

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

Arçelik Anonim Şirketi

January 1 -June 30, 2017 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

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

		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,038,247	2,441,871
Trade receivables			
-Due from related parties	27	13,166	6,504
-Trade receivables, third parties	8	6,441,240	5,288,765
Derivative instruments	7	14,243	4,804
Inventories	9	3,538,102	2,761,570
Prepaid expenses	16	177,170	119,154
Current income tax assets	17	67,242	74,629
Other current assets	19	360,384	276,575
Subtotal		12,649,794	10,973,872
Non-current assets or disposal groups classified as held for sale		12,886	11,888
Total current assets		12,662,680	10,985,760
Non-current assets:			
Financial investments	5	3,402	2,735
Trade receivables			
-Trade receivables, third parties	8	14,466	24,484
Derivate instruments	7	107,041	178,882
Associates	11	247,633	236,090
Property, plant and equipment	12	2,818,606	2,750,411
Intangible assets			
-Goodwill		404,060	393,752
-Other intangible assets	13	1,990,988	1,910,508
Deferred tax assets	25	585,001	426,746
Total non-current assets		6,171,197	5,923,608
Total assets		18,833,877	16,909,368

These condensed interim consolidated financial statements as at and for the period ended June 30, 2017, have been approved for issue by the Board of Directors on July 31, 2017.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

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

		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
LIABILITIES			
Current liabilities:			
Financial liabilities	6	911,296	1,239,158
Short term portion of long term financial liabilities	6	2,010,743	1,011,416
Trade payables			
-Due to related parties	27	491,551	506,164
-Trade payables, third parties	8	2,950,369	2,579,825
Derivative instruments	7	4,088	4,385
Employee benefit obligations	18	228,789	246,298
Other payables			
-Due to related parties	27	16,996	16,622
-Other payables, third parties	10	216,914	220,873
Current income tax liabilities	25	12,458	23,363
Provisions			
-Other provisions	15	472,785	412,360
Other current liabilities	19	473,683	345,624
Total current liabilities		7,789,672	6,606,088
Non-current liabilities			
Financial liabilities	6	3,874,206	3,407,081
Other payables			
-Due to related parties	27	47,475	56,292
Provisions			
-Provision for employee benefits		251,376	227,571
-Other provisions	15	177,264	140,236
Deferred tax liabilities	25	422,518	412,591
Other non-current liabilities		48,984	54,932
Total non-current liabilities		4,821,823	4,298,703
Total liabilities		12,611,495	10,904,791

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

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

		Reviewed	Audited
		June 30,	December 31,
	Notes	2017	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		(109,392)	(94,522)
-Increases/ decreases on revaluation of non-current assets		95,425	88,438
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		1,171,586	987,891
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(358,215)	(323,047)
-Gains/ losses on cash flow hedges		7,986	6,152
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		2,817	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		496,835	1,299,912
Attributable to:		6,192,894	5,977,947
Equity holders of the parent			
Non-controlling interest		29,488	26,630
Total equity		6,222,382	6,004,577
Total liabilities and equity		18,833,877	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 JUNE 30, 2017

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

	Notes	Reviewed		April 1- June 30, 2017	April 1- June 30, 2016
		January 1- June 30, 2017	January 1- June 30, 2016		
Net sales	3	9,695,331	7,487,005	5,061,077	3,959,556
Cost of sales		(6,663,016)	(4,940,273)	(3,506,684)	(2,606,889)
Gross profit	3	3,032,315	2,546,732	1,554,393	1,352,667
General administrative expenses		(427,096)	(362,955)	(207,823)	(173,168)
Marketing expenses		(1,839,314)	(1,522,724)	(948,681)	(830,625)
Research and development expenses		(83,505)	(73,906)	(42,988)	(39,134)
Other income from operating activities	21	270,291	171,637	41,598	81,330
Other expenses from operating activities	21	(173,390)	(157,424)	(40,838)	(80,286)
Operating profit		779,301	601,360	355,661	310,784
Income from investment activities	22	2,210	415,982	1,783	415,021
Expenses from investment activities	22	(2,095)	(685)	(1,847)	(159)
Income from associates (net)	11	25,815	19,177	11,949	12,510
Operating income before financial income/(expense)		805,231	1,035,834	367,546	738,156
Financial income	23	542,466	255,178	208,015	97,431
Financial expenses	24	(897,558)	(480,902)	(361,988)	(179,933)
Profit from continuing operations before tax		450,139	810,110	213,573	655,654
Tax income/(expense), continuing operations					
- Taxes on income	25	(102,922)	(49,095)	(37,389)	(29,711)
- Deferred tax income	25	150,469	48,645	80,763	27,112
Net income		497,686	809,660	256,947	653,055
Attributable to:					
Non-controlling interest		851	1,950	366	1,046
Equity holders of the parent		496,835	807,710	256,581	652,009
Earnings per share (kurus)	26	0.735	1.195	0.380	0.965
Diluted earnings per share (kurus)	26	0.735	1.195	0.380	0.965

