	(1,566,723)	**18,254**	**(428,288)**	**8,870**	**-**	**-**	**-**	**(189,458)**	**(2,157,345)**
Net book valuer	**3,563,944**	**(33,452)**	**209,530**	**(4,764)**	**131**	**1,415,832**	**6,900**	**1,415,194**	**6,573,315**

(*) The disposals are related to the sale of WAT Motor shares on November 30, 2021 (Note 2)

(**) Due to acqusition of Hitachi Global Life Solutions Inc realized at July 1, 2021 and acqusition of Arçelik Üretim ve Teknoloji A.Ş. realized at June 30, 2021 (Note 3).

(***) Consists of transfers amounting to TRY 131 from property, plant and equipment to other intangible assets (Note 13).

As of December 31, 2021, total amount of capitalized borrowing cost is TRY 5,481 (December 31, 2020: 1,225).

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

NOTE 14 - OTHER INTANGIBLE ASSETS (Continued)

	January 1 2020	Subsidiary sales (*)	Additions	Disposals	Currency Translation Differences	December 31 2020
Cost:						
Brands	1,397,993	-	-	-	348,066	1,746,059
Development costs	1,733,352	(42,818)	389,119	-	-	2,079,653
Computer software and rights	437,030	(195)	69,127	(21,043)	18,620	503,539
Trademark licenses and patents	122,224	-	571	(21)	18,871	141,645
Customer relationships	549,792	-	-	-	109,979	659,771
	4,240,391	**(43,013)**	**458,817**	**(21,064)**	**495,536**	**5,130,667**
Accumulated depreciation:						
Development costs	(868,999)	2,780	(192,612)	-	-	(1,058,831)
Computer software and rights	(256,302)	102	(52,779)	7,588	(8,447)	(309,838)
Trademark licenses and patents	(54,752)	-	(9,500)	21	(5,065)	(69,296)
Customer relationships	(82,403)	-	(29,571)	-	(16,784)	(128,758)
	(1,262,456)	**2,882**	**(284,462)**	**7,609**	**(30,296)**	**(1,566,723)**
Net book value	**2,977,935**	**(40,131)**	**174,355**	**(13,455)**	**465,240**	**3,563,944**

(*) The disposals are related to the sale of Token shares on April 30, 2020 (Note 2)

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

NOTE 14 - OTHER INTANGIBLE ASSETS (Continued)

The carrying values of the brands of the Group are as below:

	December 31, 2021	December 31, 2020
Grundig (*)	1,182,668	775,239
Defy (*)	799,251	524,105
Dawlance(*)	485,766	323,933
Beko	81,040	81,040
Other brands (*)	68,458	41,742
	2,617,183	**1,746,059**

(*) Values of brands in their original currencies are same as of December 31, 2021 and 2020 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2021. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value. Sales forecast beyond the five-year period is extrapolated between 3% and 5% expected growth rate. The estimated royalty income is calculated by applying the expected 2% - 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 6.70 % to 14.30 % discount rates.

Fair value of brands is around 13.3 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management's estimate, fair value of brands would be 10.6 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 15 - GOODWILL

	2021	2020
As of January 1	**989,060**	**808,786**
Acquisitions (Note 3)	1,212,398	-
Currency translation differences	642,990	180,274
As of December 31	**2,844,448**	**989,060**

Details of goodwill are as follows:

	December 31, 2021	December 31, 2020
Hitachi	1,212,398	--
Defy	661,997	408,708
Singer	574,437	330,498
Dawlance	375,925	236,468
Other	19,691	13,386
	2,844,448	**989,060**

NOTE 15 - GOODWILL (Continued)

Goodwill impairment test

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2021.

