

**(CONVENIENCE TRANSLATION OF INTO ENGLISH OF THE
INDEPENDENT AUDITORS' REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD
1 JANUARY – 31 MARCH 2021 TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**



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

To the General Assembly of
Arçelik Anonim Şirketi

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Arçelik Anonim Şirketi (the "Company") and its subsidiaries (collectively referred as the "Group") as at 31 March 2021, the condensed consolidated statements of profit or loss, the condensed consolidated statements of other comprehensive income, changes in equity, cash flows and other explanatory notes for the three-month period ended 31 March 2021 and 2020 ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

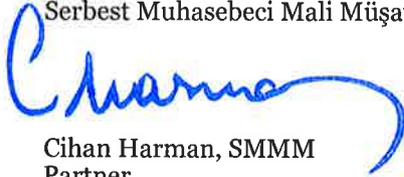
Scope of review

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

Conclusion

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

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


Cihan Harman, SMMM
Partner

İstanbul, 26 April 2021

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ARÇELİK ANONİM ŞİRKETİ

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

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

		Reviewed	Audited
	Notes	March 31, 2021	December 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	4	10,213,040	12,002,246
Trade receivables			
-Due from related parties	27	145,250	103,153
-Trade receivables, third parties	8	15,588,594	12,046,292
Derivative instruments	7	8,907	27,354
Inventories	10	10,124,948	7,095,622
Prepaid expenses	16	541,718	496,783
Current income tax assets	17	154,231	143,032
Other current assets	19	1,410,133	1,146,367
Total current assets		38,186,821	33,060,849
Non-current assets:			
Financial investments	5	4,480	5,614
Trade receivables			
-Trade receivables, third parties	8	69,144	68,225
Investments accounted for using the equity method	11	709,691	648,016
Property, plant and equipment	12	7,866,966	7,296,568
Intangible assets			
-Goodwill		1,121,835	989,060
-Other intangible assets	13	3,923,817	3,563,944
Prepaid expenses	16	101,774	83,484
Deferred tax assets	25	1,018,647	833,284
Total non-current assets		14,816,354	13,488,195
Total assets		53,003,175	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 MARCH 31, 2021 AND DECEMBER 31, 2020

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

		Reviewed	Audited
	Notes	March 31, 2021	December 31, 2020
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	5,453,580	4,840,622
Short-term portion of long-term borrowings	6	5,467,681	5,390,255
Trade payables			
-Due to related parties	27	970,515	995,829
-Trade payables, third parties	8	11,174,213	8,649,373
Derivative instruments	7	49,584	8,266
Employee benefit obligations	18	452,375	492,554
Other payables			
-Other payables, third parties	9	1,154,461	726,074
Current income tax liabilities	25	128,770	7,736
Provisions			
-Other provisions	15	1,263,510	977,478
Other current liabilities	19	1,851,004	1,738,729
Total current liabilities		27,965,693	23,826,916
Non-current liabilities:			
Long-term borrowings	6	8,366,191	6,844,348
Provisions			
-Provision for employee benefits		417,828	419,517
-Other provisions	15	337,650	289,640
Deferred tax liabilities	25	789,587	563,071
Other non-current liabilities	19	636,839	581,706
Total non-current liabilities		10,548,095	8,698,282
Total liabilities		38,513,788	32,525,198

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 MARCH 31, 2021 AND DECEMBER 31, 2020

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

		Reviewed	Audited
	Notes	March 31,	December 31,
		2021	2020
EQUITY			
Paid-in capital	20	675,728	675,728
Adjustment to share capital	20	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(304,775)	(298,280)
-Other gains/ losses on revaluation and remeasurement		3,841	4,918
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		6,164,029	5,225,745
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(1,057,993)	(966,053)
-Gains/ losses on cash flow hedges		839	(3,072)
Balancing account for merger capital		14,507	14,507
Restricted reserves	20	555,736	409,115
Retained earnings		6,641,116	5,439,898
Net income for the period		1,092,735	2,847,839
Equity holders of the parent		14,255,463	13,820,045
Non-controlling interest		233,924	203,801
Total equity		14,489,387	14,023,846
Total liabilities and equity		53,003,175	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 MARCH 31, 2021 AND 2020

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

	Notes	Reviewed	
		March 31, 2021	March 31, 2020
Net sales	3	12,983,814	7.767.528
Cost of sales		(8,500,972)	(5.299.810)
Gross profit		4,482,842	2.467.718
General administrative expenses		(570,825)	(487.243)
Marketing expenses		(2,285,710)	(1.534.375)
Research and development expenses		(87,472)	(72.718)
Other income from operating activities	21	890,017	575.052
Other expenses from operating activities	21	(750,728)	(175.410)
Operating profit		1,678,124	773.024
Income from investment activities	22	2,273	895
Expenses from investment activities	22	(2,596)	(675)
Share of profit/loss of investments accounted for using the equity method	11	4,543	7,536
Operating income before financial income/(expense)		1,682,344	780,780
Financial income	23	1,776,185	694,084
Financial expenses	24	(2,164,273)	(1,166,460)
Profit from continuing operations before tax		1,294,256	308,404
Tax income/(expense), continuing operations			
- Taxes on income	25	(220,655)	(76,079)
- Deferred tax income	25	26,591	27,120
Net income		1,100,192	259,445
Attributable to			
Non-controlling interest		7,457	3,711
Equity holders of the parent		1,092,735	255,734
Earnings per share (kurus)	26	1.617	0.378
Diluted earnings per share (kurus)	26	1.617	0.378

