

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish)

Arçelik Anonim Şirketi

January 1 - March 31, 2017 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

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

		Unaudited	Audited
	Notes	March 31, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,886,432	2,441,871
Trade receivables			
-Due from related parties	27	10,070	6,504
-Trade receivables, third parties	8	5,662,353	5,288,765
Derivative instruments	7	4,122	4,804
Inventories	9	3,255,208	2,761,570
Prepaid expenses	16	164,172	119,154
Current income tax assets	17	97,728	74,629
Other current assets	19	313,593	276,575
Subtotal		12,393,678	10,973,872
Non-current assets or disposal groups classified as held for sale		11,888	11,888
Total current assets		12,405,566	10,985,760
Non-current assets:			
Financial investments	5	3,617	2,735
Trade receivables			
-Trade receivables, third parties	8	27,236	24,484
Derivate instruments	7	180,726	178,882
Associates	11	235,084	236,090
Property, plant and equipment	12	2,800,892	2,750,411
Intangible assets			
-Goodwill		420,617	393,752
-Other intangible assets	13	2,007,159	1,910,508
Deferred tax assets	25	498,033	426,746
Total non-current assets		6,173,364	5,923,608
Total assets		18,578,930	16,909,368

These condensed interim consolidated financial statements as at and for the period ended March 31, 2017, have been approved for issue by the Board of Directors on April 24, 2017.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

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

		Unaudited	Audited
		March 31,	December 31,
	Notes	2017	2016
LIABILITIES			
Current liabilities:			
Financial liabilities	6	1,003,102	1,239,158
Short term portion of long term financial liabilities	6	1,767,663	1,011,416
Trade payables			
-Due to related parties	27	269,963	506,164
-Trade payables, third parties	8	2,885,984	2,579,825
Derivative instruments	7	3,440	4,385
Employee benefit obligations	18	182,291	246,298
Other payables			
-Due to related parties	27	17,629	16,622
-Other payables, third parties	10	653,458	220,873
Current income tax liabilities	25	44,147	23,363
Provisions			
-Other provisions	15	425,366	412,360
Other current liabilities	19	359,667	345,624
Total current liabilities		7,612,710	6,606,088
Non-current liabilities			
Financial liabilities	6	3,979,571	3,407,081
Other payables			
-Due to related parties	27	53,928	56,292
Provisions			
-Provision for employee benefits		231,101	227,571
-Other provisions	15	166,699	140,236
Deferred tax liabilities	25	432,676	412,591
Other non-current liabilities		50,728	54,932
Total non-current liabilities		4,914,703	4,298,703
Total liabilities		12,527,413	10,904,791

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

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

		Unaudited	Audited
	Notes	March 31, 2017	December 31, 2016
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			
-Actuarial gain/loss arising from defined benefit plans		(95,713)	(94,522)
-Increases/ decreases on revaluation of non-current assets		93,168	88,438
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		1,234,973	987,891
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(346,851)	(323,047)
-Gains/ losses on cash flow hedges		8,335	6,152
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		3,021	2,183
Balancing account for merger capital	20	14,507	14,507
Restricted reserves	20	368,993	329,872
Retained earnings		3,356,924	2,521,133
Net income for the period		240,254	1,299,912
Attributable to:			
Equity holders of the parent		6,023,039	5,977,947
Non-controlling interest		28,478	26,630
Total equity		6,051,517	6,004,577
Total liabilities and equity		18,578,930	16,909,368
Commitments, contingent assets and liabilities	14		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2017

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

	Notes	Unaudited	
		January 1- March 31, 2017	January 1- March 31, 2016
Net sales	3	4,634,254	3,527,449
Cost of sales		(3,156,332)	(2,333,384)
Gross profit	3	1,477,922	1,194,065
General administrative expenses		(219,273)	(189,787)
Marketing expenses		(890,633)	(692,099)
Research and development expenses		(40,517)	(34,772)
Other income from operating activities	21	228,693	90,307
Other expenses from operating activities	21	(132,552)	(77,138)
Operating profit		423,640	290,576
Income from investment activities	22	427	961
Expenses from investment activities	22	(248)	(526)
Income from associates (net)	11	13,886	6,667
Operating income before financial income/(expense)		437,685	297,678
Financial income	23	334,451	157,747
Financial expenses	24	(535,570)	(300,969)
Profit from continuing operations before tax		236,566	154,456
Tax income/(expense), continuing operations			
- Taxes on income	25	(65,533)	(19,384)
- Deferred tax income/(expense)	25	69,706	21,533
Net income		240,739	156,605
Attributable to			
Non-controlling interest		485	904
Equity holders of the parent		240,254	155,701
Earnings per share (kurus)	26	0.356	0,230
Diluted earnings per share (kurus)	26	0.356	0,230

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2017

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

	Unaudited	
	January 1- March 31, 2017	January 1- March 31, 2017
Net income	240,739	156,605
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss	(1,492)	(3,369)
Actuarial gain/ loss arising from defined benefit plans	(1,507)	(3,420)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	15	51
Other comprehensive income not to be reclassified to profit or loss, tax effect	301	684
Actuarial gain/ loss arising from defined benefit plans, tax effect	301	684
Other comprehensive income to be reclassified to profit or loss	226,484	27,552
Currency translation differences	253,175	33,757
Other comprehensive income related with hedges of net investments in foreign operations	(29,760)	(4,575)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	882	-
Share of other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss	2,187	(1,660)
Other comprehensive income to be reclassified to profit or loss, tax effect	5,908	915
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	5,952	915
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	(44)	-
Other comprehensive income/ (loss) (net of tax)	231,201	25,752
Total comprehensive income	471,940	182,357
Attributable to:		
Non-controlling interest	1,848	1,388
Equity holders of the parent	470,092	180,969

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017**

(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				Retained earnings					
	Adjustment Paid-in capital	to share capital	Share premium /discount	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement		Gains/ losses on hedge	Gains/ losses on revaluation and reclassification		Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	Non- controlling interest	Total equity
					Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets		Gains/ losses on re-measuring and/or reclassification of available-for-sale financial assets								
Balance at January 1, 2017	675.728	468.811	889	14.507	(94.522)	88.438	(316.895)	2.183	987.891	329.872	2.521.133	1.299.912	5.977.947	26.630	6.004.577	
Transfers	-	-	-	-	-	-	-	-	-	39.121	1.260.791	(1.299.912)	-	-	-	
Total comprehensive income	-	-	-	-	(1.191)	4.730	(21.621)	838	247.082	-	-	240.254	470.092	1.848	471.940	
Net income	-	-	-	-	-	-	-	-	-	-	-	240.254	240.254	485	240.739	
Other comprehensive income	-	-	-	-	(1.191)	4.730	(21.621)	838	247.082	-	-	-	229.838	1.363	231.201	
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(425.000)	-	(425.000)	-	(425.000)	
As of March 31, 2017	675.728	468.811	889	14.507	(95.713)	93.168	(338.516)	3.021	1.234.973	368.993	3.356.924	240.254	6.023.039	28.478	6.051.517	

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017

(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			Retained earnings		Equity holders of the parent	Non-controlling interest	Total equity	
	Adjustment Paid-in to share capital	Share premium /discount	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement		Gains/ losses on hedge	Gains/ losses on revaluation and reclassification	Currency translation differences	Restricted reserves	Accumulated profit	Net income				
				Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets										Gains/ losses on revaluating and/or reclassification of available-for-sale financial assets
Balance at January 1, 2016	675,728	468,811	889	14,507	(57,615)	75,747	(257,757)	374,201	324,618	307,051	1,839,690	891,141	4,657,011	18,826	4,675,837
Transfers	-	-	-	-	-	-	-	-	-	22,821	868,320	(891,141)	-	-	-
Total comprehensive income	-	-	-	-	(2,685)	729	(5,320)	-	32,544	-	-	155,701	180,969	1,388	182,357
Net income	-	-	-	-	-	-	-	-	-	-	-	155,701	155,701	904	156,605
Other comprehensive income	-	-	-	-	(2,685)	729	(5,320)	-	32,544	-	-	-	25,268	484	25,752
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(262,000)	-	(262,000)	-	(262,000)
As of March 31, 2016	675,728	468,811	889	14,507	(60,300)	76,476	(263,077)	374,201	357,162	329,872	2,446,010	155,701	4,575,980	20,214	4,596,194