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 JUNE 30, 2017**

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

	Reviewed		April 1- June 30, 2017	April 1- June 30, 2016
	January 1- June 30, 2017	January 1- June 30, 2016		
Net income	497,686	809,660	256,947	653,055
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss	(18,556)	(11,999)	(17,064)	(8,630)
Actuarial gain/ loss arising from defined benefit plans	(18,540)	(12,054)	(17,033)	(8,634)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	(16)	55	(31)	4
Other comprehensive income not to be reclassified to profit or loss, tax effect	3,686	2,411	3,385	1,727
Actuarial gain/ loss arising from defined benefit plans, tax effect	3,686	2,411	3,385	1,727
Other comprehensive income to be reclassified to profit or loss	151,229	(351,828)	(75,255)	(379,350)
Currency translation differences	192,689	49,868	(60,486)	16,111
Other comprehensive income related with hedges of net investments in foreign operations	(43,962)	(4,020)	(14,202)	555
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	667	(391,705)	(215)	(391,705)
Share of other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss	1,835	(5,971)	(352)	(4,311)
Other comprehensive income to be reclassified to profit or loss, tax effect	8,760	20,389	2,852	19,474
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	8,793	804	2,841	(111)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	(33)	19,585	11	19,585
Other comprehensive income/ (loss) (net of tax)	145,119	(341,027)	(86,082)	(366,779)
Total comprehensive income	642,805	468,633	170,865	286,276
Attributable to:				
Non-controlling interest	2,858	2,102	1,010	714
Equity holders of the parent	639,947	466,531	169,855	285,562

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 JUNE 30, 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									
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	-	-	-	-	(9,588)	641	(9,187)	(372,120)	49,075	-	-	807,710	466,531	2,102	468,633
Net income	-	-	-	-	-	-	-	-	-	-	-	807,710	807,710	1,950	809,660
Other comprehensive income	-	-	-	-	(9,588)	641	(9,187)	(372,120)	49,075	-	-	-	(341,179)	152	(341,027)
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(262,000)	-	(262,000)	-	(262,000)
As of June 30, 2016	675,728	468,811	889	14,507	(67,203)	76,388	(266,944)	2,081	373,693	329,872	2,446,010	807,710	4,861,542	20,928	4,882,470
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	-	-	-	-	(14,870)	6,987	(33,334)	634	183,695	-	496,835	639,947	2,858	642,805	
Net income	-	-	-	-	-	-	-	-	-	-	496,835	496,835	851	497,686	
Other comprehensive income	-	-	-	-	(14,870)	6,987	(33,334)	634	183,695	-	-	143,112	2,007	145,119	
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(425,000)	-	(425,000)	-	(425,000)
As of June 30, 2017	675,728	468,811	889	14,507	(109,392)	95,425	(350,229)	2,817	1,171,586	368,993	3,356,924	496,835	6,192,894	29,488	6,222,382