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 MARCH 31, 2021 AND 2020

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

	Reviewed	
	January 1- March 31, 2021	January 1- March 31, 2020
Net income	1,100,192	259,445
Other comprehensive income		
Not to be reclassified to profit or loss	(9,140)	(29,005)
Gain/ loss arising from defined benefit plans	(7,619)	(29,600)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(387)	567
Other gain/ losses not to be reclassified to profit or loss	(1,134)	28
Not to be reclassified to profit or loss, tax effect	1,568	5,926
Gain/ loss arising from defined benefit plans, tax effect	1,511	5,927
Other gain/ losses not to be reclassified to profit or loss, tax effect	57	(1)
To be reclassified to profit or loss	850,402	(71,667)
Currency translation differences	933,439	19,322
Other comprehensive income related with hedges of net investments in foreign operations	(114,926)	(86,831)
Other comprehensive income related with cash flow hedge	2,335	(10,540)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	29,554	6,382
-Currency translation differences of investments accounted for using the equity method	27,511	6,260
-Gain/loss from cash flow hedges of investments accounted for using equity method	2,043	122
To be reclassified to profit or loss, tax effect	22,519	21,423
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	22,986	19,103
Other comprehensive income related with cash flow hedge, tax effect	(467)	2,320
Other comprehensive income/ (loss) (net of tax)	865,349	(73,323)
Total comprehensive income	1,965,541	186,122
Attributable to:		
Non-controlling interest	30,123	18,204
Equity holders of the parent	1,935,418	167,918

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 MARCH 31, 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 comprehensive income and expense to be reclassified to profit or loss			Accumulated profit					
	Paid-in capital	Adjustmen to share capital	Share premium /discount	Balancing account for merger capita	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	-	-	-	-	(23,106)	27	(75,826)	11,089	-	-	255,734	167,918	18,204	186,122
Net income	-	-	-	-	-	-	-	-	-	-	255,734	255,734	3,711	259,445
Other comprehensive income	-	-	-	-	(23,106)	27	(75,826)	11,089	-	-	-	(87,816)	14,493	(73,323)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of March 31, 2021	675,728	468,811	889	14,507	(251,217)	2,470	(811,854)	3,622,121	409,115	5,439,898	255,734	9,826,202	175,889	10,002,091
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	-	-	-	-	(6,495)	(1,077)	(88,029)	938,284	-	-	1,092,735	1,935,418	30,123	1,965,541
Net income	-	-	-	-	-	-	-	-	-	-	1,092,735	1,092,735	7,457	1,100,192
Other comprehensive income	-	-	-	-	(6,495)	(1,077)	(88,029)	938,284	-	-	-	842,683	22,666	865,349
Total comprehensive income	-	-	-	-	(6,495)	(1,077)	(88,029)	938,284	-	-	1,092,735	1,935,418	30,123	1,965,541
Dividends	-	-	-	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
As of March 31, 2021	675,728	468,811	889	14,507	(304,775)	3,841	(1,057,154)	6,164,029	555,736	6,641,116	1,092,735	14,255,463	233,924	14,489,387

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 MARCH 31, 2021 AND 2020

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

	Notes	Reviewed	
		January 1- March 31, 2021	January 1- March 31, 2020
Cash flows from operating activities:			
Net income:		1,100,192	259,445
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for depreciation and amortisation expense		344,989	281,360
Adjustments for impairment loss	30	32,505	15,750
Adjustments for other provisions	30	515,836	117,844
Adjustments for interest income	23	(98,848)	(33,467)
Adjustments for interest expense	24	332,528	373,477
Adjustments for income arised from government grants		(19,125)	(11,888)
Adjustments for unrealised foreign exchange losses (gains)	23-24	(75,343)	31,730
Adjustments for fair value (gains) losses on derivative financial instruments	23-24	221,934	97,778
Adjustments for undistributed profits of investments accounted for using equity method	11	(4,543)	(7,536)
Adjustments for tax expense/income	25	194,064	48,959
Adjustments for losses (gains) on disposal of non-current assets	22	440	(127)
Adjustments for legal claim and/or compensation provisions		-	(178,832)
Other adjustments to reconcile profit (loss)	23-24	7,817	2,858
Adjustments regarding net profit reconciliation for the period		2,552,446	997,351
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(3,606,086)	341,191
Adjustments for decrease (increase) in inventories		(3,088,414)	(192,842)
Decrease (increase) in prepaid expenses		(44,935)	(147,645)
Adjustments for increase (decrease) in trade payables		2,850,457	22,199
Increase (decrease) in employee benefit liabilities		(36,927)	(180,810)
Adjustments for increase (decrease) in other operating payables		34	(8,942)
Increase (decrease) in government grants and assistance		16,760	24,136
Other adjustments for other increase (decrease) in working capital		(324,527)	(64,809)
Income taxes refund (paid)		(42,928)	(20,355)
Cash flows from operating activities		(1,724,120)	769,474
Investing activities:			
Cash outflows due to share acquisition or capital increase in affiliates and / or joint ventures	11	(38,220)	-
Cash outflows from purchases of property, plant and equipment and intangible assets		(395,885)	(303,068)
Cash inflows from sale of property, plant and equipment and intangible assets		11,928	29,134
Cash flows from investing activities		(422,177)	(273,934)
Financing activities:			
Proceeds from borrowings	6	984,809	2,225,060
Repayments of borrowings	6	(898,510)	(1,720,904)
Bonds issued	6	1,200,000	-
Payments of lease liabilities	6	(86,074)	(77,873)
Dividends paid		(1,500,000)	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(159,833)	(39,221)
Interest paid		(202,887)	(365,169)
Interest received		104,905	41,087
Other inflows (outflows) of cash	23-24	(7,817)	(2,858)
Cash flows from financing activities		(565,407)	60,122
Net increase/(decrease) in cash and cash equivalents before currency translation differences		(2,711,704)	555,662
Effect of currency translation differences		928,555	341,530
Net increase/(decrease) in cash and cash equivalents		(1,783,149)	897,192
Cash and cash equivalents at January 1	4	11,988,227	6,922,938
Cash and cash equivalents at March 31	4	10,205,078	7,820,130

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED MARCH 31, 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-two manufacturing plants in Turkey, Romania, Russia, Republic of South Africa, Thailand, Pakistan and Bangladesh. The Company is controlled by Koç Holding A.Ş., the parent company and the companies owned by Koç Family (Note 20).

The Company's head office is located at: Karaağaç Caddesi No: 2-6 Söğütözü 34445 Beyoğlu İstanbul / Turkey. The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1986. As of March 31, 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 8,041 monthly paid (January 1 - March 31 2021: 8,032) and 28,248 hourly paid (1 January – 31 March 2020: 23,549) totalling to 36,289 (2020: 31,581).

