

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY - 30 SEPTEMBER 2021**

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ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Unaudited | Audited |
|---|-------|-----------------------|----------------------|
| | Notes | September 30, 2021 | December 31, 2020 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 5 | 8,340,575 | 12,002,246 |
| Trade receivables | | | |
| -Due from related parties | 28 | 125,637 | 103,153 |
| -Trade receivables, third parties | 9 | 19,135,305 | 12,046,292 |
| Derivative instruments | 8 | 39,488 | 27,354 |
| Inventories | 11 | 13,193,737 | 7,095,622 |
| Prepaid expenses | 17 | 523,593 | 496,783 |
| Current income tax assets | 18 | 170,183 | 143,032 |
| Other current assets | 20 | 1,806,452 | 1,146,367 |
| Total current assets | | 43,334,970 | 33,060,849 |
| Non-current assets: | | | |
| Financial investments | 6 | 5,554 | 5,614 |
| Trade receivables | | | |
| -Trade receivables, third parties | 9 | 61,091 | 68,225 |
| Investments accounted for using the equity method | 12 | 702,473 | 648,016 |
| Property, plant and equipment | 13 | 9,274,372 | 7,296,568 |
| Intangible assets | | | |
| -Goodwill | | 3,368,049 | 989,060 |
| -Other intangible assets | 14 | 4,096,456 | 3,563,944 |
| Prepaid expenses | 17 | 80,521 | 83,484 |
| Deferred tax assets | 26 | 1,365,331 | 833,284 |
| Total non-current assets | | 18,953,847 | 13,488,195 |
| Total assets | | 62,288,817 | 46,549,044 |

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

ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Unaudited | Audited |
|--|-------|-----------------------|----------------------|
| | Notes | September 30, 2021 | December 31, 2020 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Short-term borrowings | 7 | 7,242,729 | 4,840,622 |
| Short-term portion of long-term borrowings | 7 | 1,728,710 | 5,390,255 |
| Trade payables | | | |
| -Due to related parties | 28 | 1,429,319 | 995,829 |
| -Trade payables, third parties | 9 | 13,315,443 | 8,649,373 |
| Derivative instruments | 8 | 199,668 | 8,266 |
| Employee benefit obligations | 19 | 832,694 | 492,554 |
| Other payables | | | |
| -Other payables, third parties | 10 | 1,177,869 | 726,074 |
| Current income tax liabilities | 26 | 89,322 | 7,736 |
| Provisions | | | |
| -Other provisions | 16 | 1,512,447 | 977,478 |
| Other current liabilities | 20 | 2,873,376 | 1,738,729 |
| Total current liabilities | | 30,401,577 | 23,826,916 |
| Non-current liabilities: | | | |
| Long-term borrowings | 7 | 13,342,331 | 6,844,348 |
| Derivative instruments | 8 | 5,107 | - |
| Provisions | | | |
| -Provision for employee benefits | | 687,956 | 419,517 |
| -Other provisions | 16 | 417,273 | 289,640 |
| Deferred tax liabilities | 26 | 788,630 | 563,071 |
| Other non-current liabilities | 20 | 797,928 | 581,706 |
| Total non-current liabilities | | 16,039,225 | 8,698,282 |
| Total liabilities | | 46,440,802 | 32,525,198 |

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Unaudited | Audited |
|---|--------------|-------------------------------|------------------------------|
| | Notes | September 30, 2021 | December 31, 2020 |
| EQUITY | | | |
| Paid-in capital | 21 | 675,728 | 675,728 |
| Adjustment to share capital | 21 | 468,811 | 468,811 |
| Treasury shares | 21 | (855,398) | - |
| 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 | | (331,685) | (298,280) |
| -Other gains/ losses on revaluation and remeasurement | | 3,786 | 4,918 |
| Other accumulated comprehensive income and expense to be reclassified to profit or loss | | | |
| -Currency translation differences | | 6,483,216 | 5,225,745 |
| Gains/ losses on hedge | | | |
| -Gains/ losses on hedges of net investment in foreign operations | | (1,113,168) | (966,053) |
| -Gains/ losses on cash flow hedges | | (6,017) | (3,072) |
| Balancing account for merger capital | | 14,507 | 14,507 |
| Restricted reserves | 21 | 1,411,134 | 409,115 |
| Retained earnings | | 5,785,718 | 5,439,898 |
| Net income for the period | | 2,274,737 | 2,847,839 |
| Equity holders of the parent | | 14,812,258 | 13,820,045 |
| Non-controlling interest | | 1,035,757 | 203,801 |
| Total equity | | 15,848,015 | 14,023,846 |
| Total liabilities and equity | | 62,288,817 | 46,549,044 |

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

ARÇELİK ANONİM ŞİRKETİ

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

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

| | Notes | Unaudited | | | |
|--|-----------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| | | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
| Net sales | 4 | 45,665,908 | 27,537,812 | 18,147,680 | 11,938,155 |
| Cost of sales | | (31,664,375) | (18,534,646) | (13,022,200) | (7,810,877) |
| Gross profit | 4 | 14,001,533 | 9,003,166 | 5,125,480 | 4,127,278 |
| General administrative expenses | | (2,048,062) | (1,454,677) | (796,232) | (551,101) |
| Marketing expenses | | (7,771,810) | (5,055,945) | (2,916,239) | (2,088,466) |
| Research and development expenses | | (294,836) | (229,324) | (113,079) | (84,407) |
| Other income from operating activities | 22 | 1,647,993 | 1,793,135 | 296,991 | 786,082 |
| Other expenses from operating activities | 22 | (1,524,417) | (696,976) | (331,811) | (315,269) |
| Operating profit | | 4,010,401 | 3,359,379 | 1,265,110 | 1,874,117 |
| Income from investment activities | 23 | 5,130 | 228,855 | 1,707 | 611 |
| Expenses from investment activities | 23 | (3,031) | (50,669) | (266) | (49,218) |
| Share of profit/loss of investments accounted for using the equity method | 12 | (11,890) | 46,690 | 1,513 | 22,032 |
| Operating income before financial income/(expense) | | 4,000,610 | 3,584,255 | 1,268,064 | 1,847,542 |
| Financial income | 24 | 3,407,323 | 2,707,888 | 851,615 | 1,222,428 |
| Financial expenses | 25 | (4,759,700) | (4,172,970) | (1,349,240) | (1,784,935) |
| Profit from continuing operations before tax | | 2,648,233 | 2,119,173 | 770,439 | 1,285,035 |
| Tax income/(expense), continuing operations | | | | | |
| - Taxes on income | 26 | (532,426) | (370,466) | (159,662) | (228,717) |
| - Deferred tax income/expense | 26 | 242,358 | (39,492) | 106,041 | (15,111) |
| Net income | | 2,358,165 | 1,709,215 | 716,818 | 1,041,207 |
| Attributable to: | | | | | |
| Non-controlling interest | | 83,428 | 24,869 | 65,442 | 19,218 |
| Equity holders of the parent | 27 | 2,274,737 | 1,684,346 | 651,376 | 1,021,989 |
| Earnings per share (kurus) | 27 | 3.382 | 2.493 | 0.977 | 1.512 |

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

ARÇELİK ANONİM ŞİRKETİ

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

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

| | Unaudited | | | |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
| Net income | 2,358,165 | 1,709,215 | 716,818 | 1,041,207 |
| Other comprehensive income: | | | | |
| Not to be reclassified to profit or loss | (42,823) | (60,013) | (12,713) | (12,743) |
| Gain/ loss arising from defined benefit plans | (41,210) | (62,510) | (13,101) | (13,357) |
| Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss | (425) | 60 | (175) | (87) |
| Gain/ loss on financial assets measured at fair value through other comprehensive income | (1,188) | 2,437 | 563 | 701 |
| Not to be reclassified to profit or loss, tax effect | 8,286 | 12,387 | 2,587 | 2,636 |
| Gain/ loss arising from defined benefit plans, tax effect | 8,230 | 12,509 | 2,620 | 2,671 |
| Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect | 56 | (122) | (33) | (35) |
| To be reclassified to profit or loss | 1,818,844 | 1,379,820 | 504,226 | 955,669 |
| Currency translation differences | 1,981,266 | 1,665,065 | 472,343 | 1,086,158 |
| Other comprehensive income related with hedges of net investments in foreign operations | (196,155) | (381,150) | 16,881 | (218,446) |
| Other comprehensive income/ loss related with cash flow hedge | (5,107) | 39,628 | (3,467) | 47,022 |
| Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss | 38,840 | 56,277 | 18,469 | 40,935 |
| - Currency translation differences of investments accounted for using the equity method | 37,955 | 52,871 | 18,983 | 37,476 |
| - Gain/loss from cash flow hedges of investments accounted for using equity method | 885 | 3,406 | (514) | 3,459 |
| To be reclassified to profit or loss, tax effect | 50,317 | 75,137 | (3,353) | 37,713 |
| Other comprehensive income related with hedges of net investments in foreign operations, tax effect | 49,040 | 83,854 | (4,220) | 48,058 |
| Other comprehensive income related with cash flow hedge, tax effect | 1,277 | (8,717) | 867 | (10,345) |
| Other comprehensive income/ (loss) (net of tax) | 1,834,624 | 1,407,331 | 490,747 | 983,275 |
| Total comprehensive income | 4,192,789 | 3,116,546 | 1,207,565 | 2,024,482 |
| Attributable to: | | | | |
| Non-controlling interest | 845,178 | 76,013 | 791,355 | 45,654 |
| Equity holders of the parent | 3,347,611 | 3,040,533 | 416,210 | 1,978,828 |