The projection period for the purposes of goodwill impairment testing is approved by the management as 5 years between January 1, 2022 and December 31, 2026.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 4.0% - 5.0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 13.20% - 14.30% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 34% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 22.5%. Had the compound average growth rate been assumed to be 21.5%, the recoverable amount would have been calculated as 7% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5.0%. Had the rate been assumed to be 4.0%, the recoverable amount would have been 24% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 13.20%. Had the rate been assumed to be 14.20%, the recoverable amount would have been 15% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 215% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

NOTE 15 - GOODWILL (Continued)

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 41%. Had the compound average growth rate been assumed to be 40%, the recoverable amount would have been calculated as 180% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 4%. Had the rate been assumed to be 3%, the recoverable amount would have been 191% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 14.30%. Had the rate been assumed to be 15.30%, the recoverable amount would have been 176% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Singer Group operations as a cash generating unit in impairment test

The Group used the market value calculated over Singer's share price traded on the Bangladesh Stock Exchange as of December 31, 2021, in order to test the impairment of the goodwill generated during the acquisition of Singer, its public affiliate. As of December 31, 2021, the market value of the company is 61% above the total of goodwill and book value and no provision for impairment is required. In case the value of the mentioned shares decreases by 20%, the market value of the company remains 29% above the total of goodwill and book value and no provision for impairment is required.

NOTE 16 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Trade.
j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2020.

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

NOTE 16 - GOVERNMENT GRANTS (Continued)

Grants which are accounted for under other income from operating activities for year ended December 31, 2021 are as follows:

i) Research and development incentive premiums taken or certain to be taken amounts to TRY 14,568 (December 31, 2020 TRY 6,772).

ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Trade amounts to TRY 19,720 (December 31, 2020: TRY 19,468).

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2021, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 2,360,301,160 (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.

	December 31, 2021	December 31, 2020
Collaterals obtained	7,103,500	4,852,845

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

CPMB's given by the Company	December 31, 2021	December 31, 2020
A. CPMB's given for Company's own legal personality	610,026	300,894
B. CPMB's given on behalf of fully consolidated companies	3,004,407	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	**3,614,433**	**1,926,737**

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

CPMB's given by the Company	December 31, 2021	December 31, 2020
TRY	147,587	101,312
EUR	1,032,546	685,979
USD	464,887	278,730
Other currencies	1,969,413	860,716
	3,614,433	**1,926,737**

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

NOTE 18 - OTHER PROVISIONS

	December 31, 2021	December 31, 2020
Other short-term provisions		
Warranty provision	1,122,271	572,725
Provision for transportation cost	261,457	96,459
Assembly provision	235,378	135,561
Provision for lawsuit risks	74,102	27,600
Other	394,755	145,133
	2,087,963	**977,478**
Other long-term provisions		
Warranty provision	391,073	289,640
Other	47,999	-
	439,072	**289,640**

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	**2021**	**2020**
As of January 1	**862,365**	**552,513**
Additions (Note 26)	1,759,604	1,288,406
Disposals	(1,465,663)	(1,100,443)
Acquisitions	70,722	-
Currency translation differences	286,316	121,889
As of December 31	**1,513,344**	**862,365**

Assembly provision		
As of January 1	**135,561**	**116,356**
Additions (Note 26)	588,996	426,408
Disposals	(496,678)	(407,609)
Currency translation differences	7,499	406
As of December 31	**235,378**	**135,561**

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2021	**December 31, 2020**
Provision for employment termination benefits	933,226	417,673
Provision for vacation pay liability (*)	2,383	1,844
	935,609	**419,517**

(*) As of December 31, 2021, vacation pay provisions in the amount of TRY 54,233 are shown in employee benefit obligation.