<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 S.A.R.L. ("Beko Morocco")	Morocco	Sales	Consumer Durables/Electronics
Beko Pilipinas Corporation. ("Beko Philippines")	Republic of the Philippines	Sales	Consumer Durables
Beko Plc. ("Beko UK") (*)	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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED MARCH 31, 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>
Ceased operations as of reporting date			
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Associates			
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication
Joint Ventures			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
VoltBek Home Appliances Private Limited (“VoltBek”)	India	Production/Sales	Consumer Durables

Approval of condensed consolidated financial statements

These condensed interim consolidated financial statements as of and for the period 1 January – 31 March 2021 has been approved for issue by the Board of Directors on 26 April 2021.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED MARCH 31, 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)

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at March 31, 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 that are issued but not effective as at 31 March 2021:

Amendment to TFRS 16, “Leases – Covid-19 related rent concessions”; 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 TFRS 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.

Narrow scope amendments to TAS 1, Practice statement 2 and TAS 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.

Amendments to TFRS 9, TAS 39, TFRS 7 and TFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The 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 recognised in the “currency translation difference” under the use of equity.

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

2.1 Basis of presentation (Continued)

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

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

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

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

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

2.1 Basis of presentation (Continued)

Going concern

The Group prepared 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 – 31 March 2020, inventory provision expenses amounting to 2,077 TRY has been reclassified from “Other income from operating activities” to “Cost of sales” in the condensed consolidated statement of profit or loss.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the period ended March 31, 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 March 31, 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020

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

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

2.4 Significant developments in the current period

Covid-19 pandemic

Due to Covid-19 pandemic, which has been affecting the whole world, there have been disruptions in the supply and sales processes, temporary shutdowns in the production processes and decline in the capacity utilizations of the Group, in parallel with the developments/slowdown in the countries in which the Group operates and in general economic activity. Necessary actions were taken by the Group management to minimize the possible impacts of Covid-19 on the Group's operations and financial position. While preparing the consolidated financial statements as of March 31, 2021 and December 31, 2020, possible effects of Covid-19 pandemic were evaluated, estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, consolidated financial statements as of March 31, 2021 and December 31, 2020 were reviewed for impairment and no material impact has been identified.

Acquisition of subsidiary

A 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. When the closing conditions stated in the said agreement are fulfilled, Joint Venture Agreement, Master Brand Agreement and other related agreements will be signed between the parties. In this context, Hitachi GLS will incorporate a new company in the Netherlands and transfer all the assets and home appliances business lines owned by its 12 subsidiaries to the new company. Arçelik A.Ş. will buy 60% of the shares of this company (the "Company"). Transaction value is calculated as USD 300 million on a cash-free and debt-free basis for 60% of the business, including all the minority interests. The transaction value is subject to customary adjustments based on the balance of net debt and net working capital of the Company as of closing date. In addition to this, Hitachi GLS may acquire some of the minority interests until the closing, the transaction value is subject to customary adjustments based on the balance of net debt and net working capital of the Company as of closing date. The transaction is subject to fulfilment of the closing conditions in the SPAs including the approvals to be granted by the Regulatory Authorities. The transaction is expected to be closed by July 1, 2021.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING

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

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

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

- a) Operational segments which have been prepared in accordance with the reportable segments for the three months period ended March 31, 2021 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	9,947,022	1,158,657	1,878,135	12,983,814
Gross profit	3,626,230	237,101	619,511	4,482,842
Depreciation and amortization	273,655	19,732	56,680	350,067
Capital expenditures	347,422	10,746	42,795	400,963

- (*) The Group recognised net sales amounting to TRY 12,976,085 with respect to the performance obligations satisfied at a point in time for the year ended March 31, 2021 (2020: TRY 7,759,951).

- b) Operational segments which have been prepared in accordance with the reportable segments for the three months period ended March 31, 2020 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	5,722,942	980,404	1,064,182	7,767,528
Gross profit	1,909,850	228,269	329,599	2,467,718
Depreciation and amortization	219,862	39,451	26,574	285,887
Capital expenditures	248,298	45,953	13,344	307,595

- c) Sales revenue grouped geographically based on the location of the customers for the three months period ended March 31 are shown as below:

January 1 – March 31, 2021	Asia					Total
	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	4,686,398	5,632,306	736,213	1,312,810	616,087	12,983,814

January 1 – March 31, 2020	Asia					Total
	Turkey	Europe	Africa	Pacific	Other	
Total segment revenue	2,768,859	3,594,532	391,681	678,801	333,655	7,767,528

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NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020
Cash in hand	950	843
Cash at banks		
- demand deposits	1,231,508	1,094,544
- time deposits	8,761,564	10,710,844
Cheques and notes	60,264	83,672
Other	150,792	98,324
Cash and cash equivalents in cash flow statement	10,205,078	11,988,227
Interest income accruals	7,962	14,019
	10,213,040	12,002,246

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

Up to 30 days	10,206,098	11,543,147
30-90 days	6,942	459,099
	10,213,040	12,002,246

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

TRY	17.4	17.4
USD	1.7	2.8
EUR	(0.2)	0.2
GBP	0.0	0.0
RUB	4.1	4.2
Other currencies (*)	1.3	1.3

(*) Weighted average of other currencies.

ARÇELİK ANONİM ŞİRKETİ

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

NOTE 5 - FINANCIAL INVESTMENTS

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

	March 31, 2021	December 31, 2020
Fair value gain/losses of financial assets reflected to other comprehensive income	4,480	5,614
Total	4,480	5,614

	<u>March 31, 2021</u>		<u>December 31, 2020</u>	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	4,401	0.34	5,535
Other		79		79
		4,480		5,614

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

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the financial investment carried at fair value through other comprehensive income, amounting to TRY 1,077 (March 31, 2020: TRY 28) and net of deferred tax effect amounting to TRY 57 (March 31, 2020: TRY 1) 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 March 31, 2021.