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 JUNE 30, 2017

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

	Notes	Reviewed	
		January 1- June 30 2017	January 1- June 30 2016
Cash flows from operating activities:			
Net income from continued operations:		497,686	809,660
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	25	(47,547)	450
Adjustments for depreciation and amortisation expense		266,657	207,460
Adjustments for impairment loss	29	6,698	25,349
Adjustments for provisions	29	276,923	139,481
Adjustments for interest expense	24	260,656	222,339
Adjustments for interest income	23	(14,969)	(14,486)
Adjustments for undistributed profits of investments accounted for using equity method	11	(25,815)	(19,177)
Adjustments for fair value (gains) losses on derivative financial instruments	23,24	81,241	8,717
Adjustments for unrealised foreign exchange losses (gains)	23,24	23,560	4,139
Other adjustments to reconcile profit (loss)	23,24	4,604	5,015
Adjustments for income arised from government grants		(30,753)	(89,423)
Adjustments for dividend (income) expenses	22	(93)	(59)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	22	-	(413,739)
Adjustments for losses (gains) on disposal of non-current assets	22	(22)	(1,499)
Net cash flow from operating activities before changes in operating assets and liabilities		1,298,826	884,227
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,168,565)	(244,725)
Adjustments for decrease (increase) in inventories		(777,777)	(176,589)
Decrease (increase) in prepaid expenses		(58,016)	(36,460)
Adjustments for increase (decrease) in trade payables		355,931	315,601
Increase (decrease) in employee benefit liabilities		(68,081)	(31,710)
Adjustments for increase (decrease) in other operating payables		(16,691)	(14,975)
Increase (decrease) in government grants and assistance		38,627	62,577
Other adjustments for other increase (decrease) in working capital		(53,635)	26,851
Income taxes refund (paid)		(94,984)	(18,476)
Cash flows from operating activities		(544,365)	766,321
Investing activities:			
Purchase of property, plant, equipment and intangible assets		(343,536)	(289,312)
Proceeds from sales of property, plant, equipment and intangible assets		13,947	4,208
Dividends received		13,178	12,809
Cash receipts from sales of equity or debt instruments of other entities	27	-	558,582
Cash flows from investing activities		(316,411)	286,287
Financing activities:			
Proceeds from borrowings		1,940,039	922,466
Repayments of borrowings		(921,260)	(1,246,689)
Dividends paid		(425,000)	(262,000)
Interest paid		(197,842)	(208,225)
Interest received		14,952	15,108
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(19,136)	14,080
Other inflows (outflows) of cash	23,24	(4,604)	(5,015)
Cash flows from financing activities		387,149	(770,275)
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		(473,627)	282,333
Effect of currency translation differences		69,985	17,937
Net increase/(decrease) in cash and cash equivalents		(403,642)	300,270
Cash and cash equivalents at January 1	4	2,441,652	2,166,153
Cash and cash equivalents at June 30	4	2,038,010	2,466,423

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 JUNE 30, 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 June 30, 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 June 30, 2017 is 6,139 white - collar (1 January- 30 June 2016: 4,649) and 23,857 (1 January- 30 June 2016: 20,367) blue – collar totalling to 29,996 (1 January- 30 June 2016: 25,016).

<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
Arçelik B.V. (“Arçelik B.V.”)	Netherlands	Investment	Holding
Arçelik B.V. Taiwan (“Arçelik 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 JUNE 30, 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	-	-
	Country of incorporation	Core business	Nature of business
Associates			
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/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676, TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced.

The condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

For the period ended June 30, 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 June 30, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017

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

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.

Annual Improvements 2014-2016 Cycle

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. 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)

IFRS 9 Financial Instruments

In January 2016, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 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, IFRS 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. IFRS 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 IFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under IFRS.

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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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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.

TFRS 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.

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

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

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.
- 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017

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

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 June 30, 2017 and December 31, 2016 (%) and their functional currencies:

	Functional currency	June 30, 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.

As of 30 June 2016, consolidated other comprehensive income statement has been changed in order to present the revaluation fund of financial assets amounting to 392.841 TL and its tax effect amounting to 19.642 TL due to the sale of shares of Koç Finansal Hizmetler in related accounts.

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 six month period ended June 30, 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 June 30, 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 JUNE 30, 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 sales 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 six-month period ended June 30, 2017 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	6,992,167	1,164,337	1,538,827	9,695,331
Gross profit	2,379,243	204,173	448,899	3,032,315
Depreciation and amortization	204,752	44,293	22,725	271,770
Capital expenditures	289,673	46,525	12,451	348,649

- b) Operational segments which have been prepared in accordance with the reportable segments for the six-month period ended June 30, 2016 (*) are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	5,154,040	1,035,001	1,297,964	7,487,005
Gross profit	1,896,256	327,855	322,621	2,546,732
Depreciation and amortization	168,751	33,213	9,174	211,138
Capital expenditures	238,440	44,772	9,835	293,047