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 8,284.51 as of December 31, 2021 (December 31, 2020: full TRY 7,117.17) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, the provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2021	**2020**
Net discount rate (%)	4.45	4.63
Turnover rate related the probability of retirement (%)	96.84	95.98

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 10,848.59 (January 1, 2021: full TRY 7,638.96) which is effective from January 1, 2022 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2021	2020
As of January 1	**417,673**	**304,252**
Interest expense	23,511	16,278
Actuarial losses	127,324	87,480
Acquisition	223,810	-
Subsidiary sales	(14,532)	(328)
Service cost	117,078	39,883
Payments during the year	(82,671)	(33,480)
Currency translation differences	121,033	3,588
As of December 31	**933,226**	**417,673**

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	548,651	398,813
Non – Turkey	384,575	18,860
	933,226	**417,673**

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of December 31, 2021 is below:

	Net discount rate		**Turnover rate related the probability of retirement**	
Sensitivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	4.0%	5.0%	96.3%	97.3%
Change in employee benefits liability	21,323	(23,563)	(18,019)	19,757

NOTE 20 - PREPAID EXPENSES

	December 31, 2021	December 31, 2020
Short-term prepaid expenses	390,723	309,640
Advances given for inventories	258,076	187,143
	648,799	**496,783**

	December 31, 2021	December 31, 2020
Long-term prepaid expenses	186,057	83,484
	186,057	**83,484**

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

NOTE 21 - CURRENT INCOME TAX ASSETS

	December 31, 2021	December 31, 2020
Prepaid taxes and funds	415,431	143,032
	415,431	**143,032**

NOTE 22 - EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2021	December 31, 2020
Payables to personnel	469,368	333,481
Social security payables	124,842	91,155
Accruals for bonuses and premiums	180,880	67,918
	775,090	**492,554**

NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2021	December 31, 2020
Other current assets:		
Value added tax and private consumption tax receivable	969,225	455,657
Taxes and funds deductible	940,168	454,966
Income accruals	131,787	88,832
Deposits and guarantees given	93,577	108,402
Other	124,895	38,510
	2,259,652	**1,146,367**
Other current liabilities:		
Accruals for customer premiums	2,706,865	1,336,801
Advances received	368,674	317,015
Liabilities related to acquisitions (Note 3)	94,705	-
Deferred income	82,915	76,891
Other	126,089	8,022
	3,379,248	**1,738,729**
Other long-term liabilities:		
Deferred income	905,778	527,191
Other	176,915	54,515
	1,082,693	**581,706**

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

NOTE 24 - 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:

	December 31, 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:

	December 31, 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
Treasury shares (*)	5.39	36,432	-	-
Other	19.76	133,528	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**

(*) The above amount is related to the shares that buyback and are publicity listed the Group as of December 31, 2021

(**) "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.

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

NOTE 24 – EQUITY (Continued)

Treasury Shares

Pursuant to the decision of the Board of Directors of the Company on July 1, 2021, treasury share procedures have been initiated. Within the scope of the decision, the shares with a nominal value of TRY 36,432, corresponding to 5.39% of the company's capital, has been bought back at the amount of TRY 1,215,266, including transaction costs as of December 31, 2021 (31 December 2020: None). As of the report date, there are no treasury shares that have been sold. Information on treasury share has been realized after the balance sheet date is presented in the 'Events After Balance Sheet Date' (Note 37).

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:

	December 31, 2021	December 31, 2020
Legal reserves	555,736	409,115
Reserves for treasury shares	1,215,266	-

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 188,68532% corresponding to net TRY 1.8868532 (full) (2020: None) per share of TRY 1.00 (full) nominal value to the other shareholders.

In accordance with Article 520 of Law No.6102, a reserve fund is appropriated out the shares buyback in an amount that meets the acquisition. As of December 31, 2021, the Group is appropriated out a reserve fund for the shares that have been bought back amounting to TRY 1,215,266 within the amount of restricted reserves in its consolidated financial statements.

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

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

NOTE 24 – EQUITY (Continued)

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.