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

	2021	2020
As of January 1	5,614	3,009
Change in fair value	(1,134)	28
As of March 31	4,480	3,037

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - BORROWINGS

a) Short-term borrowings

	March 31, 2021	December 31, 2020
Short-term bank borrowings	5,181,725	4,518,863
Short-term lease liabilities	223,311	201,043
Payables from factoring activities (*)	48,544	120,716
Total short-term borrowings	5,453,580	4,840,622
Short-term portion of long-term bank borrowings and interest accruals	1,325,812	1,132,201
Short term portion of long-term bond issued and interest accruals (**)	4,141,869	4,258,054
Total short-term portion of long-term borrowings	5,467,681	5,390,255

(*) Factoring liabilities are amounting to TRY 48,544 denominated in EUR (December 31, 2020: TRY 69,062) and interest rates are between 0.6 % for EUR (December 31, 2020: 0.6%)

() Long term bonds issued:**

2021:

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

2019:

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

2014:

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

2013:

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

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NOTE 6 - BORROWINGS (Continued)

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.6	2,073,958,056	2,073,958
EUR	0.5	159,033,504	1,554,409
PKR	8.1	12,233,742,860	662,212
BDT	6.3	3,886,157,551	382,165
ZAR	4.9	445,714,008	248,383
USD	2.0	18,404,304	153,235
AUD	3.3	14,765,738	93,544
RUB	0.8	126,567,639	13,819
			5,181,725

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

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

b) Long-term borrowings

	March 31, 2021	December 31, 2020
Long-term bank borrowings	2,174,294	2,461,293
Long-term bonds issued	5,359,759	3,667,163
Long-term lease liabilities	832,138	715,892
	8,366,191	6,844,348

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	14.4	2,296,724,194	2,296,724
EUR	1.9	68,370,711	668,262
ZAR	5.8	500,000,000	278,635
PKR	7.3	4,738,330,762	256,485
			3,500,106
Short-term portion of long-term loans and interest accruals			(1,325,812)
			2,174,294

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - BORROWINGS (Continued)

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

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

As of March 31, 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	511,971,851	4,262,678
EUR	3.9	357,173,439	3,491,049
TRY	18.7	1,747,900,530	1,747,900
			9,501,627
Interest accruals of long-term bonds issued			(222,366)
			9,279,261

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NOTE 6 - 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:

	March 31, 2021	December 31, 2020
2022	746,798	1,138,782
2023 to 2027	6,790,496	4,992,761
	7,537,294	6,131,543

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

	March 31, 2021	December 31, 2020
Up to 3 months	5,867,147	3,296,338
3 - 12 months	5,625,543	6,840,891
1-5 years	6,059,394	4,981,856
Over 5 years	277,900	679,320
	17,829,984	15,798,405

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NOTE 6 - BORROWINGS (Continued)

As of March 31, 2021, and March 31, 2020, financial debt reconciliation is as follows:

2021	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(916,934)	(10,029,834)	(6,128,457)	(17,075,225)
Cash flows	86,074	(86,299)	(1,200,000)	(1,200,225)
Transfers	-	(287,154)	287,154	-
Changes in interest accruals	(14,927)	(114,714)	-	(129,641)
Changes in factoring liabilities	-	77,422	-	77,422
Changes in lease liabilities	(130,990)	-	-	(130,990)
Currency translation adjustments	(78,672)	(257,371)	(492,750)	(828,793)
Financial debt as of March 31	(1,055,449)	(10,697,950)	(7,534,053)	(19,287,452)

2020	Lease Liabilities	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1	(735.420)	(5.974.472)	(8.245.244)	(14.955.136)
Cash flows	77.873	(57.284)	(446.872)	(426.283)
Changes in interest accruals	(17.948)	9.999	-	(7.949)
Changes in factoring liabilities	-	4.125	-	4.125
Changes in lease liabilities	(219.682)	-	-	(219.682)
Currency translation adjustments	(14.438)	-	(475.721)	(490.159)
Financial debt as of March 31	(909.615)	(6.017.632)	(9.167.837)	(16.095.084)

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NOTE 7 - DERIVATIVE INSTRUMENTS

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

	March 31, 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	1,881,361	238	(24,063)	1,863,257	9,845	(267)
Foreign currency swap contracts	7,964,544	6,335	(25,521)	8,764,899	17,509	(5,084)
Cash flow hedge:						
Interest rate swap contracts (*)	500,000	2,334		1,000,000	-	(2,915)
Short-term derivative instruments, net		8,907	(49,584)		27,354	(8,266)

(*) As of 31 March 2021, interest rate swap transactions realized for the exchange of floating rate instalment payments of long term bond issued on 24 July 2019 with a fixed rate instalment payment for the purpose of cash flow hedge (31 December 2020: None).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	March 31, 2021	December 31, 2020
Short-term trade receivables:		
Trade receivables	14,833,557	10,925,282
Notes receivables	1,087,743	1,246,101
Cheques receivables	346,177	384,202
Short-term trade receivables (gross)	16,267,477	12,555,585
Provision for expected credit loss	(313,358)	(300,665)
Unearned credit finance expense	(365,525)	(208,628)
Short-term trade receivables (net)	15,588,594	12,046,292

As of March 31, 2021, the Group has derecognized TRY 501,709 (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 201,002 related with its local bank borrowings (December 31, 2020: TRY 124,268).

The movements of provision for doubtful receivables for the three months period ended March 31, are as follows:

	2021	2020
As of January, 1	300,665	232,307
Current year additions (Note 21)	4,625	13,314
Provisions no longer required (Note 21)	(794)	(1,038)
Write-offs (*)	(7,281)	(4,907)
Currency translation differences	16,143	2,994
As of March, 31	313,358	242,670

(*) 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.