- c) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between April 1 – June 30, 2017 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	3,630,007	595,524	835,546	5,061,077
Gross profit	1,206,132	101,386	246,875	1,554,393
Depreciation and amortization	93,791	26,408	17,368	137,567
Capital expenditures	179,244	29,549	8,092	216,885

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

NOTE 3 - SEGMENT REPORTING (Continued)

- d) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between April 1 – June 30, 2016^(*) are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,726,835	503,255	729,466	3,959,556
Gross profit	1,009,377	159,346	183,944	1,352,667
Depreciation and amortization	89,291	17,542	5,091	111,924
Capital expenditures	119,572	22,798	5,332	147,702

(*) Prior period comparative industrial segment reports have been reclassified to comply with the current period in order to enable the determination of the financial position and performance.

- e) Sales revenue based on the location of the customers and income from associates for the six-month periods ended at June 30, are as below:

January 1 – June 30, 2017	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,022,060	3,788,140	620,089	1,265,042	9,695,331
January 1 – June 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	3,180,224	3,231,941	462,228	612,612	7,487,005

- f) Sales revenue based on the location of the customers and income from associates for the period between April 1 – June 30, are as below :

April 1 – June 30, 2017	Turkey	Europe	Africa	Other	Total
Total segment revenue	2,062,917	1,964,619	344,140	689,401	5,061,077
April 1 – June 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,723,823	1,658,894	248,729	328,110	3,959,556

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016
Cash in hand	530	608
Cash at banks		
- demand deposits	271,501	538,957
- time deposits	1,609,300	1,774,982
Cheques and notes	106,380	90,240
Other	50,299	36,865
Cash and cash equivalents in cash flow statement	2,038,010	2,441,652
Interest income accruals	237	219
	2,038,247	2,441,871

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

Up to 30 days	2,021,283	2,291,112
30-90 days	16,964	150,759
	2,038,247	2,441,871

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

TRL	13.5	-
USD	0.3	0.7
EUR	(0.1)	0.1
AUD	0.0	0.0
BWP	1.0	1.0
CZK	(0.6)	0.0
CNY	1.1	1.7
DKK	0.0	-
IDR	5.6	-
ZAR	5.3	5.2
HKD	0.0	0.0
GBP	0.2	0.0
SEK	(0.8)	0.0
CHF	(0.7)	0.0
EGP	8.7	5.1
NAD	5.0	5.0
NOK	0.2	0.0
PKR	4.4	4.2
RON	0.1	0.7
RUB	7.7	8.3
THB	0.7	0.7
VND	1.0	1.0
NZD	0.0	0.0

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	%	TRY	%	TRY
Tat Gıda Sanayi A.Ş.	0.34	3,323	0.34	2,656
Other		79		79
		3,402		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 634 (June 30 2016: TRY 1,079) and net of deferred tax effect amounting to TRY 33 (June 30 2016: TRY 57) 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 June 30, 2017.

The details of financial investments for the six-month periods ended June 30, are as follows:

	<u>2017</u>	<u>2016</u>
As of January 1	2,735	539,176
Change in fair value	667	1,136
Sale of financial asset (Note 27)	-	(537,684)
As of June 30	3,402	2,628

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Short-term bank borrowings	855,691	1,169,875
Payables due to factoring activities (*)	54,961	68,370
Other	644	913
Total short-term financial liabilities	911,296	1,239,158
Short-term portion of long-term bank borrowings and interest accruals	1,946,473	975,119
Interest accruals of long-term bond issued (**)	64,270	36,297
Total short-term portion of long-term financial liabilities	2,010,743	1,011,416

(*) Factoring liabilities are amounting to TRY 33,100 denominated in EUR (December 31, 2016: TRY 43,237), TRY 21,787 denominated in GBP (December 31, 2016: TRY 23,398) and TRY 74 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 0.91% for GBP (December 31, 2016: 1%).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2017, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.0	394,898,987	394,899
EUR	0.5	59,729,119	239,096
PKR	6.3	3,504,786,988	116,569
ZAR	9.0	250,000,000	67,565
CNY	4.4	73,026,583	37,562
			855,691