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

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

ARÇELİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED MARCH 31, 2017**

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

	Notes	Unaudited	
		January 1- March 31 2017	January 1- March 31 2016
Cash flows from operating activities:			
Net income from continued operations:		240,739	156,605
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	25	(4,173)	(2,149)
Adjustments for depreciation and amortisation expense		131,714	97,416
Adjustments for impairment loss	29	3,264	1,930
Adjustments for provisions	29	109,133	13,781
Adjustments for interest expense	24	118,016	105,482
Adjustments for interest income	23	(6,428)	(7,048)
Adjustments for undistributed profits of investments accounted for using equity method	11	(13,866)	(6,667)
Adjustments for fair value (gains) losses on derivative financial instruments	23.24	10,599	68,798
Adjustments for unrealised foreign exchange losses (gains)	23.24	77,306	(26,535)
Other adjustments to reconcile profit (loss)	23.24	1,626	2,525
Adjustments for income arised from government grants	21	(34,620)	(46,639)
Adjustments for losses (gains) on disposal of non-current assets	22	(179)	(435)
Net cash flow from operating activities before changes in operating assets and liabilities		633,131	357,064
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(397,558)	312,900
Adjustments for decrease (increase) in inventories		(492,100)	(114,354)
Decrease (increase) in prepaid expenses		(45,018)	(27,333)
Adjustments for increase (decrease) in trade payables		69,958	(131,921)
Increase (decrease) in employee benefit liabilities		(80,230)	(57,463)
Adjustments for increase (decrease) in other operating payables		(28,405)	233,663
Increase (decrease) in government grants and assistance		28,627	19,401
Other adjustments for other increase (decrease) in working capital		(80,741)	(229,872)
Income taxes refund (paid)		(17,928)	(10,914)
Cash flows from operating activities		(410,264)	351,171
Investing activities:			
Purchase of property, plant, equipment and intangible assets		(129,275)	(143,491)
Proceeds from sales of property, plant, equipment and intangible assets		1,086	1,580
Dividends received	11	13,085	12,750
Cash flows from investing activities		(115,104)	(129,161)
Financing activities:			
Proceeds from borrowings		1,322,533	919,379
Repayments of borrowings		(388,768)	(788,926)
Interest paid		(57,902)	(78,519)
Interest received		5,855	7,008
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(12,706)	27,278
Other inflows (outflows) of cash	23.24	(1,626)	(2,525)
Cash flows from financing activities		867,386	83,695
Net increase/(decrease) in cash and cash equivalents before currency translation differences		342,018	305,705
Effect of currency translation differences		101,969	18,060
Net increase/(decrease) in cash and cash equivalents		443,987	323,765
Cash and cash equivalents at January 1	4	2,441,652	2,166,153
Cash and cash equivalents at March 31	4	2,885,639	2,489,918

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2017

(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 eighteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand and Pakistan. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 20).

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 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, 2017, the publicly listed shares are 25,15% of the total shares (December 31, 2016: 25,15%).

The average number of personnel employed by categories in the Group for the period ended March 31, 2017 is 5,552 white - collar (January 1- March 31, 2016: 4,592) and 24,282 (January 1- March 31, 2016: 20,543) blue – collar totalling to 29,834 (January 1- March 31, 2016: 25,135).

<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
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 Malaysia Sdn Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko Appliances Indonesia, PT (“Beko Indonesia”)	Indonesia	Sales	Consumer Durables
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”) *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	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 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
Computer Vision Interaction S.A. (“CoVii”)	Portugal	R&D	Software
Dawlance Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Dawlance (Private) Ltd. (“DPL”)	Pakistan	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic Of South Africa	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
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 Intermedia GmbH (“Grundig Intermedia”) (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. (“URIL”)	Pakistan	Production/Sales	Consumer Durables
Pan Asia Private Equity Ltd. (“Pan Asia”)	British Virgin Islands	Investment	Holding
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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2017

(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			
Archin Limited (“Archin”)	Hong Kong, China	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Associates			
	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arçelik-LG Klima Sanayi ve Ticaret A.Ş, (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The condensed interim consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/IFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676, TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced.

For the period ended March 31, 2017, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No,34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2016.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its interim consolidated financial statements in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at March 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the the Group’s financial position and performance have been disclosed in the related paragraphs.

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

The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

Amendments to IAS 7 Statement of cash flows

The amendment on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendments had no effect on the financial position or performance of the Group.

Amendments IAS 12 Income Taxes

The amendment is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets. The amendments had no effect on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). Effective date for TFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

TFRS 9 Financial Instruments

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (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, 2017 and December 31, 2016 (%) and their functional currencies:

	Functional currency	March 31, 2017		December 31, 2016	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
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 Australia	Australian Dollar (“AUD”)/ New Zealand Dollar (“NZD”)	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar (“SRD”)	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan (“CYN”)	100.00	100.00	100.00	100.00
Beko Deutschland	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Espana	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira (“EGP”)	100.00	100.00	100.00	100.00
Beko France	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 ⁽¹⁾	Indonesian Rupiah (“IDR”)	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 Polska	Polish Zloty (“PLN”)/ Czech Koruna (“CZK”)	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble (“RUB”)	100.00	100.00	100.00	100.00
Beko Slovakia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan (“CNY”)	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht (“THB”)	100.00	100.00	100.00	100.00
Beko UK	British Pound (“GBP”)/ Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna (“UAH”)	100.00	100.00	100.00	100.00
Beko US	US Dollar (“USD”)	100.00	100.00	100.00	100.00
CoVii	Euro (“EUR”)	51.00	51.00	51.00	51.00
Dawlance Electronics	Pakistan Rupi (“PKR”)	100.00	100.00	100.00	100.00
Dawlance (Private)	Pakistan Rupi (“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
Elektra Bregenz	Euro (“EUR”)	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro (“EUR”)/ Croatian Kuna (“HRK”)	100.00	100.00	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
United Refrigeration Industries	Pakistan Rupi (“PKR”)	100.00	100.00	100.00	100.00
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
Vietbeko	Vietnamese Dong (“VND”)	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
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

(1) Founded as a sales company in 2017.