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

ARÇELİK ANONİM ŞİRKETİ**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**

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

| | | | | | | Other accumulated comprehensive income and expense not to be reclassified to profit or loss | Other accumulated comprehens income and expense to be reclassified to profit or loss | | | | Accumulated profit | | | | |
|---|--------------------|-----------------------------------|--------------------|-------------------------------|--|--|--|------------------------------|--|------------------------|----------------------|---------------|---------------------------------|---------------------------------|-----------------|
| | 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 through other comprehensive income | Gains/ losses on hedge | Currency translation differences | Restricted reserves | Retained earnings | Net income | Equity holders of the parent | Non- controlling interest | Total equity |
| Balance at January 1, 2020 | 675,728 | 468,811 | - | 889 | 14,507 | (228,111) | 2,443 | (736,028) | 3,611,032 | 409,115 | 4,515,065 | 924,833 | 9,658,284 | 157,685 | 9,815,969 |
| Transfers | - | - | - | - | - | - | - | - | - | - | 924,833 | (924,833) | - | - | - |
| Total comprehensive income | - | - | - | - | - | (49,941) | 2,315 | (262,979) | 1,666,792 | - | - | 1,684,346 | 3,040,533 | 76,013 | 3,116,546 |
| Net income | - | - | - | - | - | - | - | - | - | - | - | 1,684,346 | 1,684,346 | 24,869 | 1,709,215 |
| Other comprehensive income | - | - | - | - | - | (49,941) | 2,315 | (262,979) | 1,666,792 | - | - | - | 1,356,187 | 51,144 | 1,407,331 |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | - | - | (27,086) | (27,086) |
| Increase/decrease due to acquisition of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As of September 30, 2020 | 675,728 | 468,811 | - | 889 | 14,507 | (278,052) | 4,758 | (999,007) | 5,277,824 | 409,115 | 5,439,898 | 1,684,346 | 12,698,817 | 206,612 | 12,905,429 |
| Balance at January 1, 2021 | 675,728 | 468,811 | - | 889 | 14,507 | (298,280) | 4,918 | (969,125) | 5,225,745 | 409,115 | 5,439,898 | 2,847,839 | 13,820,045 | 203,801 | 14,023,846 |
| Transfers | - | - | - | - | - | - | - | - | - | 146,621 | 2,701,218 | (2,847,839) | - | - | - |
| Total comprehensive income | - | - | - | - | - | (33,405) | (1,132) | (150,060) | 1,257,471 | - | - | 2,274,737 | 3,347,611 | 845,178 | 4,192,789 |
| Net income | - | - | - | - | - | - | - | - | - | - | - | 2,274,737 | 2,274,737 | 83,428 | 2,358,165 |
| Other comprehensive income | - | - | - | - | - | (33,405) | (1,132) | (150,060) | 1,257,471 | - | - | - | 1,072,874 | 761,750 | 1,834,624 |
| Dividends | - | - | - | - | - | - | - | - | - | - | (1,500,000) | - | (1,500,000) | (13,222) | (1,513,222) |
| Increase/decrease due to acquisition of treasury shares | - | - | (855,398) | - | - | - | - | - | - | 855,398 | (855,398) | - | (855,398) | - | (855,398) |
| As of September 30, 2021 | 675,728 | 468,811 | (855,398) | 889 | 14,507 | (331,685) | 3,786 | (1,119,185) | 6,483,216 | 1,411,134 | 5,785,718 | 2,274,737 | 14,812,258 | 1,035,757 | 15,848,015 |

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

| | Notes | Unaudited | |
|---|-------|-------------------------------------|-------------------------------------|
| | | January 1- September 30, 2021 | January 1- September 30, 2020 |
| Cash flows from operating activities: | | | |
| Net income: | | 2,358,165 | 1,709,215 |
| <i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i> | | | |
| Adjustments for depreciation and amortisation expense | | 1,187,030 | 896,951 |
| Adjustments for impairment loss | 31 | 62,625 | 96,231 |
| Adjustments for other provisions | 31 | 1,721,349 | 979,406 |
| Adjustments for interest income | 24 | (171,729) | (132,111) |
| Adjustments for interest expense | 25 | 1,234,393 | 1,038,880 |
| Adjustments for income arised from government grants | | (59,385) | (59,358) |
| Adjustments for unrealised foreign exchange losses (gains) | 24,25 | 310 | 44,245 |
| Adjustments for fair value (gains) losses on derivative financial instruments | 24,25 | 273,567 | 508,604 |
| Adjustments for unattributed profits of investments accounted for using equity method | 12 | 11,890 | (46,690) |
| Adjustments for tax expense/income | 26 | 290,068 | 409,958 |
| Adjustments for losses (gains) on disposal of non-current assets | 23 | (1,982) | (298) |
| Other adjustments to reconcile profit (loss) | 24,25 | 15,836 | 5,464 |
| Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments | 23 | - | (226,498) |
| Adjustments regarding net profit reconciliation for the period | | 6,922,137 | 5,223,999 |
| Changes in operating assets and liabilities: | | | |
| Adjustments for decrease (increase) in trade receivables | | (5,579,175) | (2,668,901) |
| Adjustments for decrease (increase) in inventories | | (4,993,662) | (1,248,489) |
| Decrease (increase) in prepaid expenses | | 20,610 | (171,876) |
| Adjustments for increase (decrease) in trade payables | | 2,640,792 | 3,631,161 |
| Increase (decrease) in employee benefit liabilities | | 28,285 | (14,583) |
| Adjustments for increase (decrease) in other operating payables | | 203,496 | (28,178) |
| Increase (decrease) in government grants and assistance | | 34,855 | 35,897 |
| Other adjustments for other increase (decrease) in working capital | | (622,926) | 519,860 |
| Income taxes refund (paid) | | (307,287) | (112,783) |
| Cash flows from operating activities | | (1,652,875) | 5,166,107 |
| Investing activities: | | | |
| Cashflow used in obtaining control of subsidiaries or other businesses | 3 | (2,055,799) | - |
| Cash inflows related to sales that will result in loss of control of subsidiaries | | - | 275,778 |
| Cash outflows due to share acquisition or capital increase in affiliates and / or joint ven | 12 | (38,220) | (35,228) |
| Cash outflows from purchases of property, plant and equipment and intangible assets | | (1,538,862) | (947,143) |
| Cash inflows from sale of property, plant and equipment and intangible assets | | 28,275 | 13,360 |
| Dividends received | 12 | 11,165 | - |
| Cash flows from investing activities | | (3,593,441) | (693,233) |
| Financing activities: | | | |
| Proceeds from borrowings | 7 | 5,730,100 | 3,821,710 |
| Repayments of borrowings | 7 | (7,003,729) | (3,778,035) |
| Bonds issued | 7 | 5,103,496 | - |
| Payments of lease liabilities | 7 | (353,369) | (225,703) |
| Dividends paid | | (1,513,222) | (27,086) |
| Cash receipts from future contracts, forward contracts, option contracts and swap contracts (ne | | (89,192) | (512,204) |
| Acquisition of treasury shares | 21 | (855,398) | - |
| Interest paid | | (978,801) | (1,093,135) |
| Interest received | | 185,153 | 134,413 |
| Other inflows (outflows) of cash | 24,25 | (15,836) | (5,464) |
| Cash flows from financing activities | | 209,202 | (1,685,504) |
| Net increase/(decrease) in cash and cash equivalents before currency translation differences | | | |
| | | (5,037,114) | 2,787,370 |
| Effect of currency translation differences | | 1,388,867 | 1,818,022 |
| Net increase/(decrease) in cash and cash equivalents | | (3,648,247) | 4,605,392 |
| Cash and cash equivalents at January 1 | 5 | 11,988,227 | 6,922,938 |
| Cash and cash equivalents at September 30 | 5 | 8,339,980 | 11,528,330 |

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates twenty-six manufacturing plants in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan, China and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company and the companies owned by Koç Family (Note 21).

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

The average number of personnel employed by categories in the Group in 2021 is 8,514 monthly paid (Jan 1 - Sep 30, 2020: 7,978) and 30,022 hourly paid (1 Jan – 30 Sep 2020: 24,723) totalling to 38,537 (2020: 32,702).

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

| <u>Subsidiaries and branches</u> | <u>Country of incorporation</u> | <u>Core business</u> | <u>Nature of business</u> |
|--|---------------------------------|----------------------|---------------------------|
| Arçelik Hitachi Home Appliances (Thailand) Ltd. | Thailand | Production/Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales (China) Ltd. | China | Production/Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd | Singapore | Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales (Thailand) Ltd | Thailand | Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd | Malaysia | Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales Middle East Fze | United Arab Emirates | Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales Vietnam Co., Ltd | Vietnam | Sales | Consumer Durables |
| Arçelik Hitachi Home Appliances Sales Hong Kong Limited | Hong Kong, China | Sales | Consumer Durables |
| Arçelik Hitachi Taiwan Home Appliances Sales Ltd | Taiwan | Sales | Consumer Durables |
| PT. Arçelik Hitachi Home Appliances Sales Indonesia | Indonesia | Sales | Consumer Durables |

(*) 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.

Ceased operations as of reporting date

| | | | |
|--|----------------|---|---|
| Beko Cesko (“Beko Cesko”) | Czech Republic | - | - |
| Grundig Intermedia Ges.m.b.H (“Grundig Austria”) | Austria | - | - |
| Grundig Portuguesa, Lda (“Grundig Portugal”) | Portugal | - | - |

Associates

| | | | |
|--|--------|-------------|--------------------------|
| 0Koç Finansman A.Ş. (“Koç Finansman”) | Turkey | Finance | Consumer Finance |
| Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”) | Turkey | Sales | Foreign Trade |
| Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”) | Turkey | Consultancy | Marketing /Communication |

Joint Ventures

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

Approval of condensed consolidated financial statements

These condensed interim consolidated financial statements as of and for the period 1 January – 30 September 2021 has been approved for issue by the Board of Directors on 21 October 2021.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.1 Basis of presentation (Continued)

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

New and amended standards and interpretations

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

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

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

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

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

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

2.1 Basis of presentation (Continued)

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’.