	March 31, 2021	December 31, 2020
Long-term trade receivables		
Trade receivables	130,023	126,885
Unearned credit finance expense	(60,879)	(58,660)
	69,144	68,225

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	March 31, 2021	December 31, 2020
Short-term trade payables:		
Trade payables	10,552,246	8,149,453
Debt accruals	881,700	679,971
Unearned credit finance charges	(259,733)	(180,051)
	11,174,213	8,649,373

NOTE 9 - OTHER PAYABLES

	March 31, 2021	December 31, 2020
Taxes and duties payable	981,882	600,045
Dividend payables to shareholders	33,621	31,187
Deposits and guarantees received	3,490	4,303
Other	135,468	90,539
	1,154,461	726,074

NOTE 10 - INVENTORIES

	March 31, 2021	December 31, 2020
Raw materials and supplies	3,955,911	2,873,767
Work in progress	243,061	202,444
Finished goods	4,681,539	3,244,160
Trade goods	1,367,952	898,108
Inventories (gross)	10,248,463	7,218,479
Provision for impairment on inventories	(123,515)	(122,857)
Inventories (net)	10,124,948	7,095,622

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 160,451 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:

	March 31, 2021	December 31, 2020
Raw materials and supplies	45,244	28,964
Finished goods	66,973	79,800
Trade goods	11,298	14,093
	123,515	122,857

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NOTE 10 – INVENTORIES (Continued)

Movements of provision for impairment on inventories for the three months periods ended March 31 are as follows:

	2021	2020
As of January 1	122,857	91,826
Current year additions (Note 25)	27,880	2,436
Realized due to sales of inventory	(32,098)	(7,844)
Currency translation differences	4,876	1,551
As of March 31	123,515	87,969

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021		December 31, 2020	
	%	TRY	%	TRY
Koç Finansman	47.0	241,513	47.0	228,601
VoltBek	49.0	240,616	49.0	202,788
Arçelik - LG	45.0	212,641	45.0	197,317
Ram Dış Ticaret	33.5	12,134	33.5	16,843
Tanı Pazarlama	32.0	2,787	32.0	2,467
		709,691		648,016

The movements of investment accounted for using the equity method for the three months period ended March 31, are as follows:

	2021	2020
As of January, 1	648,016	526,499
Associate capital share contribution	38,220	-
Shares of income/loss of associates	4,543	7,536
Shares of other comprehensive income/loss of associates	1,656	689
Gross profit elimination on inventory	910	(2,364)
Dividends received	(11,165)	-
Currency translation difference	27,511	6,260
As of March, 31	709,691	538,620

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

	March 31, 2021	March 31, 2020
Koç Finansman	15,717	11,264
Arçelik - LG	14,379	11,604
Ram Dış Ticaret	1,958	931
Tanı Pazarlama	390	(27)
VoltBek	(27,901)	(16,236)
	4,543	7,536

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(Continued)

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

March 31, 2021	Koç Finansman	Ram Dış Ticaret	Voltbek	Other	Total
Total assets	4.228.422	1.390.939	1.516.108	1.083.530	8.218.999
Total liabilities	3.714.565	1.354.719	1.025.059	602.280	6.696.623
Net sales	160.030	914.767	218.883	519.591	1.813.271

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2021	2020
As of January 1		
Cost	13,910,236	11,502,131
Accumulated depreciation	(6,613,668)	(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
Additions	404,956	402,761
Disposals	(20,990)	(31,079)
Currency translation differences	459,364	50,772
Depreciation for the period	(272,932)	(222,321)
Net carrying value at the end of the period	7,866,966	6,241,535
As of March 31		
Cost	14,934,155	11,911,435
Accumulated depreciation	(7,067,189)	(5,669,900)
Net carrying value	7,866,966	6,241,535

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 March 2021, the net book value of the right of use assets classified under tangible assets is TRY 985,177. (31 March 2020: 886,523)

Additions to rights-to-use assets for the three months period ended 31 March 2021 124,968 TL (31 March 2020:191,203 TL), depreciation expenses are TRY 80,124. (31 March 2020: 61,146)

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

NOTE 13 – 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
Additions	120,975	96,026
Currency translation differences	316,033	35,728
Amortization for the period	(77,135)	(64,230)
Net carrying value at the end of the period	3,923,817	3,045,459
As of March 31		
Cost	5,720,560	4,376,839
Accumulated amortization	(1,796,743)	(1,331,380)
Net carrying value	3,923,817	3,045,459

There is no capitalized borrowing cost as of March 31, 2021 (December 31, 2020: None).

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2021, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,788,581,794 (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.

	March 31, 2021	December 31, 2020
Collaterals obtained	5,414,674	4,852,845

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

	March 31, 2021	December 31, 2020
CPMB’s given by the Company		
A. CPMB’s given for Company’s own legal personality	504,321	300,894
B. CPMB’s given on behalf of fully consolidated companies	1,858,772	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	2,363,093	1,926,737

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

	March 31, 2021	December 31, 2020
CPMB's given by the Company		
TRY	149,382	101,312
EUR	745,279	685,979
USD	364,281	278,730
Other currencies	1,104,151	860,716
	2,363,093	1,926,737

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NOTE 15 – OTHER PROVISIONS

	March 31, 2021	December 31, 2020
Other short-term provisions		
Warranty provision	651,389	572,725
Assembly provision	178,644	135,561
Provision for transportation cost	221,702	96,459
Provisions for lawsuits	29,667	27,600
Provision for returns	3,128	2,883
Other	178,980	142,250
	1,263,510	977,478
Other long-term provisions		
Warranty provision	337,650	289,640
	337,650	289,640

NOTE 16 – PREPAID EXPENSES

	March 31, 2021	December 31, 2020
Short-term prepaid expenses	373,329	309,640
Advances given for inventories	168,389	187,143
	541,718	496,783
	March 31, 2021	December 31, 2020
Long-term prepaid expenses	101,774	83,484
	101,774	83,484

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NOTE 17 – CURRENT INCOME TAX ASSETS

	March 31, 2021	December 31, 2020
Prepaid taxes and funds	154,230	143,032
	154,230	143,032

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	March 31, 2021	December 31, 2020
Payables to personnel	282,661	333,481
Social security payables	141,802	91,155
Accruals for bonuses and premiums	27,912	67,918
	452,375	492,554

NOTE 19 - OTHER ASSETS AND LIABILITIES

	March 31, 2021	December 31, 2020
Other current assets:		
Value added tax and private consumption tax receivable	664,384	455,657
Taxes and funds deductible	546,636	454,966
Income accruals	58,539	88,832
Other	140,574	146,912
	1,410,133	1,146,367
Other current liabilities:		
Accruals for customer premiums	1,528,941	1,336,801
Advances received	208,478	317,015
Deferred income	92,229	76,891
Other	21,356	8,022
	1,851,004	1,738,729
Other long-term liabilities:		
Deferred income	528,093	487,712
Other	108,746	93,994
	636,839	581,706