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

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 standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. 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 three month period ended March 31, 2017 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended March 31, 2017 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2016. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2017

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

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 comprise 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-month period ended March 31, 2017 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	3,355,865	604,242	674,147	4,634,254
Gross profit	1,151,852	109,930	216,140	1,477,922
Depreciation and amortization	110,961	17,885	5,357	134,203
Capital expenditures	110,429	16,976	4,359	131,764

- b) Operational segments which have been prepared in accordance with the reportable segments for the three-month period ended March 31, 2016 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,462,568	576,128	488,753	3,527,449
Gross profit	889,405	171,431	133,229	1,194,065
Depreciation and amortization	79,460	15,671	4,083	99,214
Capital expenditures	118,868	21,974	4,503	145,345

NOTE 3 - SEGMENT REPORTING (Continued)

- c) Sales revenue based on the location of the customers and income from associates for the three-month periods ended at March 31, are as below:

January 1 – March 31, 2017	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,959,143	1,823,521	275,949	575,641	4,634,254
January 1 – March 31, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,456,401	1,573,047	213,499	284,502	3,527,449

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NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016
Cash in hand	698	608
Cash at banks		
- demand deposits	195,884	538,957
- time deposits	2,617,025	1,774,982
Cheques and notes	26,471	90,240
Other	45,561	36,865
Cash and cash equivalents in cash flow statement	2,885,639	2,441,652
Interest income accruals	793	219
	2,886,432	2,441,871

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

Up to 30 days	2,596,469	2,291,112
30-90 days	289,963	150,759
	2,886,432	2,441,871

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

TRL	7,8	-
USD	0.5	0.7
EUR	0.8	0.1
AUD	0.0	-
BWP	1.0	1.0
CZK	0.0	-
CNY	1.0	1.7
DKK	0.0	-
ZAR	5.2	5.2
HKD	0.0	-
GBP	0.2	0.0
SEK	(0.8)	0.0
CHF	(0.7)	-
MYR	0.0	-
EGP	8.1	5.1
NAD	5.0	5.0
PKR	4.6	-
RON	0.7	0.7
RUB	8.2	8.3
THB	0.7	0.7
VND	1.0	1.0
NZD	0.0	-

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NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	%	TRY	%	TRY
Tat Gıda Sanayi A.Ş.,	0,34	3,538	0,34	2,656
Other		79		79
		3,617		2,735

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

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 838 and net of deferred tax effect amounting to TRY 44 have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets" for the three-month periods ended at March 31, 2017.

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Short-term bank borrowings	947,323	1,169,875
Payables from factoring activities ^(*)	55,028	68,370
Other	751	913
Total short-term financial liabilities	1,003,102	1,239,158
Short-term portion of long-term bank borrowings and interest accruals	1,694,077	975,119
Interest accruals of long-term bond issued ^(**)	73,586	36,297
Total short-term portion of long-term financial liabilities	1,767,663	1,011,416

^(*) Factoring liabilities are amounting to TRY 34,503 denominated in EUR (December 31, 2016: TRY 43,237), TRY 19,872 denominated in GBP (December 31, 2016: TRY 23,398) and TRY 653 denominated in USD (December 31, 2016: TRY 1,735) and interest rates are between 0.55%-0.60% for EUR (December 31, 2016: 0.55%-0.62%), 1.95% for USD (December 31, 2016: 1.4%) and 0.94% for GBP (December 31, 2016: 1%).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

(**) Long term bonds issued:

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%.

As of March 31, 2017, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.9	475,517,146	475,517
EUR	0.4	68,544,817	267,894
PKR	6.3	4,461,631,948	154,015
CNY	4.4	95,022,958	49,897
			947,323

As of December 31, 2016, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	9.3	667,557,336	667,557
EUR	0.9	71,453,290	265,084
PKR	6.3	5,431,958,291	181,807
CNY	4.4	110,026,583	55,427
			1,169,875

b) Long-term financial liabilities

	March 31, 2017	December 31, 2016
Long-term bank borrowings	808,222	364,884
Long-term bonds issued	3,169,769	3,040,539
Other	1,580	1,658
	3,979,571	3,407,081

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of March 31, 2017, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	12.5	1,992,819,792	1,992,820
EUR	2.6	67,255,180	262,853
ZAR	9.9	750,000,000	212,100
PKR	6.3	1,000,171,781	34,526
			2,502,299
Short-term portion of long-term loans and interest accruals			(1,694,077)
			808,222

As of December 31, 2016, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.7	872,327,083	872,327
EUR	2.6	66,821,668	247,901
ZAR	9.9	750,000,000	192,548
RUB	8.9	475,000,000	27,227
			1,340,003
Short-term portion of long-term loans and interest accruals			(975,119)
			364,884

As of March 31, 2017, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	510,099,011	1,856,046
EUR	4.0	354,964,695	1,387,309
			3,243,355
Interest accruals of long-term bonds issued			(73,586)
			3,169,769

As of December 31, 2016, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
USD	5.1	503,674,810	1,772,532
EUR	4.0	351,573,811	1,304,304
			3,076,836
Interest accruals of long-term bonds issued			(36,297)
			3,040,539

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	March 31, 2017	December 31, 2016
2018	486,851	282,442
2019	286,851	82,442
2020	34,520	-
2021	1,367,905	1,298,465
2023	1,819,300	1,759,600
	3,995,427	3,422,949

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

	March 31, 2017	December 31, 2016
Up to 3 months	1,236,511	923,813
3 - 12 months	1,403,813	547,688
1-5 years	2,141,607	2,323,349
Over 5 years	1,819,300	1,759,600
	6,601,231	5,554,450

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, 2017			December 31, 2016		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
<i>Held for trading:</i>						
<i>Short-term derivative instruments</i>						
Forward transactions	1,528,037	2,224	(3,070)	1,035,792	2,039	(2,183)
Foreign currency swap contracts	1,469,321	1,898	(370)	2,403,272	2,765	(2,202)
	2,997,358	4,122	(3,440)	3,439,064	4,804	(4,385)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	2,419,274	180,726	-	2,294,713	178,882	-
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April, 2013.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	March 31, 2017	December 31, 2016
Short-term trade receivables:		
Trade receivables	3,951,848	3,529,754
Notes receivables	1,652,231	1,649,614
Cheques receivables	246,473	273,467
Short-term trade receivables (gross)	5,850,552	5,452,835
Provision for doubtful receivables	(140,768)	(137,168)
Unearned credit finance income	(47,431)	(26,902)
Short-term trade receivables (net)	5,662,353	5,288,765

As of March 31, 2017, the Group has offsetted TRY 495,251 (December 31, 2016: TRY 615,332) from trade receivables that are collected from factoring companies as part of the irrevocable factoring,

Movements in the provision for doubtful receivables for the three-month periods ended March 31 are as follows:

	2017	2016
As of January 1	137,168	110,601
Current year additions (Note 21)	2,074	650
Provisions no longer required (Note 21)	(294)	(147)
Write-offs (*)	(416)	-
Currency translation differences	2,236	247
As of March 31	140,768	111,351

(*) 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, 2017	December 31, 2016
Long-term trade receivables	27,236	24,484
Short-term trade payables:		
Trade payables	2,729,867	2,455,560
Debt accruals	183,777	140,455
Unearned credit finance charges	(27,660)	(16,190)
	2,885,984	2,579,825

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NOTE 9 - INVENTORIES

	March 31, 2017	December 31, 2016
Raw materials and supplies	1,263,899	1,092,288
Work in progress	110,936	98,748
Finished goods	1,614,521	1,366,939
Trade goods	359,676	296,263
Inventories (gross)	3,349,032	2,854,238
Provision for impairment on inventories	(93,824)	(92,668)
Inventories (net)	3,255,208	2,761,570

There are no inventories pledged as security for liabilities (December 31, 2016: None).