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

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

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) (Continued)

2.1 Basis of presentation (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of September 30, 2021 and December 31, 2020 (%) and their functional currencies:

| | Functional currency | September 30, 2021 | | December 31, 2020 | |
|--|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | | Ownership interest | Effective shareholding | Ownership interest | Effective shareholding |
| Continuing operations as of balance sheet date: | | | | | |
| Arch R&D | Chinese Yuan ("CNY") | 100.00 | 100.00 | 100.00 | 100.00 |
| Arctic | Romanian Lei ("RON") | 96.72 | 96.72 | 96.72 | 96.72 |
| Ardutch | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Ardutch Taiwan | Taiwanese Dollar ("TWD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko APAC | Thai Baht ("THB") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Australia | New Zealand Dollar ("NZD") Australian Dollar ("AUD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Balkans | Serbian Dinar ("SRD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko China | Chinese Yuan ("CYN") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Central Asia | Kazakhstan Tenge ("KZT") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Grundig Deutschland | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Egypt | Egyptian Lira ("EGP") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Espana | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko France | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Gulf | Dirham ("AED") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Portugal | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Hong Kong | US Dollar ("USD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Indonesia | Indonesian Rupiah ("IDR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Israel | New Israeli Shekel ("ILS") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Italy | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Malaysia | Malaysian Ringgit ("MYR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Morocco | Moroccan Dirham ("MAD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Polska | Polish Zloty ("PLN"), Czech Koruna ("CZK") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Philippines | Philippine Peso ("PHP") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Russia | Russian Ruble ("RUB") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Shanghai | Chinese Yuan ("CNY") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Slovakia | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Grundig Schweiz | Swiss Franc ("CHF") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Thailand | Thai Baht ("THB") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko UK | British Pound ("GBP")/ Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Ukraine | Ukrainian Hryvna ("UAH") | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko US | United States Dollar ("USD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Dawlance (Private) | Pakistani Rupee ("PKR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Defy | South African Rand ("ZAR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Defy Botswana | Botswana Pula ("BWP") | 100.00 | 100.00 | 100.00 | 100.00 |
| Defy Namibia | Namibian Dollar ("NAD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Defy Swaziland | Svazi Lilangeni ("SZL") | 100.00 | 100.00 | 100.00 | 100.00 |
| DEL Electronics | Pakistani Rupee ("PKR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Elektra Bregenz | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Grundig Multimedia | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Grundig Norway | Norwegian Krone ("NOK") | 100.00 | 100.00 | 100.00 | 100.00 |
| Grundig Sweden | Swedish Krona ("SEK") | 100.00 | 100.00 | 100.00 | 100.00 |
| Grundig Switzerland | Swiss Franc ("CHF") | 100.00 | 100.00 | 100.00 | 100.00 |
| International Appliances (*) | Bangladeshi Taka ("BDT") | - | - | 56.99 | 56.99 |
| Pan Asia | US Dollar ("USD") | 100.00 | 100.00 | 100.00 | 100.00 |
| Pazarlama A.Ş. | Turkish Lira ("TRY") | 100.00 | 100.00 | 100.00 | 100.00 |
| PT Home Appliances Indonesia | Indonesian Rupiah ("IDR") | 67.00 | 67.00 | 67.00 | 67.00 |
| Retail Holdings | Euro ("EUR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Singer Bangladesh | Bangladeshi Taka ("BDT") | 56.99 | 56.99 | 56.99 | 56.99 |
| United Refrigeration Industries | Pakistani Rupee ("PKR") | 100.00 | 100.00 | 100.00 | 100.00 |
| Vietbeko | Vietnamese Dong ("VND") | 100.00 | 100.00 | 100.00 | 100.00 |
| Wat Motor | Turkish Lira ("TRY") | 100.00 | 100.00 | 100.00 | 100.00 |
| Arçelik Üretim ve Teknoloji | Turkish Lira ("TRY") | 100.00 | 100.00 | - | - |
| Arçelik Hitachi | Euro ("EUR") | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Shangai | Chinese Yuan ("CYN") | 57.00 | 57.00 | - | - |
| Arçelik Hitachi Thailand | Thai Baht ("THB") | 50.40 | 50.40 | - | - |
| Arçelik Hitachi China | Chinese Yuan ("CYN") | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Singapore | Singapore Dollar ("SGD") | 60.00 | 60.00 | - | - |

ARÇELİK ANONİM ŞİRKETİ

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

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

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

2.1 Basis of presentation (Continued)

| | | | | | |
|--|-------------------------------------|-------|--------|--------|--------|
| Arçelik Hitachi Sales Thailand | Thai Baht (“THB”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Malaysia | Malaysian Ringgit (“MYR”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Dubai | United Arab Emirates Dirham (“AED”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Vietnam | Vietnamese Dong (“VND”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Hong Kong | Hong Kong Dollar (“HKD”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Taiwan | New Taiwan Dollar (“TWD”) | 60.00 | 60.00 | - | - |
| Arçelik Hitachi Indonesia | Indonesian Rupiah (“IDR”) | 40.50 | 40.50 | - | - |
| Ceased operations as of balance sheet date: | | | | | |
| Beko Cesko | | - | 100.00 | 100.00 | 100.00 |
| Grundig Austria | | - | 100.00 | 100.00 | 100.00 |
| Grundig Portugal | | - | 100.00 | 100.00 | 100.00 |

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

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

For the period ended 1 January – 30 September 2020, inventory provision expenses amounting to TRY 17,466 has been reclassified from “Other income from operating activities” to “Cost of sales” in the condensed consolidated statement of profit or loss.

2.2 Restatement and errors in the accounting policies and estimates

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

ARÇELİK ANONİM ŞİRKETİ

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

(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

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

NOTE 3 – BUSINESS COMBINATION

- i) On June 30, 2021 the Group has acquired 100% of the shares of Arçelik Üretim ve Teknoloji A.Ş. (“Arçelik Üretim ve Teknoloji”).

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%.

In addition to the TRY 811.5 million paid at the date of the transaction, The purchase price consist of the deferred purchase price payable due to changes in the amount of net assets purchased as a result of the audit of the closing balance sheet at the date of purchase and as a result of evaluations VAT receivables on 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 99.3 million TRY calculated according to the best estimates made by the Group management as of 30 September 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 30 September 2021, and the net present value calculation effect is insignificant. Within the scope of TFRS 3, the differences that will occur due to operational results in the following period in the amount accounted as contingent payment will be recognized in the consolidated statement of profit or loss.

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

ARÇELİK ANONİM ŞİRKETİ

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

(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 | 811,540 |
| Contingent consideration and deferred purchase price (Note 20) | 99,395 |
| Total consideration | 910,935 |
| Cash and cash equivalents | 450,054 |
| Trade receivables | 218,279 |
| Inventories | 464,996 |
| Other current assets | 312,374 |
| Property, plant and equipment (Note 13) | 227,751 |
| Intangible assets (Note 14) | 3,775 |
| Deferred tax assets (Note 26) | 66,393 |
| Trade and other payables | (1,090,908) |
| Other liabilities | (88,690) |
| Total value of identifiable net assets (100%) | 564,024 |
| Goodwill | 346,911 |
| Total consideration | 910,935 |

After the acquisition date, total sales of Arçelik Üretim ve Teknoloji was amounting to TRY 753,056 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 23,277.

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 September 30, 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 | 811,540 |
| Cash and cash equivalents – acquired | (450,054) |
| Cash outflow due to acquisition of subsidiary (net) | 361,486 |

- ii) Share purchase agreement has been signed between the Company and Hitachi Global Life Solutions, Inc. (“Hitachi GLS”) on December 16, 2020, in order to establish a joint venture that Arçelik A.Ş. will control with the majority interest to operate in the global home appliances market outside the Japanese market. Following the stated agreement, Joint Venture Agreement, Master Brand Agreement and other related agreements has been signed. In this context, Hitachi GLS has incorporated a new company in the Netherlands and transferred all the assets and home appliances business lines owned by its 11 subsidiaries to the new company. Arçelik acquired 60% of the shares of this Company on July 1, 2021 (Note 20). Transaction value is calculated as USD 343 million including all minority rights on a cash-free and debt-free basis for 60% of the shares. Eventual price adjustment will be made according to definite amounts and change in the minority rights following the independent financial audit of the financial statements dated on 30 June 2021.

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NOTE 3 – BUSINESS COMBINATION (Continued)

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

| | |
|--|------------------|
| Total consideration | 2,976,479 |
| Cash and cash equivalents | 1,282,166 |
| Trade receivables | 1,347,940 |
| Inventories | 796,086 |
| Other current asset | 166,675 |
| Investments accounted for using the equity method | 18,237 |
| Property, plant and equipment (Note 13) | 723,815 |
| Intangible assets (Note 14) | 33,504 |
| Right to use assets (Note 13) | 49,986 |
| Deferred tax assets (Note 26) | 57,061 |
| Lease liabilities (Note 7) | (56,067) |
| Trade and other payables | (1,738,954) |
| Other liabilities | (832,949) |
| Total value of identifiable net assets (100%) | 1,847,500 |
| Corresponding to 60% share purchased | 1,108,500 |
| Goodwill | 1,867,979 |
| Total consideration | 2,976,479 |

After the acquisition date, total sales of Arçelik Hitachi was amounting to TRY 2,039,634 in condensed consolidated profit or loss statement while its contribution to net profit was TRY 122,274.

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 September 30, 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 | 2,976,479 |
| Cash and cash equivalents – acquired | (1,282,166) |
| Cash outflow due to acquisition of subsidiary (net) | 1,694,313 |

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NOTE 4 - SEGMENT REPORTING

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

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

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

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

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

- (*) The Group recognised net sales amounting to TRY 45,643,380 with respect to the performance obligations satisfied at a point in time for the year ended September 30, 2021 (2020: TRY 27,514,713).