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NOTE 20 - EQUITY

Paid-in capital

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

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

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

The shareholding structure of the Company is as follows:

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

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

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

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NOTE 20 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	March 31, 2021	December 31, 2020
Legal reserves	555,736	409,115

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

Dividend distribution

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

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

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

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NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- March 31, 2021	January 1- March 31, 2020
Other income from operating activities:		
Foreign exchange gains arising from trading activities	855,186	332,457
Income from claims and grants (*)	19,125	228,810
Credit finance income arising from trading activities	13,380	11,092
Reversal of provisions for doubtful receivables (Note 8)	794	1,038
Other	1,532	1,655
	890,017	575,052
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(609,176)	(139,235)
Credit finance charges arising from trading activities	(82,368)	(1,437)
Cash discounts expenses	(44,018)	(19,186)
Provision expense for doubtful receivables (Note 8)	(4,625)	(13,314)
Other	(10,541)	(2,238)
	(750,728)	(175,410)

(*) 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 in 2020 against related suppliers for the compensation of loss. 217 Million TRY compensation income was recorded 2020.

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- March 31, 2021	January 1- March 31, 2020
Income from investment activities:		
Income from sales of property plant and equipment	2,156	802
Dividends received from financial investments	117	93
	2,273	895
Expenses from investment activities:		
Loss from sales of property plant and equipment	(2,596)	(675)
	(2,596)	(675)

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NOTE 23- FINANCIAL INCOME

	January 1- March 31, 2021	January 1- March 31, 2020
Foreign exchange gains (*)	1,246,812	519,411
Gains on derivative instruments	428,252	139,204
Interest income	98,848	33,467
Other	2,273	2,002
	1,776,185	694,084

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- March 31, 2021	January 1- March 31, 2020
Foreign exchange losses (*)	(1,171,469)	(551,141)
Losses on derivative instruments	(650,186)	(236,982)
Interest expenses (**)	(332,528)	(373,477)
Other	(10,090)	(4,860)
	(2,164,273)	(1,166,460)

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

(**) TRY 14,927 of the interest expenses consists of the interest expense related to lease liabilities (2020: TRY 17,948).

NOTE 25 - TAX ASSETS AND LIABILITIES

	March 31, 2021	December 31, 2020
Corporation and income taxes	454,326	366,674
Prepaid tax	(325,556)	(358,938)
Tax liabilities (net)	128,770	7,736
Deferred tax assets	1,018,647	833,284
Deferred tax liabilities	(789,587)	(563,071)
Deferred tax assets, net	229,060	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 31 March 2021, the corporate tax rate is 20% in Turkey (December 31, 2020: 22%) (Note 31). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Income tax expense for the three months period ended March 31 is as follows:

	January 1- March 31, 2021	January 1- March 31, 2020
Tax (expense) / income		
- Current period tax expense	(220,655)	(76,079)
- Deferred tax income	26,591	27,120
Tax (expense) / income, net	(194,064)	(48,959)

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

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Property, plant and equipment and intangible assets	4,866,367	4,407,368	(1,162,614)	(1,043,338)
Unused tax advantages (*)	-	-	277,566	409,654
Unused tax credits	(1,080,370)	(822,908)	304,384	269,760
Provision for warranty, assembly and transportation expenses	(1,219,236)	(1,036,964)	256,372	220,513
Inventories	(555,970)	(606,250)	177,484	174,480
Provision for employment termination benefits	(408,364)	(398,093)	81,584	79,832
Provision for doubtful receivables	(122,097)	(125,346)	33,226	32,594
Derivative instruments	(26,359)	9,927	5,270	(1,988)
Other	(1,186,765)	(584,579)	255,788	128,706
Deferred tax assets, net			229,060	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 March 31, 2021 the tax advantage of TRY 277,566 (December 31, 2020: TRY 409,654) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the condensed consolidated financial statements.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax asset / (liabilities) for the three months period ended March 31 are as follows:

	2021	2020
Balance as of January 1	270,213	436,392
Deferred tax income recognized		
in statement of profit or loss	26,591	27,120
Deferred tax income recognized directly in the equity	1,101	8,247
Currency translation differences	(68,845)	55,201
Balance as of March 31	229,060	526,960

NOTE 26 - EARNINGS PER SHARE

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

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

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

	March 31, 2021	March 31, 2020
Profit for the year attributable to shareholders of the Company	1,092,735	255,734
Weighted average number of ordinary shares with nominal value (kuruş1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) ^(*)	1.617	0.378
Diluted earnings per share (kurus) ^(*)	1.617	0.378

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

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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	March 31, 2021	December 31, 2020
(a) Due from related parties:		
Voltbek ⁽²⁾	74,457	63,945
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	31,019	30,117
Token Finansal Teknolojiler A.Ş. ^(*)	30,226	6,475
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	1,907	1,651
Other	7,641	965
	145,250	103,153
(b) Due to related parties:		
Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	430,552	463,096
Arçelik-LG ⁽⁴⁾	289,455	198,207
Ram Dış Ticaret ⁽²⁾	173,908	171,657
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	39,957	46,081
Koç Holding A.Ş. ⁽³⁾	5,882	34,665
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	5,406	16,475
Other	25,355	65,648
	970,515	995,829

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Parent company

⁽⁴⁾ Joint venture

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	2,947,229	3,251,407
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⁽¹⁾ Koç Holding group companies

(d) Derivative instruments

	Contract amount	Fair value assets/(liabilities)
March 31, 2021		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,255,281	174 (13,053)
December 31, 2020		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,926,271	5,230 (311)

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NOTE 27 - RELATED PARTY DISCLOSURES(Continued)

(ii) Transactions with related parties

(a) Sales of goods and services:	2021	2020
Voltbek	112,134	32,560
Token Finansal Teknolojiler A.Ş.	36,367	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	19,175	9,861
Bilkom Bilişim Hizmetleri A.Ş.	11,585	-
Other	3,172	2,971
	182,433	45,392

(b) Purchases of goods and services:	2021	2020
Zer Merkezi Hizmetler ve Ticaret A.Ş.	511,395	290,501
Arçelik-LG	247,892	116,916
Ram Dış Ticaret	123,974	88,152
Ram Sigorta Aracılık Hizmetleri A.Ş.(*) ⁽¹⁾	64,607	38,336
Bilkom Bilişim Hizmetleri A.Ş.	46,514	62,372
Token Finansal Teknolojiler A.Ş.	28,982	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	18,755	17,040
Other	53,259	50,113
	1,095,378	663,430

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

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

(*) As at December 31, 2020, the amount consists insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık Hizmetleri A.Ş.