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

	June 30, 2017	December 31, 2016
Long-term bank borrowings	735,083	364,884
Long-term bonds issued	3,137,949	3,040,539
Other	1,174	1,658
	3,874,206	3,407,081

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of June 30, 2017, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.6	2,256,796,750	2,256,797
EUR	2.6	55,666,921	222,835
ZAR	10.3	500,000,000	135,130
PKR	6.3	2,008,258,082	66,794
			2,681,556
Short-term portion of long-term loans and interest accruals			(1,946,473)
			735,083

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 June 30, 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	503,861,981	1,767,094
EUR	4.0	358,512,231	1,435,125
			3,202,219
Interest accruals of long-term bonds issued			(64,270)
			3,137,949

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 is as follows:

	June 30, 2017	December 31, 2016
2018	244,477	282,442
2019	288,956	82,442
2020	201,650	-
2021	1,401,050	1,298,465
2023	1,753,550	1,759,600
	3,889,683	3,422,949

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

	June 30, 2017	December 31, 2016
Up to 3 months	1,052,735	923,813
3 - 12 months	1,836,947	547,688
1-5 years	2,001,003	2,323,349
Over 5 years	1,753,550	1,759,600
	6,664,235	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.

	June 30, 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	538,546	2,461	(1,000)	1,035,792	2,039	(2,183)
Foreign currency swap contracts	3,438,506	11,782	(3,088)	2,403,272	2,765	(2,202)
	3,977,052	14,243	(4,088)	3,439,064	4,804	(4,385)
<i>Long-term derivative instruments</i>						
Cross-currency fixed interest rate swap (*)	2,363,050	107,041	-	2,294,713	178,882	-

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	2,363,050	107,041	-	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.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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	June 30, 2017	December 31, 2016
Short-term trade receivables:		
Trade receivables	4,457,505	3,529,754
Notes receivables	1,882,388	1,649,614
Cheques receivables	294,268	273,467
Short-term trade receivables (gross)	6,634,161	5,452,835
Provision for doubtful receivables	(138,092)	(137,168)
Unearned credit finance charges	(54,829)	(26,902)
Short-term trade receivables (net)	6,441,240	5,288,765

As of June 30, 2017, the Group has offsetted TRY 469,949 (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 six-month periods ended June 30 are as follows:

	2017	2016
As of January 1	137,168	110,601
Current year additions (Note 21)	3,148	17,923
Provisions no longer required (Note 21)	(933)	(193)
Write-offs (*)	(4,180)	(1,176)
Currency translation differences	2,889	82
As of June 30	138,092	127,237

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

	June 30, 2017	December 31, 2016
Long-term trade receivables	14,466	24,484
Short-term trade payables:		
Trade payables	2,781,891	2,455,560
Debt accruals	202,696	140,455
Unearned credit finance income	(34,218)	(16,190)
	2,950,369	2,579,825

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NOTE 9 - INVENTORIES

	June 30, 2017	December 31, 2016
Raw materials and supplies	1,360,670	1,092,288
Work in progress	129,678	98,748
Finished goods	1,732,490	1,366,939
Trade goods	394,523	296,263
Inventories (gross)	3,617,361	2,854,238
Provision for impairment on inventories	(79,259)	(92,668)
Inventories (net)	3,538,102	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:

	June 30, 2017	December 31, 2016
Raw materials and supplies	58,695	62,709
Finished goods	17,088	26,850
Trade goods	3,476	3,109
	79,259	92,668

Movements of provision for impairment on inventories for the six-month periods ended June 30 are as follows:

	2017	2016
As of January 1	92,668	67,072
Current year additions (Note 21)	3,550	7,426
Realized due to sales of inventory	(17,660)	(3,513)
Currency translation differences	701	(60)
As of June 30	79,259	70,925

NOTE 10 - OTHER PAYABLES

	June 30, 2017	December 31, 2016
Taxes and duties payable	192,266	173,224
Dividend payables to shareholders	5,602	5,242
Deposits and guarantees received	4,790	6,360
Other	14,256	36,047
	216,914	220,873

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NOTE 11 - ASSOCIATES

	June 30, 2017		December 31, 2016	
	%	TRY	%	TRY
Koç Finansman	47,0	113,485	47,0	104,059
Arçelik - LG	45,0	118,428	45,0	114,280
Ram Dış Ticaret	33,5	9,226	33,5	10,372
Tanı Pazarlama	32,0	6,494	32,0	7,379
		247,633		236,090