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

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|--------------------|-----------------------------|--------------|--------------|
| Net sales | 20,539,592 | 3,060,644 | 3,937,576 | 27,537,812 |
| Gross profit | 7,233,891 | 673,321 | 1,095,954 | 9,003,166 |
| Depreciation and amortization | 686,344 | 134,197 | 90,715 | 911,256 |
| Capital expenditures | 786,625 | 135,593 | 39,230 | 961,448 |

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

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

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

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NOTE 4 - SEGMENT REPORTING (Continued)

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

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|------------------------|---------------------------------|--------------|--------------|
| Net sales | 9,358,793 | 1,166,467 | 1,412,895 | 11,938,155 |
| Gross profit | 3,482,351 | 247,107 | 397,820 | 4,127,278 |
| Depreciation and amortization | 228,363 | 41,808 | 53,267 | 323,438 |
| Capital expenditures | 301,725 | 46,375 | 19,831 | 367,931 |

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

| January 1 – September 30, 2021 | Turkey | Europe | Africa | Asia Pacific | Other | Total |
|---|---------------|---------------|---------------|-------------------------|--------------|--------------|
| Total segment revenue | 14,876,408 | 19,961,588 | 2,329,054 | 6,390,821 | 2,108,037 | 45,665,908 |

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

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

| July 1 – September 30, 2021 | Turkey | Europe | Africa | Asia Pacific | Other | Total |
|------------------------------------|---------------|---------------|---------------|-------------------------|--------------|--------------|
| Total segment revenue | 5,400,733 | 7,818,210 | 822,100 | 3,393,350 | 713,287 | 18,147,680 |

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

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NOTE 5 - CASH AND CASH EQUIVALENTS

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Cash in hand | 2,154 | 843 |
| Cash at banks | | |
| - demand deposits | 2,635,833 | 1,094,544 |
| - time deposits | 5,443,362 | 10,710,844 |
| Cheques and notes | 64,878 | 83,672 |
| Other | 193,753 | 98,324 |
| Cash and cash equivalents in cash flow statement | 8,339,980 | 11,988,227 |
| Interest income accruals | 595 | 14,019 |
| | 8,340,575 | 12,002,246 |

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

| | September 30, 2021 | December 31, 2020 |
|----------------------|-----------------------|----------------------|
| TRY | 18.5 | 17.4 |
| USD | 0.8 | 2.8 |
| EUR | (0.1) | 0.2 |
| RUB | 4.4 | 4.2 |
| Other currencies (*) | 2.0 | 1.3 |

(*) Weighted average of other currencies.

NOTE 6 - FINANCIAL INVESTMENTS

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

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Fair value gain/losses of financial assets reflected to other comprehensive income | 5,554 | 5,614 |
| Total | 5,554 | 5,614 |

| | (%) | TRY | (%) | TRY |
|----------------------|------|--------------|------|--------------|
| Tat Gıda Sanayi A.Ş. | 0.34 | 4,228 | 0.34 | 5,535 |
| Other | | 1,326 | | 79 |
| | | 5,554 | | 5,614 |

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NOTE 6 - FINANCIAL INVESTMENTS (Continued)

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

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the financial investment carried at fair value through other comprehensive income, amounting to TRY 1,307 (September 30, 2020: TRY 2,437) and net of deferred tax effect amounting to TRY 65 (September 30, 2020: TRY 122) have been recognized in the condensed consolidated shareholders’ equity under the “Gain/losses from the financial investments carried at fair value through other comprehensive income” in the period ended September 30, 2021.

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

| | 2021 | 2020 |
|----------------------------------|--------------|--------------|
| As of January, 1 | 5,614 | 3,009 |
| Change in fair value | (1,188) | 2,437 |
| Acquisitions | 1,068 | - |
| Currency translation differences | 60 | - |
| As of September, 30 | 5,554 | 5,446 |

NOTE 7 - BORROWINGS

a) Short-term borrowings

| | September 30, 2021 | December 31, 2020 |
|--|-------------------------------|------------------------------|
| Short-term bank borrowings | 6,824,419 | 4,518,863 |
| Short-term lease liabilities | 253,749 | 201,043 |
| Payables from factoring activities (*) | 164,561 | 120,716 |
| Total short-term borrowings | 7,242,729 | 4,840,622 |
| Short-term portion of long-term bank borrowings and interest accruals | 1,538,205 | 1,132,201 |
| Short term portion of long-term bond issued and interest accruals (**) | 190,505 | 4,258,054 |
| Total short-term portion of long-term borrowings | 1,728,710 | 5,390,255 |

(*) Factoring liabilities are amounting to TRY 79,338 (December 31, 2020: TRY 69,062) denominated in EUR and TRY 85,223 (December 31, 2020: TRY 51,654) in GBP and interest rates are between 0.6 % for EUR (December 31, 2020: 0.6%). Interest rates are between %0.68 for GBP (December 31, 2020: 0.62)

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NOTE 7 – BORROWINGS (Continued)

(**) 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%.

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

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|----------|---------------------------------------|-------------------|------------------|
| TRY | 18.6 | 2,572,167,720 | 2,572,168 |
| EUR | 0.5 | 194,316,592 | 2,004,084 |
| PKR | 8.3 | 14,589,667,056 | 751,222 |
| BDT | 5.6 | 6,133,693,683 | 634,224 |
| ZAR | 5.1 | 581,367,725 | 342,048 |
| AUD | 3.3 | 24,556,707 | 156,942 |
| USD | 2.0 | 16,843,872 | 148,956 |
| RUB | 8.4 | 1,203,874,932 | 145,512 |
| PLN | 2.2 | 31,069,970 | 69,263 |
| | | | 6,824,419 |

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 |

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NOTE 7 - BORROWINGS (Continued)

b) Long-term borrowings

| | September 30, 2021 | December 31, 2020 |
|-----------------------------|-----------------------|----------------------|
| Long-term bank borrowings | 3,065,047 | 2,461,293 |
| Long-term bonds issued | 9,522,591 | 3,667,163 |
| Long-term lease liabilities | 754,693 | 715,892 |
| | 13,342,331 | 6,844,348 |

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

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|---|--|----------------------|-------------------|
| TRY | 16.1 | 3,358,351,466 | 3,358,351 |
| EUR | 1.9 | 68,376,168 | 705,198 |
| ZAR | 5.8 | 500,000,000 | 294,175 |
| PKR | 7.4 | 4,768,453,291 | 245,528 |
| | | | 4,603,252 |
| Short-term portion of long-term loans and interest accruals | | | (1,538,205) |
| | | | 3,065,047 |

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

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|---|--|----------------------|-------------------|
| USD | 5.0 | 512,072,184 | 4,528,408 |
| EUR | 3.0 | 353,049,500 | 3,641,176 |
| TRY | 20.2 | 1,543,511,772 | 1,543,512 |
| | | | 9,713,096 |
| Interest accruals of long-term bonds issued | | | (190,505) |
| | | | 9,522,591 |

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NOTE 7 - BORROWINGS (Continued)

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:

| | September 30, 2021 | December 31, 2020 |
|--------------|---------------------------|--------------------------|
| 2022 | 328,720 | 1,138,782 |
| 2023 | 7,916,126 | 4,319,941 |
| 2024 | 222,441 | 208,782 |
| 2025 to 2027 | 4,129,135 | 464,038 |
| | 12,596,422 | 6,131,543 |

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

| | September 30, 2021 | December 31, 2020 |
|----------------|---------------------------|--------------------------|
| Up to 3 months | 5,860,447 | 3,296,338 |
| 3 - 12 months | 3,741,327 | 6,840,891 |
| 1-5 years | 10,910,673 | 4,981,856 |
| Over 5 years | 185,749 | 679,320 |
| | 20,698,196 | 15,798,405 |

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NOTE 7 - BORROWINGS (Continued)

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

| | Lease Liabilities | Borrowings and bonds issued due within 1 year | Borrowings and bonds issued due after 1 year | Total |
|--|----------------------|---|--|---------------------|
| 2021 | | | | |
| Financial debt as of January 1 | (916,934) | (10,029,834) | (6,128,457) | (17,075,225) |
| Cash flows | 353,369 | 2,666,132 | (6,495,999) | (3,476,498) |
| Transfers | - | (788,221) | 788,221 | - |
| Changes in interest accruals | (47,671) | (207,921) | - | (255,592) |
| Changes in factoring liabilities | - | (43,845) | - | (43,845) |
| Changes in lease liabilities | (287,680) | - | - | (287,680) |
| Acquisitions (Note 3) | 56,067 | - | - | 56,067 |
| Currency translation adjustments | (165,593) | (314,001) | (751,403) | (1,230,997) |
| Financial debt as of September 30 | (1,008,442) | (8,717,690) | (12,587,638) | (22,313,770) |
| | | Borrowings and bonds issued due within 1 year | Borrowings and bonds issued due after 1 year | Total |
| 2020 | | | | |
| Financial debt as of January 1 | (735,420) | (5,974,472) | (8,245,244) | (14,955,136) |
| Cash flows | 225,700 | 1,172,328 | (1,216,000) | 182,028 |
| Transfers | - | (3,858,695) | 3,858,695 | - |
| Changes in interest accruals | (45,046) | 99,301 | - | 54,255 |
| Changes in factoring liabilities | - | (50,957) | - | (50,957) |
| Changes in lease liabilities | (242,872) | - | - | (242,872) |
| Currency translation adjustments | (165,596) | (794,899) | (933,900) | (1,894,395) |
| Financial debt as of September 30 | (963,234) | (9,407,394) | (6,536,449) | (16,907,077) |

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NOTE 8 - DERIVATIVE INSTRUMENTS

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

| | September 30, 2021 | | | December 31, 2020 | | |
|---|--------------------|----------------------------------|-----------|-------------------|----------------------------------|----------|
| | Contract amount | Fair value assets /(liabilities) | | Contract amount | Fair value assets /(liabilities) | |
| Held for trading: | | | | | | |
| Short-term derivative instruments | | | | | | |
| Forward transactions | 11,529,935 | 28,023 | (116,672) | 1,863,257 | 9,845 | (267) |
| Foreign currency swap contracts | 11,858,237 | 11,465 | (82,996) | 8,764,899 | 17,509 | (5,084) |
| Cash flow hedge: | | | | | | |
| Interest rate swap contracts (*) | - | - | - | 1,000,000 | - | (2,915) |
| Short-term derivative instruments, | 39,488 | (199,668) | | 27,354 | (8,266) | |
| Cash flow hedge: | | | | | | |
| Interest rate swap contracts (*) | 300,000 | - | (5,107) | - | - | - |
| Long-term derivative instruments, | - | (5,107) | | - | - | - |

(*) As of 30 September 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: None).