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

	March 31, 2017	December 31, 2016
Raw materials and supplies	62,077	62,709
Finished goods	28,167	26,850
Trade goods	3,580	3,109
	93,824	92,668

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

	2017	2016
As of January 1	92,668	67,072
Current year additions (Note 21)	1,190	1,280
Realized due to sales of inventory	(1,295)	(2,084)
Currency translation differences	1,261	2
As of March 31	93,824	66,270

NOTE 10 - OTHER PAYABLES

	March 31, 2017	December 31, 2016
Dividend payables to shareholders	430,497	5,242
Taxes and duties payable	193,914	173,224
Deposits and guarantees received	6,348	6,360
Other	22,699	36,047
	653,458	220,873

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NOTE 11 - ASSOCIATES

	March 31, 2017		December 31, 2016	
	%	TRY	%	TRY
Koç Finansman	47,0	106,045	47,0	104,059
Arçelik - LG	45,0	113,490	45,0	114,280
Ram Dış Ticaret	33,5	8,737	33,5	10,372
Tanı Pazarlama	32,0	6,812	32,0	7,379
		235,084		236,090

The movements of associates for the three-month periods ended March 31 are as follows:

	2017	2016
As of January 1	236,090	209,881
Shares of income/loss of associates	13,866	6,667
Shares of other comprehensive income/loss of associates	2,202	(1,609)
Gross profit elimination on inventory	(3,989)	(1,590)
Dividends received	(13,085)	(12,750)
As of March 31	235,084	200,599

Shares of income/loss from associates:

	January 1- March 31, 2017	January 1- March 31, 2016
Koç Finansman	9,204	4,434
Arçelik – LG	3,199	2,806
Ram Dış Ticaret	2,030	(281)
Tanı Pazarlama	(567)	(292)
	13,866	6,667

Aggregated summary figures of the financial statements of associates:

	March 31, 2017	December 31, 2016
Total assets	4,446,619	4,584,127
Total liabilities	3,921,425	4,054,751
	January 1- March 31, 2017	January 1- March 31, 2016
Net sales	573,209	505,490
Net income for the period	22,115	10,387

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2017	2016
As of January 1		
Cost	6,219,273	5,090,900
Accumulated depreciation	(3,468,862)	(3,035,225)
Net carrying value	2,750,411	2,055,675
Net carrying value at the beginning of the period		
Additions	62,451	98,378
Disposals	(907)	(1,145)
Currency translation differences	82,424	9,358
Depreciation for the period	(93,487)	(70,837)
Net carrying value at the end of the period	2,800,892	2,091,429
As of March 31		
Cost	6,399,264	5,194,229
Accumulated depreciation	(3,598,372)	(3,102,800)
Net carrying value	2,800,892	2,091,429

There is no mortgage on property, plant and equipment as of March 31, 2017 (December 31, 2016: None),

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NOTE 13 – OTHER INTANGIBLE ASSET

	2017	2016
As of January 1		
Cost	2,542,024	1,506,857
Accumulated amortization	(631,516)	(499,377)
Net carrying value	1,910,508	1,007,480
Net carrying value at the beginning of the period	1,910,508	1,007,480
Additions	69,313	46,967
Currency translation differences	68,054	2,481
Amortization for the period	(40,716)	(28,377)
Net carrying value at the end of the period	2,007,159	1,028,551
As of March 31		
Cost	2,681,749	1,556,471
Accumulated amortization	(674,590)	(527,920)
Net carrying value	2,007,159	1,028,551

Net carrying value of the development costs as of March 31, 2017 is TRY 455,024 (December 31, 2016: TRY 434,699) and capitalized development costs excluding amount of borrowing cost in the period is TRY 49,183 (January 1 – March 31, 2016: TRY 32,887).

As of March 31, 2017 total amount of borrowing costs capitalized in the period is none (January 1-March 31, 2016: TRY 56).

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2017, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 815,213,176 (December 31, 2016: USD 422,783,406). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

Future minimum rentals payable under non-cancellable operating lease are as follows:

	March 31, 2017	December 31, 2016
Up to 1 year	39,755	40,247
1-5 years	81,274	87,753
Over 5 years	10,081	7,531
Operating lease commitments	131,110	135,531

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of March 30, 2017 and December 31, 2016 are as follows:

March 31, 2017	Purchase commitments	Sales Commitments
TRY	31,250	192,121
USD	1,890,249	113,896
EUR	384,317	1,282,302
AUD	19,060	111,071
CZK	-	31,838
CNY	39,184	147,747
DKK	-	39,020
ZAR	11,777	100,333
GBP	99,107	390,131
SEK	22,542	-
CHF	77,895	-
CAD	-	6,539
MYR	-	13,866
NOK	32,078	-
PKR	-	14,639
PLN	-	74,013
ROL	213,115	15,544
RUB	17,158	21,825
RSD	-	3,944
NZD	-	20,071
	2,837,732	2,578,900

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2016	Purchase commitments	Sales commitments
TRY	-	444,416
USD	1,662,437	50,904
EUR	879,118	1,147,516
AUD	14,712	83,071
CZK	-	35,101
CNY	47,685	128,183
DKK	-	38,864
ZAR	-	149,555
GBP	-	466,022
SEK	37,066	-
CHF	147,387	-
CAD	-	4,692
MYR	-	8,805
NOK	38,717	20,701
PLN	4,212	99,413
ROL	162,783	-
RUB	-	33,819
RSD	-	5,733
THB	7,087	-
NZD	-	15,778
	3,001,204	2,732,573

	March 31, 2017	December 31, 2016
Collaterals obtained	3,111,157	3,092,142

Collaterals/ pledges/ mortgages/ bill of guarantees ("CPMB") position of the Group as of March 31, 2017 and December 31, 2016 are as follows:

CPMB's given by the Company	March 31, 2017	December 31, 2016
A, CPMB's given for Company's own legal personality	757,211	700,641
B, CPMB's given on behalf of fully consolidated companies	860	816
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	758,071	701,457

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

TRY equivalents of CPMB's as of March 31, 2017 and December 31, 2016 are as follows on original currency basis are as follows:

CPMB's given by the Company	March 31, 2017	December 31, 2016
USD	687,221	632,996
TRY	51,897	51,173
EUR	12,470	11,868
Other currencies	6,483	5,420
	758,071	701,457

NOTE 15 – OTHER PROVISIONS

	March 31, 2017	December 31, 2016
Other current provisions		
Warranty provision	216,353	226,251
Assembly provision	101,793	73,118
Provision for transportation cost	51,585	31,260
Provision for lawsuit risks	14,985	9,501
Provision for returns	9,722	7,096
Other	30,928	65,134
	425,366	412,360
Other non-current provisions		
Warranty provision	166,354	139,855
Other	345	381
	166,699	140,236

NOTE 16 – PREPAID EXPENSES

	March 31, 2017	December 31, 2016
Short-term prepaid expenses	130,102	88,004
Advances given for fixed assets	22,888	13,441
Advances given for inventories	11,182	17,709
	164,172	119,154

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NOTE 17 – CURRENT INCOME TAX ASSETS

	March 31, 2017	December 31, 2016
Prepaid taxes and funds	97,728	74,629

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	March 31, 2017	December 31, 2016
Social security payables	87,769	93,003
Payables to personnel	68,618	135,737
Accruals for bonuses and premiums	25,904	17,558
	182,291	246,298

NOTE 19 - OTHER ASSETS AND LIABILITIES

	March 31, 2017	December 31, 2016
Other current assets:		
Value added tax and private consumption tax receivable	184,793	149,004
Taxes and funds deductible	75,100	79,779
Income accruals	23,874	22,904
Other	29,826	24,888
	313,593	276,575
Other current liabilities:		
Accruals for customer premiums	310,094	292,914
Advances received	40,462	47,686
Other	9,111	5,024
	359,667	345,624

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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, 2017	December 31, 2016
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, 2017		December 31, 2016	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A,Ş,	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A,Ş,	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfi	5.14	34,722	5.14	34,722
Vehbi Koç Vakfi	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

All of the 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 general 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, general 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, 2017	December 31, 2016
General legal reserves	83,690	83,690
Other legal reserves	285,303	246,182
	368,993	329,872

Dividends paid

As agreed in the ordinary general meeting dated March 23, 2017, the decision to pay dividend as cash has been taken and the payment was made in April 2017 (previous year in April 2016). The dividend details are as follows: 62,9% (2016: 38,8%) corresponding to gross TRY 0,62895 (full) (2016: TRY 0,38773 (full)) (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; 62,9% (2016: 38,8%) corresponding to gross TRY 0,62895 (full) (2016: gross TRY 0,38773 (full)) and net TRY 0,53461 (full) (2016: net TRY 0,32957 (full)) per share of TRY 1,00 (full) nominal value to the other shareholders.