The movements of associates for the six-month periods ended June 30 are as follows:

	2017	2016
As of January 1	236,090	209,881
Shares of income/loss of associates	25,815	19,177
Shares of other comprehensive income/loss of associates	1,819	(5,916)
Gross profit elimination on inventory	(3,006)	(1,749)
Dividends received	(13,085)	(12,750)
As of June 30	247,633	208,643

Shares of income/loss from associates:

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Koç Finansman	16,991	9,875	7,787	5,441
Arçelik – LG	7,214	9,652	4,015	6,846
Ram Dış Ticaret	2,493	(2)	463	279
Tanı Pazarlama	(883)	(348)	(316)	(56)
	25,815	19,177	11,949	12,510

Aggregated summary figures of the financial statements of associates:

	June 30, 2017	December 31, 2016
Total assets	4,679,111	4,584,127
Total liabilities	4,126,648	4,054,751

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Net sales	1,319,198	1,086,164	745,989	580,674
Net income for the period	50,183	37,479	28,068	27,092

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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	2,750,411	2,055,675
Additions	222,303	209,620
Disposals	(13,925)	(2,709)
Currency translation differences	49,479	20,896
Depreciation for the period	(189,662)	(152,384)
Net carrying value at the end of the period	2,818,606	2,131,098
As of June 30		
Cost	6,469,327	5,296,271
Accumulated depreciation	(3,650,721)	(3,165,173)
Net carrying value	2,818,606	2,131,098

There is no mortgage on property, plant and equipment as of June 30, 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	126,346	83,427
Currency translation differences	36,242	5,325
Amortization for the period	(82,108)	(58,754)
Net carrying value at the end of the period	1,990,988	1,037,478
As of June 30		
Cost	2,707,493	1,595,547
Accumulated amortization	(716,505)	(558,069)
Net carrying value	1,990,988	1,037,478

Net carrying value of the development costs as of June 30, 2017 is TRY 480,297 (December 31, 2016: TRY 434,699) and capitalized development costs excluding amount of borrowing cost in the period is TRY 104,046 (January 1 – June 30, 2016: TRY 69,985).

As of June 30, 2017 there is no capitalized borrowing cost. (June 30, 2016: TRY 56).

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2017, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 852,479,205 (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:

	June 30, 2017	December 31, 2016
Up to 1 year	41,775	40,247
1-5 years	83,331	87,753
Over 5 years	8,362	7,531
Operating lease commitments	133,468	135,531

Derivative instruments contracts commitments

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

June 30, 2017	Purchase commitments	Sales commitments
TRY	-	1,031,266
USD	1,706,190	35,631
EUR	1,210,371	1,130,085
AUD	25,715	120,501
CZK	-	21,322
CNY	-	146,593
DKK	-	36,480
ZAR	-	56,288
GBP	-	320,448
SEK	24,487	-
CHF	95,963	-
CAD	-	4,033
MYR	-	17,551
NOK	28,358	-
PKR	-	2,244
PLN	-	76,360
RON	153,867	-
RUB	18,077	20,675
THB	4,313	28,059
NZD	-	25,225
	3,267,341	3,072,761

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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

	June 30, 2017	December 31, 2016
Collaterals obtained	3,114,555	3,092,142

Collaterals/ pledges/ mortgages/ bill of guarantees ("CPMB") position of the Group as of June 30, 2017 and December 31, 2016 are as follows:

CPMB's given by the Company	June 30, 2017	December 31, 2016
A. CPMB's given for Company's own legal personality	609,791	700,641
B. CPMB's given on behalf of fully consolidated companies	881	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	610,672	701,457

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

TRY equivalents of collaterals, pledges and mortgages give as of June 30, 2017 and December 31, 2016 are as follows on original currency basis are as follows:

CPMB's given by the Company	June 30, 2017	December 31, 2016
USD	522,101	632,996
TRY	57,829	51,173
EUR	13,173	11,868
Other currencies	17,569	5,420
	610,672	701,457