(1) Koç Holding group companies

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the year ended March 31, 2021 amounts to TRY 6,740 (January 1 -March 31, 2020 TRY 5,561). Compensation includes only short-term benefits.

(d) Other transactions:

	2021	2020
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	33,881	1,668
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	-	23

ARÇELİK ANONİM ŞİRKETİ

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity risk

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

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

Interest Rate Risk

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

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

Funding risk

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

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

Credit risk

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

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

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

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

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

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

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

March 31, 2021	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	145,250	15,657,738	10,001,034	8,907
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(12,085,765)	-	-
A. Net book value of financial asset either are not due or not impaired	145,250	14,738,103	10,001,034	8,907
-Secured portion by guarantees, etc.	-	(11,344,909)	-	-
B. Net book value of overdue but not impaired financial assets	-	925,371	-	-
- Secured portion by guarantees, etc.	-	(734,195)	-	-
C. Net book value of the impaired assets	-	6,661	-	-
- Overdue (Gross book value)	-	307,622	-	-
- Impairment (-)	-	(300,961)	-	-
- Secured portion of the net value by guarantees, etc.	-	(6,661)	-	-
D. Expected credit losses (-)	-	(12,397)	-	-

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

Details of credit and receivable risk as of March 31, 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.

	March 31, 2021	December 31, 2020
Group 1	251,937	396,995
Group 2	14,127,290	10,814,135
Group 3	504,126	344,239
	14,883,353	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

	March 31, 2021	December 31, 2020
0-1 month	371,429	280,494
1-3 months	235,366	115,120
3-12 months	202,333	86,777
1-5 years	116,243	136,543
	925,371	618,934

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**NOTE 28 - 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 March 31, 2021 are as follows:

March 31, 2021	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate (%)	0.01	0.16	0.11	1.32	
Gross carrying amount	14,883,353	376,991	235,366	771,767	16,267,477
Loss allowance provision	1,312	610	252	10,223	12,397

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 28 - 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 March 31, 2021, a portion of bank borrowings amounting to EUR 153,846,154 (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:

	March 31, 2021	December 31, 2020
Assets	15,850,819	14,798,292
Liabilities	(15,349,612)	(13,445,264)
Net position of financial statement	501,207	1,353,028
Net position of derivative instruments	(459,793)	(1,922,645)
Foreign currency position (net)	41,414	(569,617)

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NOTE 28 - 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 March 31, 2021 are as follows:

	EUR	USD	GBP	AUD	CNY	PLN	CHF	CZK	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	427,974	245,749	113,979	29,538	477,288	83,095	1,129	195,934	240,305,808	186,119	8,851,357
Monetary financial assets	100,266	698,406	26	493	-	2	-	2	-	8,703	6,807,066
Other	5,658	5,006	-	-	26,637	-	-	-	-	-	130,558
Non Current Assets											
Trade receivables	190	7,204	-	-	-	-	-	-	-	-	61,838
Total Assets	534,088	956,365	114,005	30,031	503,925	83,097	1,129	195,936	240,305,808	194,822	15,850,819
Current Liabilities											
Trade payables	280,399	394,282	3,268	7,329	288,174	-	33	-	5,891,861	5,654	6,478,546
Financial liabilities	11,701	29,171	-	-	-	-	-	-	-	-	357,245
Other monetary liabilities	4,467	10,170	2	-	-	-	-	-	-	-	128,359
Non-Current Liabilities											
Trade payables	-	16,186	-	-	-	-	-	-	-	-	134,765
Financial liabilities	418,205	500,000	-	-	-	-	-	-	-	-	8,250,577
Other monetary liabilities	-	14	-	-	-	-	-	-	-	-	120
Toplam Liabilities	714,772	949,823	3,270	7,329	288,174	-	33	-	5,891,861	5,654	15,349,612
Net Position of Financial Statement	(180,684)	6,542	110,735	22,702	215,751	83,097	1,096	195,936	234,413,947	189,168	501,207
Off-balance sheet											
derivative assets (*)	235,769	53,204	-	7,000	147,053	-	-	-	-	-	2,977,113
Off-balance sheet											
derivative liabilities (*)	(47,190)	(68,050)	(106,650)	(28,200)	(472,000)	(80,198)	-	(180,238)	-	(180,561)	(3,436,906)
Net position of											
off-balance sheet items	188,579	(14,846)	(106,650)	(21,200)	(324,947)	(80,198)	-	(180,238)	-	(180,561)	(459,793)
Net Asset/(Liability) Position of Foreign Currency	7,895	(8,304)	4,085	1,502	(109,196)	2,899	1,096	15,698	234,413,947	8,607	41,414
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(180,684)	6,542	110,735	22,702	215,751	83,097	1,096	195,936	234,413,947	189,168	501,207
Hedged Amount of Foreign Currency A:	47,190	68,050	106,650	28,200	472,000	80,198	-	180,238	-	180,561	3,436,906
Hedged Amount of Foreign Currency Liabilities	235,769	53,204	-	7,000	147,053	-	-	-	-	-	2,977,113