NOTE 25 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2021	**Turkey**	**Europe**	**Asia Pasific**	**Africa**	**Other**	**Total**
Total segment revenue	20,788,705	30,129,077	10,047,499	3,598,539	3,620,617	68,184,437
2020	**Turkey**	**Europe**	**Asia Pasific**	**Africa**	**Other**	**Total**
Total segment revenue	14,102,538	19,309,628	3,531,355	2,267,040	1,661,922	40,872,483

The Group recognised net sales amounting to TRY 68,155,349 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2021.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is TRY 455,591 (31 December 2020: TRY 313,735). The Group expects that TRY 402,758 (31 December 2020: TRY 283,140) portion of amount will be recorded as revenue to financial statements within seven years (31 December 2020: six years).

The movements of performance obligations for the years ended December 31 are as follows:

	2021	**2020**
As of January, 1	**313,735**	**240,910**
Recognized as revenue	(29,088)	(30,835)
Increases due to changes in measurements	170,944	103,660
As of December, 31	**455,591**	**313,735**

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

NOTE 26 - EXPENSES BY NATURE

Expenses by nature include cost of goods sold, marketing expenses, general administrative expenses and research and development expenses.

	2021	**2020**
Raw materials, supplies and trade goods	48,438,483	24,382,231
Changes in finished goods, work in process and trade goods	(5,929,386)	(694,380)
Personnel expenses	6,914,533	4,402,219
Transportation, distribution and storage expenses	3,869,217	2,204,375
Warranty and assembly expenses	2,348,600	1,714,814
Depreciation and amortization expenses	1,845,682	1,221,994
Advertising and promotion expenses	1,832,495	1,084,326
Legal consultancy and audit expenses	318,117	227,707
Insurance expenses	237,462	133,776
Provison for impairment on inventories	59,520	75,510
Other	3,242,200	2,276,956
	63,176,923	**37,029,528**

The functional breakdowns of depreciation, amortisation and personnel expenses are as follows:

Depreciation and amortisation expenses	**2021**	**2020**
Cost of sales	865,480	531,234
Marketing expenses	541,517	331,796
General administrative expenses	213,566	162,830
Research and development expenses	225,119	196,134
	1,845,682	**1,221,994**

Total depreciation charges capitalised in 2021 is TRY 21,638 (2020: TRY 19,554).

Personnel expenses	**2021**	**2020**
Cost of sales	3,339,814	2,025,671
Marketing expenses	1,971,326	1,291,292
General administrative expenses	1,487,749	1,000,694
Research and development expenses	115,644	84,562
	6,914,533	**4,402,219**

Total research and development expenditures incurred in 2021 excluding amortization amounts to TRY 724,504 (2020: TRY 491,642).

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

NOTE 26 - EXPENSES BY NATURE (Continued)

Fees for Services Received from Independent Auditor/ Independent Audit Firms

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	2021(*)	**2020**(*)
Audit and assurance fee	17,669	8,733
Tax consulting fee	2,837	924
Other assurance services fee	1,213	354
Other service fee apart from audit	196	71
	21,915	**10,082**

(*) The fees above have been determined through including the legal audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2021	**2020**
Other income from operating activities:		
Foreign exchange gains arising from trading activities	5,588,688	1,313,860
Income from claims and grants (*)	90,990	394,364
Credit finance income arising from trading activities	54,261	41,028
Expected credit lose provisions no longer required(Note 9)	34,779	14,188
Other	7,705	5,920
	5,776,423	**1,769,360**
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(3,406,624)	(503,159)
Credit finance charges arising from trading activities	(268,757)	(185,098)
Provision for expected credit lose (Note 9)	(59,835)	(58,484)
Other	(28,577)	(13,278)
	(3,763,793)	**(760,019)**

(*) European Commission's decision to apply a penalty to a group of CRT producers due to violation of competition, the Company and its subsidiaries have filed a lawsuit against related suppliers for the compensation of loss. In the course of the lawsuit, a total compensation income of TRY 284,376 thousand was obtained in 2020 from CRT suppliers by settlement. The amount is presented in income from claims and grants.