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NOT 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- March 31, 2017	January 1- March 31, 2016
Other income from operating activities:		
Foreign exchange gains arising from trading activities	177,000	33,690
Income from claims and grants	34,620	46,639
Credit finance income arising from trading activities	7,069	4,530
Reversals of provisions	2,162	1,218
Reversal of provisions for doubtful receivables (Note 8)	294	147
Other	7,548	4,083
	228,693	90,307
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(94,339)	(62,978)
Credit finance charges arising from trading activities	(12,150)	(1,367)
Cash discounts expenses	(7,343)	(6,069)
Provision expense for doubtful receivables (Note 8)	(2,074)	(650)
Provision expense for impairment on inventories (Note 9)	(1,190)	(1,280)
Other	(15,456)	(4,794)
	(132,552)	(77,138)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- March 31, 2017	January 1- March 31, 2016
Income from investment activities:		
Income from sales of property plant and equipment	427	961
	427	961
Expenses from investment activities:		
Loss from sales of property plant and equipment	(248)	(526)
	(248)	(526)

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NOTE 23- FINANCIAL INCOME

	January 1- March 31, 2017	January 1- March 31, 2016
Foreign exchange gains (*)	234,820	97,643
Gains on derivative instruments	93,066	52,941
Interest income	6,428	7,048
Other	137	115
	334,451	157,747

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- March 31, 2017	January 1- March 31, 2016
Foreign exchange losses (*)	(312,126)	(71,108)
Interest expenses	(118,016)	(105,482)
Losses on derivative instruments	(103,665)	(121,739)
Other	(1,763)	(2,640)
	(535,570)	(300,969)

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

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NOTE 25 - TAX ASSETS AND LIABILITIES

	March 31, 2017	December 31, 2016
Corporation and income taxes	45,239	115,379
Prepaid tax	(1,092)	(92,016)
Tax liabilities (net)	44,147	23,363
Deferred tax assets	498,033	426,746
Deferred tax liabilities	(432,676)	(412,591)
Deferred tax assets, net	65,357	14,155

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 20% in Turkey (December 31, 2015: 20%), Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

	March 31, 2017	March 31, 2016
Tax income/(expenses)		
- Current period tax expense	(65,533)	(19,384)
- Deferred tax expense	69,706	21,533
Tax income/(expenses), net	4,173	2,149

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Property, plant and equipment and intangible assets	2,608,380	2,533,773	(636,760)	(617,996)
Derivative instruments	181,578	180,057	(36,308)	(36,012)
Unearned credit finance income/expense (net)	26,525	36,463	(5,305)	(7,293)
Available-for-sale investments	3,180	2,298	(159)	(115)
Unused tax advantages (*)	(5,073,829)	(4,594,043)	539,277	489,686
Provision for warranty, assembly and transportation expenses	(373,928)	(338,062)	77,634	70,641
Provision for employment termination benefits	(198,875)	(197,805)	39,774	39,560
Provision for impairment on inventories	(83,012)	(83,547)	18,178	18,171
Provision for doubtful receivables	(15,459)	(14,868)	4,330	4,268
Other	(258,486)	(219,956)	64,696	53,245
Deferred tax assets, net			65,357	14,155

(*) 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, 2017 the tax advantage of TRY 489,153 (December 31, 2016: TRY 441,982) in which the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment, from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

Movements in deferred tax asset / (liabilities) for the three-month periods ended March 31 are as follows:

	2017	2016
Balance as of January 1	14,155	49,012
Deferred tax income recognized in statement of profit or loss	69,706	21,533
Deferred tax income recognized directly in the shareholders' equity	257	684
Currency translation differences	(18,761)	(3,440)
Balance as of March 31	65,357	67,789

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 26 - EARNINGS PER SHARE

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

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

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

	January 1- March 31, 2017	January 1- March 31, 2016
Net income	240,254	155,701
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.356	0.230
Diluted earnings per share (kurus) (*)	0.356	0.230
Dividends distributed to the equity holders of the parent	425,000	262,000
Gross dividend distributed per share (kurus) (*)	0.629	0.388

(*) 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, 2017	December 31, 2016
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş., ⁽¹⁾	7,045	2,318
Yapı ve Kredi Bankası A.Ş., ⁽¹⁾	2,680	2,818
Other	345	1,368
	10,070	6,504

(b) Due to related parties:

Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş., ⁽¹⁾	141,899	133,419
Arçelik-LG ⁽²⁾	62,051	251,160
Ram Dış Ticaret ⁽²⁾	49,048	46,527
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	4,080	22,261
Koç Holding A.Ş. ⁽³⁾	3,806	19,793
Other	9,079	33,004
	269,963	506,164

	March 31, 2017	December 31, 2016
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş., ^(*)	17,225	16,238
Other	404	384
	17,629	16,622

Other payables to related parties – Non Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş., ^(*)	52,715	55,141
Other	1,213	1,151
	53,928	56,292

^(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of March 31, 2017, (December 31, 2016: TRY 81,040),

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ Parent company

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	March 31, 2017	December 31, 2016
Other payables to related parties (gross)		
Up to 1 year	21,144	20,021
1 to 5 years	58,844	61,046
	79,988	81,067
Future finance charges on other liabilities	(8,431)	(8,153)
Present value of other payables to related parties (net)	71,557	72,914

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

	March 31, 2017	December 31, 2016
Up to 1 year	17,629	16,622
1 to 5 years	53,928	56,292
	71,557	72,914

(c) Deposits:

Yapı ve Kredi Bankası A,Ş, and its Subsidiaries ⁽¹⁾	1,118,431	441,508
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(d) Bank borrowings:

Yapı ve Kredi Bankası A,Ş, and its Subsidiaries	-	129,985
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(e) Derivative instruments

	Contract amount	Fair value assets/(liabilities)	
March 31, 2017			
Yapı ve Kredi Bankası A,Ş, and its Subsidiaries	322,852	261	(479)
December 31, 2016			
Yapı ve Kredi Bankası A,Ş, and its Subsidiaries	260,924	1,558	(156)

⁽¹⁾ Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- March 31, 2017	January 1- March 31, 2016
(a) Sales of goods and services:		
Koçtaş Yapı Marketleri Ticaret A.Ş.,	6,142	3,894
Yapı ve Kredi Bankası A.Ş.,	3,541	4,063
Otokar Otomotiv ve Savunma Sanayi A.Ş. ⁽¹⁾	2,587	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	1,544	318
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.,	27	12,843
Other	897	1,669
	14,738	22,787

(b) Purchases of goods and services:

Zer Merkezi Hizmetler ve Ticaret A.Ş.,	163,166	153,846
Arçelik-LG	73,544	79,423
Ram Dış Ticaret	46,310	38,111
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1)(*)}	25,225	23,892
Bilkom Bilişim Hizmetleri A.Ş.,	21,708	34,869
Koç Sistem Bilgi ve İletişim Hiz, A.Ş.,	10,695	22,200
Koç Holding A.Ş. ^(**)	9,089	8,251
Other	19,005	19,916
	368,742	380,508

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

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

(*) The amount is composed of accrued premiums in the period ending March 31, 2017 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency,

(**) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by our Parent Company “Koç Holding A.Ş.,” regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1.

⁽¹⁾ Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(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 three-month period ended March 31, 2017 amounts to TRY 5,585 (January 1, - March 31, 2016: TRY 20,002). TRY 2,034 (January 1, - March 31, 2016: TRY 17,500) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(d) Other transactions

	January 1- March 31, 2017	January 1- March 31, 2016
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	3,680	2,435
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,139	472

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 balance sheet 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 and in order to maintain short term liquidity, net working capital objectives are set and balance sheet 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.