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Short-term trade receivables: | | |
| Trade receivables | 18,217,326 | 10,925,282 |
| Notes receivables | 1,000,701 | 1,246,101 |
| Cheques receivables | 486,176 | 384,202 |
| Short-term trade receivables (gross) | 19,704,203 | 12,555,585 |
| Provision for expected credit loss | (352,534) | (300,665) |
| Unearned credit finance expense | (216,364) | (208,628) |
| Short-term trade receivables (net) | 19,135,305 | 12,046,292 |

As of September 30, 2021, the Group has derecognized TRY 1,545,024 (December 31, 2020: TRY 1,238,538) of the trade receivables which are collected from the factoring companies as part of the irrevocable factoring transactions.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 156,528 related with its local bank borrowings (December 31, 2020: TRY 124,268).

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

| | 2021 | 2020 |
|---|----------------|----------------|
| As of January, 1 | 300,665 | 232,307 |
| Current year additions (Note 22) | 23,045 | 30,062 |
| Provisions no longer required (Note 22) | (8,729) | (5,639) |
| Acquisitions | 30,575 | - |
| Write-offs (*) | (11,007) | (14,800) |
| Currency translation differences | 17,985 | 37,658 |
| As of September, 30 | 352,534 | 279,588 |

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

| | September 30, 2021 | December 31, 2020 |
|------------------------------------|-----------------------|----------------------|
| Long-term trade receivables | | |
| Trade receivables | 110,129 | 126,885 |
| Unearned credit finance expense | (49,038) | (58,660) |
| | 61,091 | 68,225 |

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| Short-term trade payables: | | |
| Trade payables | 12,041,184 | 8,149,453 |
| Debt accruals | 1,410,719 | 679,971 |
| Unearned credit finance charges | (136,460) | (180,051) |
| | 13,315,443 | 8,649,373 |

NOTE 10 - OTHER PAYABLES

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| Taxes and duties payable | 933,184 | 600,045 |
| Dividend payables to shareholders | 32,639 | 31,187 |
| Deposits and guarantees received | 10,607 | 4,303 |
| Other | 201,439 | 90,539 |
| | 1,177,869 | 726,074 |

NOTE 11 - INVENTORIES

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Raw materials and supplies | 4,948,937 | 2,873,767 |
| Work in progress | 426,891 | 202,444 |
| Finished goods | 5,723,155 | 3,244,160 |
| Trade goods | 2,265,512 | 898,108 |
| Inventories (gross) | 13,364,495 | 7,218,479 |
| Provision for impairment on inventories | (170,758) | (122,857) |
| Inventories (net) | 13,193,737 | 7,095,622 |

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 150,177 related with its local bank borrowings (December 31, 2020: TRY 128,501).

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

| | September 30, 2021 | December 31, 2020 |
|----------------------------|-----------------------|----------------------|
| Raw materials and supplies | 67,740 | 28,964 |
| Finished goods | 77,857 | 79,800 |
| Trade goods | 25,161 | 14,093 |
| | 170,758 | 122,857 |

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NOTE 11 – INVENTORIES (Continued)

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

| | 2021 | 2020 |
|------------------------------------|----------------|---------------|
| As of January, 1 | 122,857 | 91,826 |
| Current year additions (Note 31) | 39,580 | 17,466 |
| Realized due to sales of inventory | (47,909) | (36,938) |
| Acquisitions | 37,006 | - |
| Currency translation differences | 19,224 | 22,144 |
| As of September, 30 | 170,758 | 94,498 |

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | September 30, 2021 | | December 31, 2020 | |
|-----------------|---------------------------|----------------|--------------------------|----------------|
| | % | TRY | % | TRY |
| Koç Finansman | 47.0 | 272,335 | 47.0 | 228,601 |
| Arçelik – LG | 45.0 | 243,379 | 45.0 | 197,317 |
| VoltBek | 49.0 | 167,237 | 49.0 | 202,788 |
| Ram Dış Ticaret | 33.5 | 17,316 | 33.5 | 16,843 |
| Tanı Pazarlama | 32.0 | 2,206 | 32.0 | 2,467 |
| | | 702,473 | | 648,016 |

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

| | 2021 | 2020 |
|---|----------------|----------------|
| As of January, 1 | 648,016 | 526,499 |
| Associate capital share contribution | 38,220 | 35,228 |
| Shares of income/loss of associates | (11,890) | 46,690 |
| Shares of other comprehensive income/loss of associates | 460 | 3,466 |
| Gross profit elimination on inventory | 877 | (1,798) |
| Dividends received | (11,165) | - |
| Currency translation difference | 37,955 | 52,871 |
| As of September, 30 | 702,473 | 662,956 |

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

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|-----------------|--|--|---|---|
| Koç Finansman | 47,332 | 31,580 | 17,041 | 14,301 |
| Arçelik - LG | 45,590 | 45,979 | 11,523 | 13,362 |
| Ram Dış Ticaret | 7,196 | 6,282 | 1,347 | 1,157 |
| Tanı Pazarlama | (284) | 667 | 392 | 4 |
| VoltBek | (111,724) | (37,818) | (28,790) | (6,792) |
| | (11,890) | 46,690 | 1,513 | 22,032 |

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NOTE 12 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

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

| | Koç Finansman | Ram Dış Ticaret | Voltbek | Other | Total |
|---------------------------|------------------|--------------------|-----------|-----------|-----------|
| September 30, 2021 | | | | | |
| Total assets | 4,479,372 | 1,399,910 | 2,077,285 | 1,058,720 | 9,015,287 |
| Total liabilities | 3,899,935 | 1,348,220 | 1,735,984 | 510,986 | 7,495,125 |
| Net sales | 553,608 | 3,031,211 | 767,176 | 1,813,344 | 6,165,339 |
| | | | | | |
| | Koç Finansman | Ram Dış Ticaret | Voltbek | Other | Total |
| December 31, 2020 | | | | | |
| Total assets | 3,207,223 | 1,294,591 | 1,235,365 | 742,213 | 6,479,392 |
| Total liabilities | 2,720,838 | 1,244,313 | 821,505 | 296,016 | 5,082,672 |
| Net sales | 450,043 | 3,745,954 | 476,996 | 1,427,499 | 6,100,492 |

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

| | 2021 | 2020 |
|--|------------------|------------------|
| As of January, 1 | | |
| Cost | 13,910,235 | 11,502,131 |
| Accumulated depreciation | (6,613,667) | (5,460,729) |
| Net carrying value | 7,296,568 | 6,041,402 |
| | | |
| Net carrying value at the beginning of the period | 7,296,568 | 6,041,402 |
| Acquisitions (Note 3) | 1,001,552 | - |
| Subsidiary sale | - | (7,939) |
| Additions | 1,400,074 | 920,175 |
| Transfers (*) | - | (158,527) |
| Disposals | (41,033) | (58,690) |
| Impairment (**) | - | (22,065) |
| Currency translation differences | 573,674 | 920,097 |
| Depreciation for the period | (956,463) | (706,172) |
| Net carrying value at the end of the period | 9,274,372 | 6,928,281 |
| | | |
| As of September, 30 | | |
| Cost | 20,620,696 | 13,511,136 |
| Accumulated depreciation | (11,346,324) | (6,582,855) |
| Net carrying value | 9,274,372 | 6,928,281 |

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

(*) It mainly consists of assets related to the production facility located in Changzhou, Jiangsu in China, for which the Company has decided to sell as of September 30, 2020. The sales transaction is expected to be completed by the end of the year. The book value of the facility, which is TRY 154.8 million, has been classified into non-current assets held for sale and is valued at TRY 128.2 million which was the lowest between book value and the fair value. As a result of this transaction, the provision for impairment of TRY 26.6 million was accounted for in the expense from investment activities (Note 23).

(**) 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 23).

As of 30 September 2021, the net book value of the right of use assets classified under tangible assets is TRY 994,945 (30 September 2020: TRY 912,804).

Additions to rights-to-use assets for the nine months period ended 30 September 2021 TRY 243,195 (30 September 2020: TRY 240,058), depreciation expenses are TRY 270,706 (30 September 2020: TRY 208,534).

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

NOTE 14 – OTHER INTANGIBLE ASSETS

| | 2021 | 2020 |
|--|------------------|------------------|
| As of January, 1 | | |
| Cost | 5,130,667 | 4,242,324 |
| Accumulated amortization | (1,566,723) | (1,264,389) |
| Net carrying value | 3,563,944 | 2,977,935 |
| Net carrying value at the beginning of the period | 3,563,944 | 2,977,935 |
| Acquisitions (Note 3) | 37,279 | - |
| Subsidiary sale | - | (40,132) |
| Additions | 397,942 | 281,331 |
| Transfers | - | 3,724 |
| Disposals | (2,799) | (98) |
| Currency translation differences | 346,616 | 491,589 |
| Amortization for the period | (246,526) | (205,084) |
| Net carrying value at the end of the period | 4,096,456 | 3,509,265 |
| As of September, 30 | | |
| Cost | 6,117,313 | 5,009,994 |
| Accumulated amortization | (2,020,857) | (1,500,729) |
| Net carrying value | 4,096,456 | 3,509,265 |

As of 30 September 2021, total amount of capitalized borrowing cost is TRY 1,386 (30 September 2020: None)

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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2021, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,048,721,708 (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.

| | September 30, 2021 | December 31, 2020 |
|----------------------|-----------------------|----------------------|
| Collaterals obtained | 6,361,786 | 4,852,845 |