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

NOTE 28 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2021	2020
Income from investment activities:		
Gain from a bargain purchase(*)	234,997	-
Profit from sales of subsidiary (**)	55,682	226,498
Income from sales of property plant and equipment	24,889	14,077
Gain from disposal of shares in associates (***)	930	-
Dividends received from financial investments	342	93
	316,840	**240,668**
Expenses from investment activities:		
Loss from sales of property plant and equipment	(9,579)	(15,782)
Impairments for fixed assets (Note 13)	-	(48,703)
	(9,579)	**(64,485)**

(*) Due to acqusition of Arçelik Üretim ve Teknoloji A.Ş. (Note 3).

(**) The Group has sold 100% owned subsidiary Wat Motor Sanayi ve Ticaret A.Ş. for a total price of TRY 369.8 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on 30 November 2021. (2020: The Group has sold 100% owned subsidiary Token for a total price of TRY 312.4 million, to its shareholders Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. on April 30, 2020)

(***) The Group has sold 32% owned associate Tanı Pazarlama İletişim Hizmetleri A.Ş. to Yapı ve Kredi Bankası A.Ş. on November 30, 2021.

NOTE 29 - FINANCIAL INCOME

	2021	2020
Foreign exchange gains (*)	6,976,653	2,454,602
Gains on derivative instruments	4,051,786	1,145,948
Interest income	217,672	231,593
Other	63,247	20,353
	11,309,358	**3,852,496**

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

NOTE 30 - FINANCIAL EXPENSES

	2021	2020
Foreign exchange losses (*)	(8,615,726)	(2,543,848)
Losses on derivative instruments	(4,487,797)	(1,510,170)
Interest expenses (**)	(1,817,588)	(1,341,916)
Other	(48,524)	(28,362)
	(14,969,635)	**(5,424,296)**

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

(**) TRY 67,017 of the interest expenses consists of the interest expense on the lease liabilities (2020: TRY 59,922).

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

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2021	December 31, 2020
Corporation and income taxes	582,801	366,674
Prepaid tax	(527,509)	(358,938)
Tax liabilities (net)	**55,292**	**7,736**
Deferred tax assets	1,823,680	833,284
Deferred tax liabilities	(1,528,994)	(563,071)
Deferred tax assets, net	**294,686**	**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.

The corporation 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.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Income tax expense for the years ended December 31 is as follows:

	2021	2020
Tax income		
- Current period tax expense	(759,496)	(481,032)
- Deferred tax income	387,891	(137,884)
Tax income	**(371,605)**	**(618,916)**

	2021	2020
Profit before tax	3,622,614	3,497,905
Less: Share of profit/loss of equity accounted investments	44,514	(41,226)
Profit before tax (excluding share of profit/(loss) of Joint Ventures)	**3,667,128**	**3,456,679**
Tax rate	**25%**	**22%**
Tax expense	**(916,782)**	**(760,469)**
Exemptions	85,438	39,341
Tax losses and other tax advantages (net effect)	626,891	136,989
Impact of different tax rates in other countries	6,696	(6,324)
The effect of the legal tax rate change on the deferred tax amount	30,736	12,655
Expenses not deductible for tax purposes	(211,143)	(38,040)
Other	6,559	(3,068)
Taxation income recognized in statement of profit or loss	**(371,605)**	**(618,916)**

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

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

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Property, plant and equipment and intangible assets	6,808,897	4,407,368	(1,893,703)	(1,043,338)
Unused tax advantages (*)	-	-	386,422	409,654
Unused tax credits	(1,876,782)	(822,908)	512,674	269,760
Provision for warranty, assembly and transportation expenses	(1,261,212)	(1,036,964)	285,256	220,513
Inventories	(1,079,533)	(606,250)	315,910	174,480
Provision for employment termination benefits	(862,252)	(398,093)	185,139	79,832
Provision for expected credit lose	(201,855)	(125,346)	54,707	32,594
Derivative instruments	(196,369)	9,927	44,912	(1,988)
Other	(1,763,098)	(584,579)	403,369	128,706
Deferred tax assets, net			**294,686**	**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 December 31, 2021 the tax advantage of TRY 386,422 (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 consolidated financial statements