ARÇELİK ANONİM ŞİRKETİ

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

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 with inter balance sheet methods by maintaining a balance in terms of amount and maturity between interest rate sensitive assets and liabilities 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.

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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2017

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

Details of credit and receivable risk as of March 31, 2017 and December 31, 2016 are as follows:

	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
March, 31, 2017				
Maximum exposed credit risk as of reporting date ⁽¹⁾	10,070	5,689,589	2,813,702	184,848
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(4,117,950)	-	-
A, Net book value of financial asset either are not due or not impaired	10,070	4,940,558	2,813,702	184,848
-Secured portion by guarantees, etc.	-	(3,562,080)	-	-
B, Financial assets with renegotiated conditions	-	243,942	-	-
- Secured portion by guarantees, etc.	-	(167,207)	-	-
C, Net book value of overdue but not impaired financial assets	-	460,963	-	-
- Secured portion by guarantees, etc.	-	(344,537)	-	-
D, Net book value of the impaired assets	-	44,126	-	-
- Overdue (Gross book value)	-	184,894	-	-
- Impairment (-)	-	(140,768)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,126)	-	-
	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
December 31, 2016				
Maximum exposed credit risk as of reporting date ⁽¹⁾	6,504	5,313,249	2,314,158	183,686
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(4,101,459)	-	-
A. Net book value of financial asset either are not due or not impaired	6,504	4,651,762	2,314,158	183,686
-Secured portion by guarantees, etc.	-	(3,558,228)	-	-
B. Financial assets with renegotiated conditions	-	113,761	-	-
- Secured portion by guarantees, etc.	-	(99,232)	-	-
C. Net book value of overdue but not impaired financial assets	-	498,492	-	-
- Secured portion by guarantees, etc.	-	(394,765)	-	-
D. Net book value of the impaired assets	-	49,234	-	-
- Overdue (Gross book value)	-	186,402	-	-
- Impairment (-)	-	(137,168)	-	-
- Secured portion of the net value by guarantees, etc.	-	(49,234)	-	-

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

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

ARÇELİK ANONİM ŞİRKETİ

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

a) Credit quality of financial assets which are not overdue and not impaired and receivables which are re-negotiated

	March 31, 2017	December 31, 2016
Group 1	48,858	12,859
Group 2	4,968,381	4,605,763
Group 3	177,331	153,405
	5,194,570	4,772,027

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, 2017	December 31, 2016
0-1 month	223,010	262,254
1-3 months	161,576	166,955
3-12 months	50,646	37,057
1-5 years	25,731	32,226
	460,963	498,492

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.

Foreign exchange risk is followed based on functional currency of each subsidiary. 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, 2017 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2016: EUR 150,000,000).

Foreign currency position

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

	March 31, 2017	December 31, 2016
Assets	4,326,261	3,913,700
Liabilities	(5,126,450)	(4,962,169)
Net position of financial statement	(800,189)	(1,048,469)
Net position of derivative instruments	672,346	901,901
Foreign currency position (net)	(127,843)	(146,568)

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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, 2017 are as follows:

(*) 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.

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																			
Trade receivables	331,480	165,919	66,440	283,255	77,562	227,387	-	-	153,232	63,125	39,504	442	-	2,489	-	230,107	-	385	2,637,302
Monetary financial assets	343,352	17,197	22	-	1	19	-	2,211	5	22,562	9	5	-	1	-	1	1	-	1,417,380
Other	17,284	53,084	37	-	-	-	-	-	-	-	23	-	686	-	-	16,153	588	-	271,579
Total Assets	692,116	236,200	66,499	283,255	77,563	227,406	-	2,211	153,237	85,687	39,536	447	686	2,490	-	246,261	589	385	4,326,261
Current Liabilities																			
Trade payables	170,621	209,823	872	-	-	-	1,825	90	23,603	52	7,826	149	6,799	-	553	98,789	630	-	1,518,363
Financial liabilities	30,991	14,061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	172,284
Other monetary liabilities	911	5,110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,153
Non-Current Liabilities																			
Financial liabilities	394,451	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,360,933
Other monetary liabilities	-	14,488	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,717
Total Liabilities	596,974	743,482	872	-	-	-	1,825	90	23,603	52	7,826	149	6,799	-	553	98,789	630	-	5,126,450
Net Position of Financial Statement	95,142	(507,282)	65,627	283,255	77,563	227,406	(1,825)	2,121	129,634	85,635	31,710	298	(6,113)	2,490	(553)	147,472	(41)	385	(800,189)
Off-balance sheet																			
derivative assets (*)	227,530	519,499	21,941	65,000	-	-	-	-	-	-	6,850	-	-	-	-	-	-	-	2,901,844
Off-balance sheet																			
derivative liabilities (*)	(328,097)	(31,302)	(86,372)	(340,000)	(80,000)	(220,000)	-	-	(153,000)	(74,391)	(39,000)	-	-	(2,400)	-	(225,000)	-	-	(2,229,498)
Net position of																			
off-balance sheet items	(100,567)	488,197	(64,430)	(275,000)	(80,000)	(220,000)	-	-	(153,000)	(74,391)	(32,150)	-	-	(2,400)	-	(225,000)	-	-	672,346
Net Asset/(Liability) Position of Foreign Currency	(5,425)	(19,085)	1,197	8,255	(2,437)	7,406	(1,825)	2,121	(23,366)	11,244	(440)	298	(6,113)	90	(553)	(77,528)	(41)	385	(127,843)
Net Asset/(Liability) Position of Foreign																			
Currency Monetary Items	77,858	(560,366)	65,590	283,255	77,563	227,406	(1,825)	2,121	129,634	85,635	31,687	298	(6,799)	2,490	(553)	131,319	(629)	385	(1,071,768)
Fair Value of Financial Instruments Used																			
for Foreign Exchange Hedge																			181,408
Hedged Amount of Foreign Currency Assets	328,097	31,302	86,372	340,000	80,000	220,000	-	-	153,000	74,391	39,000	-	-	2,400	-	225,000	-	-	2,229,498
Hedged Amount of Foreign Currency																			
Liabilities	77,530	519,499	21,941	65,000	-	-	-	-	-	-	6,850	-	-	-	-	-	-	-	2,315,599

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

Net foreign currency positions against the functional currencies are as follows:

March 31, 2017	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent	
Against TRY	(2,589)	13,485	1,589	8,255	(2,437)	7,388	-	-	-	-	517	-	(3,534)	90	(360)	5,108	(41)	385	49,546	
Against EUR	-	(415)	-	-	-	-	-	-	237	-	-	-	-	-	-	-	-	-	-	(1,443)
Against RUB	1,567	1,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,450
Against PLN	726	-	-	-	-	18	-	-	-	-	-	-	-	-	-	-	-	-	-	2,840
Against GBP	1,075	742	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,901
Against RON	(5,047)	(1,920)	342	-	-	-	-	-	-	-	-	-	(2,698)	-	-	-	-	-	-	(25,254)
Against CZK	(55)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(215)
Against NOK	(33)	(5)	-	-	-	-	-	2,121	-	11,074	-	-	-	-	-	-	-	-	-	6,526
Against SEK	172	(1)	-	-	-	-	(1,825)	-	-	170	-	-	-	-	-	-	-	-	-	(20)
Against CNY	(60)	(421)	54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,522)
Against ZAR	(1,685)	4,688	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,473
Against AUD	(200)	32	-	-	-	-	-	-	-	-	-	298	-	-	-	-	-	-	-	95
Against EGP	1	(26,877)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(101,377)
Against UAH	(1,437)	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,601)
Against CHF	2,667	693	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,945
Against BWP	-	-	-	-	-	-	-	(23,603)	-	-	-	-	-	-	-	-	-	-	-	(6,676)
Against NZD	(15)	(15)	-	-	-	-	-	-	-	(957)	-	-	-	-	-	-	-	-	-	(2,777)
Against USD	258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,008
Against RSD	(1,882)	(228)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,185)
Against THB	1,046	(2,851)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,286)
Against MYR	-	(740)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,693)
Against VND	-	(2,901)	-	-	-	-	-	-	-	-	-	-	-	-	(193)	-	-	-	-	(10,576)
Against PKR	66	(3,544)	6	-	-	-	-	-	-	-	-	-	119	-	-	(82,636)	-	-	-	(56,002)
	(5,425)	(19,085)	1,197	8,255	(2,437)	7,406	(1,825)	2,121	(23,366)	11,244	(440)	298	(6,113)	90	(553)	(77,528)	(41)	385	(127,843)	