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

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| CPMB’s given by the Company | | |
| A. CPMB’s given for Company’s own legal personality | 493,261 | 300,894 |
| B. CPMB’s given on behalf of fully consolidated companies | 2,387,111 | 1,625,843 |
| C. CPMB’s given on behalf of third parties for ordinary course of business | - | - |
| D. Total amount of other CPMB’s | - | - |
| i) Total amount of CPMB’s given on behalf of the majority shareholder | - | - |
| ii) Total amount of CPMB’s given on behalf of other Group companies which are not in scope of B and C | - | - |
| iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C | - | - |
| Total | 2,880,372 | 1,926,737 |

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

| | September 30, 2021 | December 31, 2020 |
|------------------------------------|-----------------------|----------------------|
| CPMB's given by the Company | | |
| TRY | 202,562 | 101,312 |
| EUR | 785,072 | 685,979 |
| USD | 307,061 | 278,730 |
| Other currencies | 1,585,677 | 860,716 |
| | 2,880,372 | 1,926,737 |

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NOTE 16 – OTHER PROVISIONS

| | September 30, 2021 | December 31, 2020 |
|------------------------------------|-----------------------|----------------------|
| Other short-term provisions | | |
| Warranty provision | 688,886 | 572,725 |
| Provision for transportation cost | 257,515 | 96,459 |
| Assembly provision | 178,999 | 135,561 |
| Provisions for lawsuits | 49,251 | 27,600 |
| Other | 337,796 | 145,133 |
| | 1,512,447 | 977,478 |

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| Other long-term provisions | | |
| Warranty provision | 361,199 | 289,640 |
| Other | 56,074 | - |
| | 417,273 | 289,640 |

NOTE 17 – PREPAID EXPENSES

| | September 30, 2021 | December 31, 2020 |
|--------------------------------|-----------------------|----------------------|
| Short-term prepaid expenses | 312,755 | 309,640 |
| Advances given for inventories | 210,838 | 187,143 |
| | 523,593 | 496,783 |

| | September 30, 2021 | December 31, 2020 |
|----------------------------|-----------------------|----------------------|
| Long-term prepaid expenses | 80,521 | 83,484 |
| | 80,521 | 83,484 |

NOTE 18 – CURRENT INCOME TAX ASSETS

| | September 30, 2021 | December 31, 2020 |
|-------------------------|-----------------------|----------------------|
| Prepaid taxes and funds | 170,183 | 143,032 |
| | 170,183 | 143,032 |

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NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| Payables to personnel | 477,220 | 333,481 |
| Accruals for bonuses and premiums | 199,633 | 67,918 |
| Social security payables | 155,841 | 91,155 |
| | 832,694 | 492,554 |

NOTE 20 - OTHER ASSETS AND LIABILITIES

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Other current assets: | | |
| Taxes and funds deductible | 821,924 | 454,966 |
| Value added tax and private consumption tax receivable | 782,546 | 455,657 |
| Income accruals | 58,678 | 88,832 |
| Other | 143,304 | 146,912 |
| | 1,806,452 | 1,146,367 |

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Other current liabilities: | | |
| Accruals for customer premiums | 2,323,182 | 1,336,801 |
| Advances received | 313,981 | 317,015 |
| Liabilities attributable to the acquisition of subsidiary (Note 3) | 99,395 | - |
| Deferred income | 83,809 | 76,891 |
| Other | 53,009 | 8,022 |
| | 2,873,376 | 1,738,729 |

| | September 30, 2021 | December 31, 2020 |
|-------------------------------------|-----------------------|----------------------|
| Other long-term liabilities: | | |
| Deferred income | 686,915 | 487,712 |
| Other | 111,013 | 93,994 |
| | 797,928 | 581,706 |

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NOTE 21 - EQUITY

Paid-in capital

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

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

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

The shareholding structure of the Company is as follows:

| | September 30, 2021 | | December 31, 2020 | |
|---|--------------------|------------------|-------------------|------------------|
| | Share (%) | Amount | Share (%) | Amount |
| Shareholders | | | | |
| Koç Holding A.Ş. | 40.56 | 274,070 | 40.56 | 274,070 |
| Temel Ticaret ve Yatırım A.Ş. | 2.75 | 18,577 | 2.75 | 18,577 |
| Koç Family Members | 8.67 | 58,590 | 8.67 | 58,590 |
| Total Koç Family members and companies owned by Koç Family members | 51.98 | 351,237 | 51.98 | 351,237 |
| Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş. | 12.05 | 81,428 | 12.05 | 81,428 |
| Burla Ticaret ve Yatırım A.Ş. | 5.56 | 37,572 | 5.56 | 37,572 |
| Koç Holding Emekli ve Yardım Sandığı Vakfı | 5.14 | 34,722 | 5.14 | 34,722 |
| Vehbi Koç Vakfı | 0.12 | 809 | 0.12 | 809 |
| Treasury Shares (*) | 3.94 | 26,591 | - | - |
| Other | 21.21 | 143,369 | 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 publicly listed by the Company as of September 30, 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.

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NOTE 21 – EQUITY (Continued)

Treasury Shares

Pursuant to the decision of the Board of Directors of the Company on July 1, 2021, treasury share procedures have been initiated. Within the scope of the decision, the shares with a nominal value of TRY 26,591, corresponding to 3.94% of the company’s capital, has been bought back at the amount of TRY 855,398, including transaction costs as of September 30, 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 32).

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

| | September 30, 2021 | December 31, 2020 |
|-----------------|-------------------------------|------------------------------|
| Legal reserves | 555,736 | 409,115 |
| Treasury shares | 855,398 | - |

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 September 30, 2021, the Group is appropriated out a reserve fund for the shares that have been bought back amounting to TRY 855,398 within the amount of restricted reserves in its consolidated financial statements.

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NOTE 21 – 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 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Other income from operating activities: | | | | |
| Foreign exchange gains arising from trading activities | 1,532,303 | 1,398,174 | 248,271 | 737,939 |
| Income from claims and grants(*) | 59,385 | 343,734 | 26,945 | 21,837 |
| Credit finance income arising from trading | 41,013 | 40,295 | 11,727 | 19,549 |
| Reversal of provisions for doubtful receivables (Note 9) | 8,729 | 5,639 | 6,589 | 4,560 |
| Other | 6,563 | 5,293 | 3,459 | 2,197 |
| | 1,647,993 | 1,793,135 | 296,991 | 786,082 |
| Other expenses from operating activities: | | | | |
| Foreign exchange losses arising from trading activities | (1,259,988) | (544,828) | (267,987) | (256,187) |
| Credit finance charges arising from trading activities | (213,231) | (111,389) | (46,375) | (43,367) |
| Provision expense for doubtful receivables (Note 9) | (23,045) | (30,062) | (11,930) | (8,944) |
| Other | (28,153) | (10,697) | (5,519) | (6,771) |
| | (1,524,417) | (696,976) | (331,811) | (315,269) |

(*) Upon European Commission's decision to apply a penalty to a group of CRT producers due to violation of competition, the Company and its subsidiaries have filed a lawsuit against related suppliers for the compensation of loss. In the course of the lawsuit, a total compensation income of TRY 284.4 million was obtained from CRT suppliers by settlement. The amount is presented in income from claims and grants line

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NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|---|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Income from investment activities: | | | | |
| Profit from sales of subsidiary (*) | - | 226,498 | - | - |
| Income from sales of property plant and equipment | 5,013 | 2,264 | 1,707 | 611 |
| Dividends received from financial investments | 117 | 93 | - | - |
| | 5,130 | 228,855 | 1,707 | 611 |
| Expenses from investment activities: | | | | |
| Impairments for fixed assets (Note 13) | - | (22,065) | - | (22,065) |
| Impairments for assets held for sale (Note 13) | - | (26,638) | - | (26,638) |
| Loss from sales of property plant and equipment | (3,031) | (1,966) | (266) | (515) |
| | (3,031) | (50,669) | (266) | (49,218) |

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

NOTE 24- FINANCIAL INCOME

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|---------------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Foreign exchange gains (*) | 2,262,841 | 1,904,738 | 480,780 | 849,785 |
| Gains on derivative instruments | 955,333 | 657,434 | 336,077 | 305,550 |
| Interest income | 171,729 | 132,111 | 25,638 | 59,563 |
| Other | 17,420 | 13,605 | 9,120 | 7,530 |
| | 3,407,323 | 2,707,888 | 851,615 | 1,222,428 |

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

NOTE 25 - FINANCIAL EXPENSES

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Foreign exchange losses (*) | (2,263,151) | (1,948,983) | (490,059) | (839,225) |
| Interest expenses (**) | (1,234,393) | (1,038,880) | (481,350) | (316,409) |
| Losses on derivative instruments | (1,228,900) | (1,166,038) | (364,392) | (620,970) |
| Other | (33,256) | (19,069) | (13,439) | (8,331) |
| | (4,759,700) | (4,172,970) | (1,349,240) | (1,784,935) |

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

(**) TRY 47,671 of the interest expenses consists of the interest expense related to lease liabilities (2020: TRY 45,046).

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NOTE 26 - TAX ASSETS AND LIABILITIES

| | September 30, 2021 | December 31, 2020 |
|---------------------------------|-----------------------|----------------------|
| Corporation and income taxes | 505,849 | 366,674 |
| Prepaid tax | (416,527) | (358,938) |
| Tax liabilities (net) | 89,322 | 7,736 |
| Deferred tax assets | 1,365,331 | 833,284 |
| Deferred tax liabilities | (788,630) | (563,071) |
| Deferred tax assets, net | 576,701 | 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.