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2021	**2020**
Balance as of January 1	**270,213**	**436,392**
Deferred tax income recognized in statement of profit or loss	387,891	(137,884)
Deferred tax income recognized directly in the equity	27,025	2,838
Acquisitions (Note 3)	(218,902)	-
Deferred tax effect of subsidiary sales	(21,510)	1,041
Currency translation differences	(150,031)	(32,174)
Balance as of December 31	**294,686**	**270,213**

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Group's total deductible loss of which deferred tax assets have not been calculated and related maturity analysis of this amount is as follows:

	December 31, 2021
2022	325,069
2023	168,962
2024	141,686
2025 and after	842,496
	1,478,213

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued.

NOTE 32 - 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- December 31, 2021	**January 1- December 31, 2020**
Profit for the year attributable to shareholders of the Company	3,064,674	2,847,839
Weighted average number of ordinary shares with nominal value (kurus1 each one) (*)	66,504,513,987	67,572,820,500
Earnings per share (kurus)	**4.608**	**4.214**

(*) Further details for the treasury shares please refer to Note 24.

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

NOTE 33 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2021	December 31, 2020
(a) Due from related parties:		
Wat Motor(*)	145,996	-
Voltbek(2)	74,604	63,945
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	37,722	30,117
Other	10,984	9,091
	269,306	**103,153**

	December 31, 2021	December 31, 2020
(b) Due to related parties:		
Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	661,144	463,096
Ram Dış Ticaret (2)	452,200	171,657
Arçelik-LG (4)	218,194	198,207
Ingage Dijital Pazarlama Hizmetleri	61,149	14,686
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	58,414	46,081
Koç Holding A.Ş. (3)	52,078	34,665
Bilkom Bilişim Hizmetleri A.Ş. (1)	48,805	16,475
Other	40,720	50,962
	1,592,704	**995,829**

(1) Koç Holding group companies
(2) Associates
(3) Parent company
(4) Joint venture
(*) Wat Motor was sold on November 30, 2021 and had been deconsolidated.

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

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	4,503,113	3,251,407

(1) Koç Holding group companies

(d) Derivative instruments

December 31, 2021	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,083,556	-	72,835

December 31, 2020	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,926,271	5,230	(311)

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

(a) Sales of goods and services:	2021	2020
Bilkom Bilişim Hizmetleri A.Ş.	383,183	38,238
Voltbek	228,418	134,675
Token Finansal Teknolojiler A.Ş.	115,152	89,150
Koçtaş Yapı Marketleri Ticaret A.Ş.	82,772	52,204
Wat Motor	29,050	-
Yapı ve Kredi Bankası A.Ş.	9,289	4,006
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,333	3,401
Other	25,006	13,911
	875,203	**335,585**

(b) Purchases of goods and services:	2021	2020
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,103,519	1,846,735
Ram Dış Ticaret	1,306,827	564,526
Arçelik-LG	1,192,283	714,128
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	204,278	125,417
Ingage Dijital Pazarlama Hizmetleri[(1)]	191,780	78,915
Bilkom Bilişim Hizmetleri A.Ş.	173,006	278,430
Token Finansal Teknolojiler A.Ş.	114,171	73,496
Ram Sigorta Aracılık Hizmetleri A.Ş.(*) [(1)]	65,524	47,413
Other	291,086	181,758
	6,642,474	**3,910,818**

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

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

(*) The amount consists insurance premium 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 December 31, 2021 amounts to TRY 161,041 (December 31, 2020: TRY 111,245). Compensation includes only short-term benefits. TRY 5,438 (December 31, 2020: TRY 11,000) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(d) Other transactions:

	2021	2020
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	64,459	34,304
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	11,705	23

NOTE 34 - 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.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2021 is as follows:

Total financial liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	31,144,877	33,958,795	8,987,000	4,691,769	18,035,282	2,244,744
Lease liabilities	1,434,622	1,694,271	122,551	352,136	898,692	320,892
Trade payables	19,669,031	19,855,618	16,214,481	3,631,748	9,389	-
Other payables, third parties	1,245,608	1,245,608	1,138,470	99,288	489	7,361
	53,494,138	**56,754,292**	**26,462,502**	**8,774,941**	**18,943,852**	**2,572,997**

Derivative instruments	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows	-	11,525,587	8,062,875	3,437,178	25,534	-
Derivative cash outflows	-	(11,688,024)	(8,230,381)	(3,457,643)	-	-
Derivative instruments (net)	**(210,041)**	**(162,437)**	**(167,506)**	**(20,465)**	**25,534**	-

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2020 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	16,158,290	17,585,408	3,098,824	7,696,633	5,966,896	823,055
Lease liabilities	916,935	1,142,812	73,776	196,689	601,540	270,807
Trade payables	9,645,202	9,739,526	8,891,433	848,093	-	-
Other payables, third parties	726,074	726,073	637,960	88,113	-	-
	27,446,501	**29,193,819**	**12,701,993**	**8,829,528**	**6,568,436**	**1,093,862**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows	-	5,349,074	5,261,540	56,110	31,424	-
Derivative cash outflows	-	(5,249,719)	(5,193,385)	(56,334)	-	-
Derivative instruments (net)	**19,088**	**99,355**	**68,155**	**(224)**	**31,424**	**-**

Interest Rate Risk

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

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

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk (Continued)

Average effective annual interest rates of statement of financial position accounts as of December 31, 2021 and 2020 are as follows:

December 31, 2021 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT
Cureent Assets																								
Cash and cash equivalents	25.55	0.18	2.18	0.14	0.07	3.91	0.37	3.20	(0.32)	0.06	-	1.50	(0.75)	0.65	1.34	-	0.55	0.06	0.04	-	0.13	-	-	0.08
Trade receivables	13.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	19.07	0.58	1.82	-	3.38	8.40	-	5.10	-	-	1.60	-	-	3.25	-	-	-	-	0.09	-	-	-	5.14	-
Trade payables	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	16.63	2.23	-	-	-	-	-	5.83	-	-	-	-	-	-	-	-	-	-	8.10	-	-	-	-	-
Long term bonds issued	19.87	3.00	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

December 31, 2020 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD	MYR	BDT	KZT
Cureent Assets																								
Cash and cash equivalents	17.41	0.24	2.83	0.00	1.52	4.19	1.05	3.51	(0.45)	4.35	-	4.40	(0.75)	0.65	1.33	0.15	0.55	0.61	5.50	2.39	0.13	-	-	-
Trade receivables	8.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																								
Short-term bank borrowings	9.52	0.44	2.05	-	-	2.00	-	4.64	-	-	-	-	-	3.25	-	-	-	-	-	-	-	-	-	-
Trade payables	17.82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																								
Long term bank borrowings	14.00	2.63	-	-	-	-	-	9.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	19.07	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2021	2020
Financial instruments with fixed interest rates		
Time deposits	8,466,585	7,751,630
Borrowings and bonds issued	24,868,954	13,043,245
Factoring liabilities	251,013	120,716
Financial instruments with variable interest rates		
Time deposits	3,500,533	2,973,233
Borrowings	6,024,911	2,994,329

At December 31, 2021, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 25,244 (2020: TRY 211 lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

Funding risk

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

Credit risk

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

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

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

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

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

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

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

	Trade receivables			
December 31, 2020	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2021	December 31, 2020
Group 1	464,638	396,995
Group 2	21,339,824	10,814,135
Group 3	873,512	344,239
	22,677,974	**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

	December 31, 2021	December 31, 2020
0-1 month	386,789	280,494
1-3 months	76,944	115,120
3-12 months	169,652	86,777
1-5 years	144,852	136,543
	778,237	**618,934**

c) Geographical concentration of the trade receivables

	December 31, 2021	December 31, 2020
Turkey	7,735,765	5,011,328
Europe	9,281,446	4,769,736
Other	6,440,198	2,436,606
	23,457,409	**12,217,670**

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.