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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, 2016 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	CNY	CHF	TRY Equivalent
Current Assets																	
Trade receivables	358,701	165,603	101,309	561,181	107,145	263,809	-	31	297,795	60,298	33,167	399	-	1,780	177,304	-	2,795,401
Monetary financial assets	172,062	29,058	10	-	1	18	-	3,836	6	21,959	15	5	-	-	1	1	753,117
Other	30,210	66,901	78	-	-	-	-	-	-	-	11	-	1,099	-	30,056	618	365,182
Total Assets	560,973	261,562	101,397	561,181	107,146	263,827	-	3,867	297,801	82,257	33,193	404	1,099	1,780	207,361	619	3,913,700
Current Liabilities																	
Trade payables	204,657	202,719	1,269	-	-	-	240	334	9,156	1,186	6,637	148	73,754	-	61,427	643	1,533,887
Financial liabilities	27,372	8,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,105
Other monetary liabilities	781	4,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,011
Non-Current Liabilities																	
Financial liabilities	394,465	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,223,026
Other monetary liabilities	-	15,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,140
Total Liabilities	627,275	731,365	1,269	-	-	-	240	334	9,156	1,186	6,637	148	73,754	-	61,427	643	4,962,169
Net Position of Financial Statement	(66,302)	(469,803)	100,128	561,181	107,146	263,827	(240)	3,533	288,645	81,071	26,556	256	(72,655)	1,780	145,934	(24)	(1,048,469)
Off-balance sheet																	
derivative assets (*)	355,677	472,391	-	-	5,000	-	-	-	-	-	5,800	-	-	-	-	-	3,000,886
Off-balance sheet																	
derivative liabilities (*)	(303,812)	(14,465)	(107,903)	(590,000)	(118,000)	(255,000)	-	-	(297,000)	(78,000)	(32,000)	-	-	(1,800)	(170,000)	-	(2,098,985)
Net position of																	
off-balance sheet items	51,865	457,926	(107,903)	(590,000)	(113,000)	(255,000)	-	-	(297,000)	(78,000)	(26,200)	-	-	(1,800)	(170,000)	-	901,901
Net Asset/(Liability) Position of Foreign Currency	(14,437)	(11,877)	(7,775)	(28,819)	(5,854)	8,827	(240)	3,533	(8,355)	3,071	356	256	(72,655)	(20)	(24,066)	(24)	(146,568)
Net Asset/(Liability) Position of Foreign																	
Currency Monetary Items	(96,512)	(536,704)	100,050	561,181	107,146	263,827	(240)	3,533	288,645	81,071	26,545	256	(73,754)	1,780	115,878	(642)	(1,413,651)
Fair Value of Financial Instruments Used																	
for Foreign Exchange Hedge																	179,301
Hedged Amount of Foreign Currency Assets	303,812	14,465	107,903	590,000	118,000	255,000	-	-	297,000	78,000	32,000	-	-	1,800	170,000	-	2,098,985
Hedged Amount of Foreign Currency																	
Liabilities	205,677	472,391	-	-	5,000	-	-	-	-	-	5,800	-	-	-	-	-	2,444,401

(*) 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)

Net foreign currency positions against the functional currencies are as follows:

December 31, 2016	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	CNY	CHF	TRY equivalent
Against TRY	(6,935)	26,836	(7,208)	(28,819)	(5,854)	8,809	-	-	-	-	767	-	(69,912)	(20)	7,305	(24)	35,601
Against EUR	-	2,905	-	-	-	-	-	-	801	-	-	-	-	-	-	-	10,429
Against RUB	5,556	1,119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,550
Against PLN	(345)	102	-	-	-	18	-	-	-	-	-	-	-	-	-	-	(919)
Against GBP	758	863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,849
Against RON	1,583	(4,232)	179	-	-	-	-	-	-	-	-	-	(2,697)	-	-	-	(8,328)
Against CZK	755	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,801
Against NOK	3,446	-	-	-	-	-	-	3,533	-	2,880	-	-	-	-	-	-	15,582
Against SEK	(4,974)	(2)	-	-	-	-	(240)	-	-	191	-	-	-	-	-	-	(18,463)
Against CNY	1,025	2,021	42	-	-	-	-	-	-	-	-	-	-	-	-	-	11,096
Against ZAR	(2,595)	(1,528)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,004)
Against AUD	(57)	68	-	-	-	-	-	-	-	-	-	256	-	-	-	-	656
Against EGP	6	(29,839)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	(108,416)
Against HRV	(3,061)	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,187)
Against CHF	(3,129)	672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,243)
Against BWP	-	-	-	-	-	-	-	-	(9,156)	-	-	-	-	-	-	-	(2,352)
Against NZD	(32)	(12)	-	-	-	-	-	-	-	(411)	-	-	-	-	-	-	(1,204)
Against USD	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	927
Against RSD	(5,575)	(301)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,742)
Against THB	(649)	(953)	-	-	-	-	-	-	-	-	-	-	(46)	-	-	-	(5,763)
Against MYR	-	(1,068)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,759)
Against VND	-	(3,072)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,811)
Against PKR	(464)	(5,504)	6	-	-	-	-	-	-	-	-	-	-	-	(31,371)	-	(36,868)
	(14,437)	(11,877)	(7,775)	(28,819)	(5,854)	8,827	(240)	3,533	(8,355)	3,071	356	256	(72,655)	(20)	(24,066)	(24)	(146,568)