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

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

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

	EUR	USD	GBP	DKK	CNY	PLN	ZAR	CZK	VND	Other Currency's TRY Equivalent	TRY Equivalent
Current Assets											
Trade receivables	462,086	216,884	118,865	51,732	457,319	132,958	-	323,228	232,159,305	207,025	8,167,183
Monetary financial assets	115,680	738,471	42	4,158	-	1	-	8	-	272	6,468,502
Other	643	8,974	-	-	37,790	-	-	-	-	-	113,923
Non Current Assets											
Trade receivables	107	6,501	-	-	-	-	-	-	-	(0)	48,684
Total Assets	578,516	970,830	118,907	55,890	495,109	132,959	-	323,236	232,159,305	207,297	14,798,292
Current Liabilities											
Trade payables	283,315	376,169	5,505	623	237,140	-	2,250	-	5,891,861	51,620	5,688,632
Financial liabilities	12,163	10,241	-	-	-	-	-	-	-	-	184,737
Other monetary liabilities	4,114	9,148	2	-	-	-	-	-	-	-	104,230
Non-Current Liabilities											
Trade payables	-	3,748	-	-	-	-	-	-	-	-	27,512
Financial liabilities	418,316	500,000	-	-	-	-	-	-	-	-	7,438,399
Other monetary liabilities	-	239	-	-	-	-	-	-	-	-	1,754
Toplam Liabilities	717,908	899,545	5,507	623	237,140	-	2,250	-	5,891,861	51,620	13,445,264
Net Position of Financial Statement	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Off-balance sheet derivative assets (*)	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069
Off-balance sheet derivative liabilities (*)	(93,950)	(159,450)	(112,650)	(73,500)	(455,000)	(128,747)	-	(321,753)	-	(192,117)	(4,293,714)
Net position of off-balance sheet items	125,448	(131,610)	(112,650)	(73,500)	(324,851)	(128,747)	-	(321,753)	-	(147,256)	(1,922,645)
Net Asset/(Liability) Position of Foreign Currency	(13,944)	(60,325)	750	(18,233)	(66,882)	4,212	(2,250)	1,483	226,267,444	8,421	(569,617)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(139,392)	71,285	113,400	55,267	257,969	132,959	(2,250)	323,236	226,267,444	155,677	1,353,028
Hedged Amount of Foreign Currency A: Hedged Amount of Foreign Currency Liabilities	93,950	159,450	112,650	73,500	455,000	128,747	-	321,753	-	192,117	4,293,714
	219,398	27,840	-	-	130,149	-	-	-	-	44,861	2,371,069

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

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

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

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange	Foreign exchange	Foreign exchange	Foreign exchange
March 31, 2021	ciation by 10%	preciation by 10%	preciation by 10%	preciation by 10%
USD net asset/liability	5,446	(5,446)	(6,417)	6,417
Secured portion from USD risk	(12,361)	12,361	(12,361)	12,361
USD Net effect	(6,915)	6,915	(18,778)	18,778
EUR net asset/liability	(26,231)	26,231	(78,744)	78,744
Secured portion from EUR risk	33,948	(33,948)	184,319	(184,319)
EUR Net effect	7,717	(7,717)	105,575	(105,575)
GBP net asset/liability	126,597	(126,597)	166,509	(166,509)
Secured portion from GBP risk	(121,927)	121,927	(121,927)	121,927
GBP Net effect	4,670	(4,670)	44,582	(44,582)
AUD net asset/liability	14,382	(14,382)	22	(22)
Secured portion from AUD risk	(13,431)	13,431	(13,431)	13,431
AUD Net effect	951	(951)	(13,409)	13,409
PLN net asset/liability	17,427	(17,427)	52,778	(52,778)
Secured portion from PLN risk	(16,819)	16,819	(16,819)	16,819
PLN Net effect	608	(608)	35,959	(35,959)
CHF net asset/liability	967	(967)	967	(967)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	967	(967)	967	(967)
VND net asset/liability	8,459	(8,459)	10,099	(10,099)
Secured portion from VND risk	-	-	-	-
VND Net effect	8,459	(8,459)	10,099	(10,099)
CNY net asset/liability	27,196	(27,196)	18,497	(18,497)
Secured portion from CNY risk	(40,960)	40,960	(40,960)	40,960
CNY Net effect	(13,764)	13,764	(22,463)	22,463
CZK net asset/liability	7,333	(7,333)	16,663	(16,663)
Secured portion from CZK risk	(6,746)	6,746	(6,746)	6,746
CZK Net effect	587	(587)	9,917	(9,917)
Other net asset/liability	18,918	(18,918)	811,585	(811,585)
Secured portion from other currenc	(18,057)	18,057	(18,057)	18,057
Other Currency Net effect	861	(861)	793,528	(793,528)
	4,141	(4,141)	945,977	(945,977)

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NOTE 28 - 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

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

	March 31, 2021	March 31, 2020
	TRY	TRY
EUR	2,390,960	1,511,068
USD	959,759	429,039
GBP	949,750	526,758
Other	405,151	230,816
Total exports	4,705,620	2,697,681
EUR	1,056,595	472,980
USD	2,123,893	978,984
GBP	3,455	1,969
Other	2,287	688
Total imports	3,186,230	1,454,621

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

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NOTE 29 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (continued)

As of March 31, 2021, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 13,001,733 (December 31, 2020: TRY 11,518,711) (Note 6) and TRY 13,184,902 (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 March 31, 2021 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	8,907	-
Financial investments (Note 5)	4,401	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	(49,584)	-

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 7)	-	27,354	-
Financial investments (Note 5)	5,535	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	(8,266)	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	1 January- March 31, 2021	1 January- March 31, 2020
Adjustments for provisions:		
Accrual for customer premiums	192,140	66,288
Provision for assembly and transportation cost	168,327	44,531
Warranty provision	126,674	33,488
Provision for employment termination benefits	20,657	6,248
Provision for vacation pay liability	20,312	16,361
Return provisions	245	(14,678)
Accrual for bonuses and premiums	(40,007)	(18,398)
Provisions, other	27,489	(15,996)
	515,836	117,844
Adjustments for impairment loss:		
Provision for impairment on inventories (Note 10)	27,880	2,436
Provision for doubtful receivables (Note 8)	4,625	13,314
	32,505	15,750

NOTE 31 – EVENTS AFTER BALANCE SHEET DATE

In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate in Turkey for the year 2021 has been increased from 20% to 25%, for the year 2022 to %23. The amendment is effective as of 1 January 2021. As the change has been announced after the reporting period, it is considered as a non-adjusting event according to IAS 10 and the Group continued to use %20 for the subsidiaries operating in Turkey as of the reporting date and related amendment will be applied in consolidated financial statements as of 30 June 2021.

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