Description for the measurements as of December 31, 2021 is as follows;

December 31, 2021	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.005	0.18	1.11	1.49	
Gross carrying amount	22,650,717	409,010	76,944	733,177	**23,869,848**
Expected credit lose	(1,122)	(735)	(854)	(10,924)	**(13,635)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Description for the measurements as of December 31, 2020 is 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**
Expected credit lose	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.

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 December 31, 2021, a portion of bank borrowings amounting to EUR 200,000,000 (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:

	December 31, 2021	December 31, 2020
Assets	25,180,708	14,798,292
Liabilities	(28,596,052)	(13,445,264)
Net position of financial statement	**(3,415,344)**	**1,353,028**
Net position of derivative instruments	2,021,214	(1,922,645)
Foreign currency position (net)	**(1,394,130)**	**(569,617)**

NOTE 34 - 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 December 31, 2021 are as follows:

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

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

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

NOTE 34 - 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 Equivalent	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
Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade payables	107	6,501	-	-	-	-	-	-	-	(0)	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 Ass	93,950	159,450	112,650	73,500	455,000	128,747	-	321,753	-	192,117	4,293,714
Hedged Amount of Foreign Currency Liabilities	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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Gain/Loss		Other Comprehensive Income	
December 31, 2020	**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)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2021 and 2020 are as follows:

	December 31, 2021 TRY	December 31, 2020 TRY
EUR	11,835,596	7,806,786
USD	4,195,819	2,366,762
GBP	4,527,526	2,815,746
Other	2,110,260	1,465,645
Total exports	**22,669,201**	**14,454,939**
EUR	3,885,515	2,397,022
USD	9,201,693	5,773,415
Other	25,494	19,683
Total imports	**13,112,702**	**8,190,120**

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios as of December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Total financial liabilities (Note 7)	32,579,499	17,075,225
Cash and cash equivalents (Note 5)	(16,014,589)	(12,002,246)
Net financial liabilities	16,564,910	5,072,979
Equity	21,055,215	14,023,846
Total capital invested	**37,620,125**	**19,096,825**
Gearing ratio	**44%**	**27%**

NOTE 35 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of December 31, 2021, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 20,890,874 (December 31, 2020: TRY 11,518,711) (Note 7) and TRY 21,853,025 (December 31, 2020: 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.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of December 31, 2021 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 8)	-	35,251	-
Financial investments (Note 6)	10,452	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	(245,292)	-

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)	-

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

NOTE 36 - 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- December 31, 2021	1 January- December 31, 2020
Adjustments for provisions:		
Accrual for customer premiums	1,370,064	459,811
Warranty provision	650,979	309,853
Provision for assembly and transportation cost	264,815	60,515
Provision for employment termination benefits	140,589	56,161
Accrual for bonuses and premiums	112,962	29,527
Provision for legal claims	46,502	(36,633)
Return provisions	69,135	(22,858)
	2,655,046	**856,376**

	1 January- December 31, 2021	1 January- December 31, 2020
Adjustments for impairment loss:		
Provision for impairment on inventories	59,520	75,510
Provision for expected credit lose	59,835	58,484
Impairments for fixed assets	-	48,703
	119,355	**182,697**

NOTE 37 - 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, it has been evaluated that the value of Arçelik A.Ş. in Borsa İstanbul does not reflect 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 as of July 1, 2021.

Based on the transactions that have been completed as of the report date, shares with a nominal value of TRY 40,530 which corresponds to 6.00% of the capital has been bought back, total cost is TRY 1,426,905, including transaction costs.