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

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

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|-----------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Tax (expense)/income | | | | |
| - Current period tax | (532,426) | (370,466) | (159,662) | (228,717) |
| - Deferred tax income | 242,358 | (39,492) | 106,041 | (15,111) |
| Total tax | (290,068) | (409,958) | (53,621) | (243,828) |

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

| | Cumulative temporary differences | | Deferred tax assets/ (liabilities) | |
|--|----------------------------------|-------------------|------------------------------------|-------------------|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| Property, plant and equipment and intangible assets | 5,244,418 | 4,407,368 | (1,220,069) | (1,043,338) |
| Unused tax advantages (*) | - | - | 341,675 | 409,654 |
| Unused tax credits | (1,150,823) | (822,908) | 322,494 | 269,760 |
| Provision for warranty, assembly and transportation expenses | (928,284) | (1,036,964) | 223,936 | 220,513 |
| Inventories | (612,927) | (606,250) | 216,643 | 174,480 |
| Provision for employment termination benefits | (485,295) | (398,093) | 109,387 | 79,832 |
| Provision for doubtful receivables | (159,195) | (125,179) | 42,537 | 32,594 |
| Derivative instruments | (157,256) | 9,927 | 39,337 | (1,988) |
| Other | (2,056,411) | (584,579) | 500,761 | 128,706 |
| Deferred tax assets, net | | | 576,701 | 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 September 30, 2021 the tax advantage of TRY 341,675 (December 31, 2020: TRY 409,654) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the condensed consolidated financial statements.

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

| | 2021 | 2020 |
|---|----------------|----------------|
| Balance as of January 1 | 270,213 | 436,392 |
| Deferred tax income recognized in statement of profit or loss | 242,358 | (39,492) |
| Acquisitions (Note 3) | 123,454 | - |
| Deferred tax income recognized directly in the equity | 9,563 | 3,670 |
| Deferred tax income from subsidiary sales | - | 1,041 |
| Currency translation differences | (68,887) | (21,129) |
| Balance as of September 30 | 576,701 | 380,482 |

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NOTE 27 - EARNINGS PER SHARE

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

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

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

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Profit for the year attributable to shareholders of the Company | 2,274,737 | 1,684,346 | 651,376 | 1,021,989 |
| Weighted average number of ordinary shares with nominal value (kurus 1 each one) | 67,266,715,915 | 67,572,820,500 | 66,664,488,415 | 67,572,820,500 |
| Earnings per share (kurus) (*) | 3.382 | 2.493 | 0.977 | 1.512 |

(*) For details of Treasury Shares, see Note 21.

NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| (a) Due from related parties: | | |
| Koçtaş Yapı Marketleri Ticaret A.Ş. (1) | 54,176 | 30,117 |
| Voltbek(2) | 49,555 | 63,945 |
| Token Finansal Teknolojiler A.Ş. (1) | 11,308 | 6,475 |
| Yapı ve Kredi Bankası A.Ş. (1) | 4,573 | 1,651 |
| Other | 6,025 | 965 |
| | 125,637 | 103,153 |

(b) Due to related parties:

Current:

| | | |
|--|------------------|----------------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (1) | 524,288 | 463,096 |
| Arçelik-LG (4) | 484,429 | 198,207 |
| Ram Dış Ticaret (2) | 294,008 | 171,657 |
| Bilkom Bilişim Hizmetleri A.Ş. (1) | 44,429 | 16,475 |
| Ingage Dijital Pazarlama Hizmetleri(1) | 29,025 | 37,434 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1) | 28,835 | 46,081 |
| Koç Holding A.Ş. (3) | 10,865 | 34,665 |
| Other | 13,440 | 28,214 |
| | 1,429,319 | 995,829 |

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

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NOTE 28 - RELATED PARTY DISCLOSURES(Continued)

(c) Deposits:

| | | |
|--|-----------|-----------|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾ | 2,551,463 | 3,251,407 |
|--|-----------|-----------|

⁽¹⁾ Koç Holding group companies

(d) Borrowings:

| | | |
|--|---------|---|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾ | 201,818 | - |
|--|---------|---|

(e) Derivative instruments

| September 30, 2021 | Contract | Fair value | |
|----------------------------|-----------|----------------------|----------|
| | amount | assets/(liabilities) | |
| Yapı ve Kredi Bankası A.Ş. | 4,280,183 | 3,778 | (51,245) |

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

(ii) Transactions with related parties

| (a) Sales of goods and services: | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|---------------------------------------|--|--|-------------------------------------|-------------------------------------|
| | Voltbek | 129,616 | 55,683 | 10,509 |
| Bilkom Bilişim Hizmetleri A.Ş. | 121,775 | 4,652 | 81,502 | 28,688 |
| Token Finansal Teknolojiler A.Ş. | 83,815 | 56,685 | 28,742 | 18,707 |
| Koçtaş Yapı Marketleri Ticaret A.Ş. | 70,559 | 39,227 | 19,681 | 31,702 |
| Yapı ve Kredi Bankası A.Ş. | 4,500 | 2,454 | 2,705 | 1,259 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 1,280 | 1,145 | 236 | 547 |
| Other | 12,469 | 8,297 | 8,366 | 1,965 |
| | 424,014 | 168,143 | 151,741 | 89,840 |

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NOTE 28 - RELATED PARTY DISCLOSURES(Continued)

(ii) Transactions with related parties (Continued)

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|---|--|--|-------------------------------------|-------------------------------------|
| (b) Purchases of goods and services: | | | | |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 2,004,351 | 1,064,185 | 762,890 | 762,890 |
| Arçelik-LG | 1,008,215 | 675,374 | 332,856 | 332,856 |
| Ram Dış Ticaret | 704,724 | 352,712 | 355,097 | 355,097 |
| Bilkom Bilişim Hizmetleri A.Ş. | 138,287 | 192,197 | 43,155 | 43,155 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. | 121,421 | 69,252 | 51,310 | 51,310 |
| Ingage Dijital Pazarlama Hizmetleri | 83,326 | 33,306 | 30,272 | 30,272 |
| Token Finansal Teknolojiler A.Ş. | 75,976 | 43,754 | 26,826 | 26,826 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)} | 65,210 | 46,321 | - | - |
| Other | 161,218 | 117,748 | 70,494 | 70,494 |
| | 4,362,728 | 2,594,849 | 1,672,900 | 1,672,900 |

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

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

(*) The amount consists 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 for the nine month ended September 30, 2021 amounts to TRY 26,032 (January 1 -September 30, 2020 TRY 17,101).

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

(d) Other transactions:

| | January 1- September 30, 2021 | January 1- September 30, 2020 | July 1- September 30, 2021 | July 1- September 30, 2020 |
|----------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| <i>Interest income:</i> | | | | |
| Yapı ve Kredi Bankası A.Ş. | 52,139 | 8,607 | 4,634 | 3,812 |
| <i>Interest expense:</i> | | | | |
| Yapı ve Kredi Bankası A.Ş. | 1,866 | 23 | 1,866 | - |

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity risk

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

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

Interest Rate Risk

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

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

Funding risk

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

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

Credit risk

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

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

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

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

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

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

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

| September 30, 2021 | Trade receivables | | Bank deposits | Derivative instruments |
|---|-------------------|-------------------|------------------|------------------------|
| | Related parties | Third parties | | |
| Maximum exposed credit risk as of reporting date ⁽¹⁾ | 125,637 | 19,196,396 | 8,079,790 | 39,488 |
| Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾ | - | (13,085,237) | - | - |
| A. Net book value of financial asset either are not due or not impaired | 125,637 | 18,409,825 | 8,079,790 | 39,488 |
| -Secured portion by guarantees, etc. | - | (12,447,707) | - | - |
| B. Net book value of overdue but not impaired financial assets | - | 799,773 | - | - |
| - Secured portion by guarantees, etc. | - | (637,530) | - | - |
| C. Net book value of the impaired assets | - | - | - | - |
| - Overdue (Gross book value) | - | 339,332 | - | - |
| - Impairment (-) | - | (339,332) | - | - |
| - Secured portion of the net value by guarantees, etc. | - | - | - | - |
| D. Expected credit losses (-) | - | (13,202) | - | - |

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

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

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

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

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

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

| | September 30, 2021 | December 31, 2020 |
|---------|---------------------------|--------------------------|
| Group 1 | 269,178 | 396,995 |
| Group 2 | 17,636,920 | 10,814,135 |
| Group 3 | 629,364 | 344,239 |
| | 18,535,462 | 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

| | September 30, 2021 | December 31, 2020 |
|-------------|---------------------------|--------------------------|
| 0-1 month | 392,269 | 280,494 |
| 1-3 months | 177,367 | 115,120 |
| 3-12 months | 155,154 | 86,777 |
| 1-5 years | 74,983 | 136,543 |
| | 799,773 | 618,934 |

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

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

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

| September 30, 2021 | Undue | Overdue 0-1 month | Overdue 1-3 months | Overdue more than 3 months | Total |
|---------------------------|--------------|------------------------------|-------------------------------|---|-------------------|
| Expected loss rate (%) | 0.01 | 0.07 | 0.26 | 2.01 | |
| Gross carrying amount | 18,565,098 | 396,889 | 177,367 | 564,849 | 19,704,203 |
| Loss allowance provision | 1,107 | 281 | 457 | 11,357 | 13,202 |

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

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

Foreign exchange risk

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of September 30, 2021, a portion of bank borrowings amounting to EUR 230,000,000(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:

| | September 30, 2021 | December 31, 2020 |
|--|-------------------------------|------------------------------|
| Assets | 14,881,974 | 14,798,292 |
| Liabilities | (16,907,657) | (13,445,264) |
| Net position of financial statement | (2,025,683) | 1,353,028 |
| Net position of derivative instruments | 2,482,086 | (1,922,645) |
| Foreign currency position (net) | 456,403 | (569,617) |