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

As of March 31, 2017 and December 31, 2016, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
March 31, 2017				
USD net asset/liability	(184,577)	184,577	(182,332)	182,332
Secured portion from USD risk	177,635	(177,635)	177,635	(177,635)
USD Net effect	(6,942)	6,942	(4,697)	4,697
EUR net asset/liability	95,810	(95,810)	108,279	(108,279)
Secured portion from EUR risk	(97,930)	97,930	(39,305)	39,305
EUR Net effect	(2,120)	2,120	68,974	(68,974)
GBP net asset/liability	29,643	(29,643)	39,310	(39,310)
Secured portion from GBP risk	(29,102)	29,102	(29,102)	29,102
GBP Net effect	541	(541)	10,208	(10,208)
RUB net asset/liability	1,818	(1,818)	41,802	(41,802)
Secured portion from RUB risk	(1,765)	1,765	(1,765)	1,765
RUB Net effect	53	(53)	40,037	(40,037)
RON net asset/liability	-	-	86,863	(86,863)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	86,863	(86,863)
PLN net asset/liability	7,176	(7,176)	14,322	(14,322)
Secured portion from PLN risk	(7,401)	7,401	(7,401)	7,401
PLN Net effect	(225)	225	6,921	(6,921)
CZK net asset/liability	3,291	(3,291)	6,933	(6,933)
Secured portion from CZK risk	(3,184)	3,184	(3,184)	3,184
CZK Net effect	107	(107)	3,749	(3,749)
NOK net asset/liability	(78)	78	185	(185)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(78)	78	185	(185)
SEK net asset/liability	86	(86)	4,596	(4,596)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	86	(86)	4,596	(4,596)
NZD net asset/liability	76	(76)	76	(76)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	76	(76)	76	(76)
ZAR net asset/liability	3,666	(3,666)	72,823	(72,823)
Secured portion from ZAR risk	(4,327)	4,327	(4,327)	4,327
ZAR Net effect	(661)	661	68,496	(68,496)
AUD net asset/liability	8,823	(8,823)	7,525	(7,525)
Secured portion from AUD risk	(8,946)	8,946	(8,946)	8,946
AUD Net effect	(123)	123	(1,421)	1,421
DKK net asset/liability	4,492	(4,492)	4,492	(4,492)
Secured portion from DKK risk	(3,902)	3,902	(3,902)	3,902
DKK Net effect	590	(590)	590	(590)
JPY net asset/liability	(20)	20	(20)	20
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(20)	20	(20)	20
CAD net asset/liability	678	(678)	678	(678)
Secured portion from CAD risk	(654)	654	(654)	654
CAD Net effect	24	(24)	24	(24)
THB net asset/liability	(6)	6	27,400	(27,400)
Secured portion from THB risk	-	-	-	-
THB Net effect	(6)	6	27,400	(27,400)
EGP net asset/liability	-	-	(8,543)	8,543
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(8,543)	8,543
UAH net asset/liability	-	-	701	(701)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	701	(701)
CNY net asset/liability	7,744	(7,744)	15,842	(15,842)
Secured portion from CNY risk	(11,815)	11,815	(11,815)	11,815
CNY Net effect	(4,071)	4,071	4,027	(4,027)
CHF net asset/liability	(15)	15	23,060	(23,060)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(15)	15	23,060	(23,060)
BWP net asset/liability	-	-	(39)	39
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(39)	39
RSD net asset/liability	-	-	1,922	(1,922)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	1,922	(1,922)
MYR net asset/liability	-	-	(317)	317
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	(317)	317
VND net asset/liability	-	-	71	(71)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	71	(71)
PKR net asset/liability	-	-	90,740	(90,740)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	-	-	90,740	(90,740)
	(12,784)	12,784	423,603	(423,603)

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

December 31, 2016	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	(165,333)	165,333	(163,093)	163,093
Secured portion from USD risk	161,153	(161,153)	161,153	(161,153)
USD Net effect	(4,180)	4,180	(1,940)	1,940
EUR net asset/liability	31,052	(31,052)	42,429	(42,429)
Secured portion from EUR risk	(36,408)	36,408	19,241	(19,241)
EUR Net effect	(5,356)	5,356	61,670	(61,670)
GBP net asset/liability	43,244	(43,244)	50,996	(50,996)
Secured portion from GBP risk	(46,602)	46,602	(46,602)	46,602
GBP Net effect	(3,358)	3,358	4,394	(4,394)
RUB net asset/liability	3,217	(3,217)	39,247	(39,247)
Secured portion from RUB risk	(3,382)	3,382	(3,382)	3,382
RUB Net effect	(165)	165	35,865	(35,865)
RON net asset/liability	-	-	80,689	(80,689)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	80,689	(80,689)
PLN net asset/liability	9,027	(9,027)	15,336	(15,336)
Secured portion from PLN risk	(9,520)	9,520	(9,520)	9,520
PLN Net effect	(493)	493	5,816	(5,816)
CZK net asset/liability	3,632	(3,632)	6,726	(6,726)
Secured portion from CZK risk	(3,510)	3,510	(3,510)	3,510
CZK Net effect	122	(122)	3,216	(3,216)
NOK net asset/liability	(10)	10	407	(407)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(10)	10	407	(407)
SEK net asset/liability	136	(136)	4,264	(4,264)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	136	(136)	4,264	(4,264)
NZD net asset/liability	63	(63)	63	(63)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	63	(63)	63	(63)
ZAR net asset/liability	7,410	(7,410)	69,400	(69,400)
Secured portion from ZAR risk	(7,625)	7,625	(7,625)	7,625
ZAR Net effect	(215)	215	61,775	(61,775)
AUD net asset/liability	6,736	(6,736)	5,855	(5,855)
Secured portion from AUD risk	(6,646)	6,646	(6,646)	6,646
AUD Net effect	90	(90)	(791)	791
DKK net asset/liability	4,039	(4,039)	4,039	(4,039)
Secured portion from DKK risk	(3,886)	3,886	(3,886)	3,886
DKK Net effect	153	(153)	153	(153)
JPY net asset/liability	(218)	218	(218)	218
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(218)	218	(218)	218
CAD net asset/liability	464	(464)	464	(464)
Secured portion from CAD risk	(469)	469	(469)	469
CAD Net effect	(5)	5	(5)	5
THB net asset/liability	-	-	26,214	(26,214)
Secured portion from THB risk	-	-	-	-
THB Net effect	-	-	26,214	(26,214)
EGP net asset/liability	-	-	(8,141)	8,141
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(8,141)	8,141
UAH net asset/liability	-	-	607	(607)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	607	(607)
CNY net asset/liability	7,351	(7,351)	15,468	(15,468)
Secured portion from CNY risk	(8,564)	8,564	(8,564)	8,564
CNY Net effect	(1,213)	1,213	6,904	(6,904)
CHF net asset/liability	(8)	8	26,697	(26,697)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(8)	8	26,697	(26,697)
BWP net asset/liability	-	-	89	(89)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	89	(89)
RSD net asset/liability	-	-	1,573	(1,573)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	1,573	(1,573)
MYR net asset/liability	-	-	11	(11)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	11	(11)
VND net asset/liability	-	-	400	(400)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	400	(400)
PKR net asset/liability	-	-	85,906	(85,906)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	-	-	85,906	(85,906)
	(14,657)	14,657	395,618	(395,618)

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

Import and exports performed to / from Turkey for the periods ended as of March 31, 2017 and 2016 are as follows:

	March 31, 2017		March 31, 2016	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	231,322,048	912,594	228,355,380	732,587
USD	65,410,062	240,497	77,864,898	220,622
GBP	53,550,698	244,948	62,960,239	256,664
Other		167,337		121,083
Total exports		1,565,376		1,330,956
EUR	100,131,734	391,960	77,982,913	251,990
USD	214,912,887	790,530	190,478,297	560,170
GBP	165,475	743	197,506	835
Other		790		1,035
Total imports		1,184,023		814,030

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.

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

Financial liabilities

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

As of March 31, 2017 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 5,745,654 (December 31, 2016: TRY 4,418,497) (Note 6), and TRY 5,743,013 (December 31, 2016: TRY 4,418,228) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities 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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of March 31, 2017 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)	-	184,848	-
Financial investments (Note 5)	3,538	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	3,440	-
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Fair value hierarchy table as of December 31, 2016 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)	-	183,686	-
Financial investments (Note 5)	2,656	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	4,385	-
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ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2017**

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

NOTE 29 - 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:

	March 31, 2017	March 31, 2016
Adjustments for provisions:		
Provision for assembly and transportation cost	49,000	3,392
Accrual for customer premiums	17,180	(34,451)
Warranty provision	16,601	4,594
Accrual for bonuses and premiums	8,346	29,736
Provision for employment termination benefits	8,066	8,124
Provision for legal claims	5,484	(595)
Return provisions	2,626	(1,149)
Provision for vacation pay liability	1,830	4,130
	109,133	13,781
Adjustments for impairment loss:		
Provision for doubtful receivables	2,074	650
Provision for impairment on inventories	1,190	1,280
	3,264	1,930

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

None.

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