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

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

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

| | EUR | USD | GBP | DKK | CNY | PLN | JPY | SGD | VND | Other Currency's TRY Equivalent | TRY Equivalent |
|--|-----------------|------------------|----------------|---------------|-----------------|---------------|------------------|---------------|--------------------|--|--------------------|
| Current Assets | | | | | | | | | | | |
| Trade receivables | 512,430 | 279,155 | 115,339 | 67,001 | 442,947 | 91,640 | 1,565,508 | 4,270 | 242,062,462 | 347,334 | 10,622,592 |
| Monetary financial assets | 181,233 | 218,542 | 2,675 | 9,695 | 3 | 3 | 169,958 | 8,558 | - | 358 | 3,916,733 |
| Other | 597 | 24,789 | - | - | 18,542 | - | 501 | 1,129 | - | - | 257,990 |
| Non Current Assets | | | | | | | | | | | |
| Trade receivables | 134 | 9,417 | - | - | - | - | - | - | - | - | 84,659 |
| Total Assets | 694,394 | 531,903 | 118,014 | 76,696 | 461,492 | 91,643 | 1,735,967 | 13,957 | 242,062,462 | 347,692 | 14,881,974 |
| Current Liabilities | | | | | | | | | | | |
| Trade payables | 329,806 | 385,602 | 4,189 | 348 | 135,379 | - | 210,499 | 1,111 | 5,899,651 | 67,506 | 7,139,742 |
| Financial liabilities | 385,087 | 549,232 | - | - | - | - | - | 851 | - | - | 8,834,165 |
| Other monetary liabilities | 4,439 | 19,560 | 2 | - | - | - | 107,143 | 539 | - | - | 230,781 |
| Non-Current Liabilities | | | | | | | | | | | |
| Trade payables | - | 6,835 | - | - | - | - | - | - | - | - | 60,444 |
| Financial liabilities | 62,286 | - | - | - | - | - | - | - | - | - | 642,387 |
| Other monetary liabilities | - | 16 | - | - | - | - | - | - | - | - | 138 |
| Toplam Liabilities | 781,618 | 961,245 | 4,191 | 348 | 135,379 | - | 317,642 | 2,501 | 5,899,651 | 67,506 | 16,907,657 |
| Net Position of Financial Statement | (87,224) | (429,342) | 113,823 | 76,348 | 326,113 | 91,643 | 1,418,325 | 11,456 | 236,162,811 | 280,186 | (2,025,683) |
| Off-balance sheet derivative assets (*) | 330,009 | 515,145 | 11,000 | - | 78,295 | - | - | - | - | 41,542 | 8,238,374 |
| Off-balance sheet derivative liabilities (*) | (232,280) | (83,400) | (118,650) | (62,000) | (450,000) | (85,000) | - | - | - | (320,382) | (5,756,288) |
| Net position of off-balance sheet items | 97,729 | 431,745 | (107,650) | (62,000) | (371,705) | (85,000) | - | - | - | (278,840) | 2,482,086 |
| Net Asset/(Liability) Position of Foreign Currency | 10,505 | 2,403 | 6,173 | 14,348 | (45,592) | 6,643 | 1,418,325 | 11,456 | 236,162,811 | 1,346 | 456,403 |
| Net Asset/(Liability) Position of Foreign Currency Monetary Items | (87,224) | (429,342) | 113,823 | 76,348 | 326,113 | 91,643 | 1,418,325 | 11,456 | 236,162,811 | 280,186 | (2,025,683) |
| Hedged Amount of Foreign Currency Ass _t | 232,280 | 83,400 | 118,650 | 62,000 | 450,000 | 85,000 | - | - | - | 320,382 | 5,756,288 |
| Hedged Amount of Foreign Currency Liabilities | 330,009 | 515,145 | 11,000 | - | 78,295 | - | - | - | - | 41,542 | 8,238,374 |

(*) 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.

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

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

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

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

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

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

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

As of September 30, 2021, and December 31, 2020, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

| | Gain/Loss | | Other Comprehensive Income | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% |
| September 30, 2021 | | | | |
| USD net asset/liability | (379,680) | 379,680 | (392,742) | 392,742 |
| Secured portion from USD risk | 381,805 | (381,805) | 381,805 | (381,805) |
| USD Net effect | 2,125 | (2,125) | (10,937) | 10,937 |
| EUR net asset/liability | 147,253 | (147,253) | 6,791 | (6,791) |
| Secured portion from EUR risk | (136,418) | 136,418 | 100,793 | (100,793) |
| EUR Net effect | 10,835 | (10,835) | 107,584 | (107,584) |
| GBP net asset/liability | 135,782 | (135,782) | 158,556 | (158,556) |
| Secured portion from GBP risk | (128,418) | 128,418 | (128,418) | 128,418 |
| GBP Net effect | 7,364 | (7,364) | 30,138 | (30,138) |
| JPY net asset/liability | 11,237 | (11,237) | 11,237 | (11,237) |
| Secured portion from JPY risk | - | - | - | - |
| JPY Net effect | 11,237 | (11,237) | 11,237 | (11,237) |
| PLN net asset/liability | 20,430 | (20,430) | 33,608 | (33,608) |
| Secured portion from PLN risk | (18,949) | 18,949 | (18,949) | 18,949 |
| PLN Net effect | 1,481 | (1,481) | 14,659 | (14,659) |
| DKK net asset/liability | 10,574 | (10,574) | 10,574 | (10,574) |
| Secured portion from DKK risk | (8,586) | 8,586 | (8,586) | 8,586 |
| DKK Net effect | 1,988 | (1,988) | 1,988 | (1,988) |
| VND net asset/liability | 9,210 | (9,210) | 8,595 | (8,595) |
| Secured portion from VND risk | - | - | - | - |
| VND Net effect | 9,210 | (9,210) | 8,595 | (8,595) |
| CNY net asset/liability | 44,351 | (44,351) | 34,065 | (34,065) |
| Secured portion from CNY risk | (50,552) | 50,552 | (50,552) | 50,552 |
| CNY Net effect | (6,201) | 6,201 | (16,487) | 16,487 |
| SGD net asset/liability | 7,467 | (7,467) | 7,467 | (7,467) |
| Secured portion from SGD risk | - | - | - | - |
| SGD Net effect | 7,467 | (7,467) | 7,467 | (7,467) |
| Other net asset/liability | 28,018 | (28,018) | 820,515 | (820,515) |
| Secured portion from other currency risk | (27,884) | 27,884 | (27,884) | 27,884 |
| Other Currency Net effect | 134 | (134) | 792,631 | (792,631) |
| | 45,640 | (45,640) | 946,875 | (946,875) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

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

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

| | September 30, 2021 | September 30, 2020 |
|----------------------|--------------------|--------------------|
| | TRY | TRY |
| EUR | 7,975,024 | 2,751,562 |
| GBP | 3,075,499 | 917,105 |
| USD | 2,882,035 | 766,633 |
| Other | 1,359,706 | 516,263 |
| Total exports | 15,292,264 | 4,951,563 |
| USD | 7,472,840 | 2,180,151 |
| EUR | 3,143,527 | 895,195 |
| Other | 17,805 | 4,616 |
| Total imports | 10,634,172 | 3,079,962 |

NOTE 30 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

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NOTE 30 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (continued)

As of September 30, 2021, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 14,316,347 (December 31, 2020: TRY 11,518,711) and TRY 15,281,991 (December 31, 2020: TRY 11,679,705) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

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

| Financial assets carried at fair value in statement of financial position | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|
| Derivative instruments (assets) (Note 8) | - | 39,488 | - |
| Financial investments (Note 6) | 4,228 | - | - |
| Financial liabilities carried at fair value in statement of financial position | | | |
| Derivative instruments (liabilities) (Note 8) | - | (204,775) | - |

Fair value hierarchy table as of December 31, 2020 is as follows:

| Financial assets carried at fair value in statement of financial position | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|
| Derivative instruments (assets) (Note 8) | - | 27,354 | - |
| Financial investments (Note 6) | 5,535 | - | - |
| Financial liabilities carried at fair value in statement of financial position | | | |
| Derivative instruments (liabilities) (Note 8) | - | (8,266) | - |

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NOTE 31 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

| | 1 January- September 30, 2021 | 1 January- September 30, 2020 |
|--|--|--|
| Adjustments for provisions: | | |
| Accrual for customer premiums | 986,381 | 591,451 |
| Provision for assembly and transportation cost | 204,494 | 83,269 |
| Warranty provision | 187,720 | 281,529 |
| Accrual for bonuses and premiums | 131,715 | 13,830 |
| Provision for vacation pay liability | 55,236 | 19,330 |
| Provision for employment termination benefits | 40,147 | 36,607 |
| Other provisions | 115,656 | (46,610) |
| | 1,721,349 | 979,406 |

| | 1 January- September 30, 2021 | 1 January- September 30, 2020 |
|---|--|--|
| Adjustments for impairment loss: | | |
| Provision for impairment on inventories (Note 11) | 39,580 | 17,466 |
| Provision for doubtful receivables (Note 9) | 23,045 | 30,062 |
| Impairments for fixed assets (Note 13) | - | 22,065 |
| Impairments for assets held for sale (Note 13) | - | 26,638 |
| | 62,625 | 96,231 |

NOTE 32 – EVENTS AFTER BALANCE SHEET DATE

As a result of the developing marketplace, market conditions, the effects of global economic developments on the sector in which we operate and their reflections on the Turkish capital markets, 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 32,040 which corresponds to 4.74% of the capital has been bought back, total cost is TRY 1,031,719, including transaction costs.

Following our disclosure made on 30 June 2021, the closing audit of financial statements dated 30 June 2021 have been completed after incorporation of Whirlpool Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi ("Company") (current title Arçelik Üretim ve Teknoloji A.Ş.), a wholly owned subsidiary of the white goods manufacturer Whirlpool Global Holdings S.A.R.L (“Whirlpool Global”) which manufactures Whirlpool branded refrigeration units and washing machines in Turkey.

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NOTE 32 – EVENTS AFTER BALANCE SHEET DATE (Continued)

In addition to the purchase price of EUR 78.3 million which is calculated, considering 31 December 2020 audited financial statements and paid full in cash to Whirlpool Global, an additional payment of EUR 480,000 was made to Whirlpool Global Holdings S.A.R.L. according to the changes in assets, excluding fixed assets, considering the audited closing balance sheets dated 30 June 2021.

Furthermore, tax assets of approximately EUR 9 million, which is calculates considering the exchange rate as of the closing date, were not taken into account when calculating the purchase price. Tax asset amount that can be collected after the closing date until 31 December 2023 will be paid to Whirlpool Global by Arçelik A.Ş.