NOTE 15 – OTHER PROVISIONS

	June 30, 2017	December 31, 2016
Other current provisions		
Warranty provision	207,371	226,251
Assembly provision	117,275	73,118
Provision for transportation cost	59,735	31,260
Provision for lawsuit risks	14,931	9,501
Provision for returns	8,109	7,096
Other	65,364	65,134
	472,785	412,360
Other non-current provisions		
Warranty provision	177,128	139,855
Other	136	381
	177,264	140,236

NOTE 16 – PREPAID EXPENSES

	June 30, 2017	December 31, 2016
Short-term prepaid expenses	136,624	88,004
Advances given for fixed assets	30,348	13,441
Advances given for inventories	10,198	17,709
	177,170	119,154

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NOTE 17 – CURRENT INCOME TAX ASSETS

	June 30, 2017	December 31, 2016
Prepaid taxes and funds	67,242	74,629

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	June 30, 2017	December 31, 2016
Social security payables	111,352	93,003
Payables to personnel	66,223	135,737
Accruals for bonuses and premiums	51,214	17,558
	228,789	246,298

NOTE 19 - OTHER ASSETS AND LIABILITIES

	June 30, 2017	December 31, 2016
Other current assets:		
Taxes and funds deductible	239,259	79,779
Value added tax and private consumption tax receivable	78,708	149,004
Income accruals	11,102	22,904
Other	31,315	24,888
	360,384	276,575
Other current liabilities:		
Accruals for customer premiums	421,406	292,914
Advances received	43,427	47,686
Other	8,850	5,024
	473,683	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:

	June 30, 2017	December 31, 2016
Registered share capital ceiling	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	June 30, 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 Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	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:

	June 30, 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- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Other income from operating activities:				
Foreign exchange gains arising from trading activities	195,002	56,873	18,002	23,183
Credit finance income arising from trading activities	12,708	9,582	5,639	5,052
Reversals of provisions	9,925	1,742	7,763	524
Reversal of provisions for doubtful receivables (Note 8)	933	193	639	46
Other	51,723	103,247	9,555	52,525
	270,291	171,637	41,598	81,330
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(113,553)	(97,608)	(19,214)	(34,630)
Cash discounts expenses	(17,834)	(11,919)	(10,491)	(5,850)
Credit finance charges arising from trading activities	(11,761)	(8,322)	389	(6,955)
Provision expense for inventory impairment (Note 9)	(3,550)	(7,426)	(2,360)	(6,146)
Provision expense for doubtful receivables	(3,148)	(17,923)	(1,074)	(17,273)
Other	(23,544)	(14,226)	(8,088)	(9,432)
	(173,390)	(157,424)	(40,838)	(80,286)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Income from investment activities:				
Income from sales of property plant and equipment	2,117	2,184	1,690	1,223
Dividends received from financial investments	93	59	93	59
Income from sales of financial investment ^(*)	-	413,739	-	413,739
	2,210	415,982	1,783	415,021
Expenses from investment activities:				
Loss from sales of property plant and equipment	(2,095)	(685)	(1,847)	(159)
	(2,095)	(685)	(1,847)	(159)

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(*) The amount is related to income from sales of shares of Group's available for sale financial asset Koç Finansal Hizmetler A.Ş.

NOTE 23- FINANCIAL INCOME

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Foreign exchange gains (*)	326,213	135,190	91,393	37,547
Gains on derivative instruments	200,740	105,303	107,674	52,362
Interest income	14,969	14,486	8,541	7,438
Other	544	199	407	84
	542,466	255,178	208,015	97,431

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Foreign exchange losses (*)	(349,773)	(139,329)	(37,647)	(68,221)
Losses on derivative instruments	(281,981)	(114,020)	(178,316)	7,719
Interest expenses	(260,656)	(222,339)	(142,640)	(116,857)
Other	(5,148)	(5,214)	(3,385)	(2,574)
	(897,558)	(480,902)	(361,988)	(179,933)

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 25 - TAX ASSETS AND LIABILITIES

	June 30, 2017	December 31, 2016
Corporation and income taxes	64,516	115,379
Prepaid tax	(52,058)	(92,016)
Tax liabilities (net)	12,458	23,363
Deferred tax assets	585,001	426,746
Deferred tax liabilities	(422,518)	(412,591)
Deferred tax assets, net	162,483	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 (2016: 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 period ended June 30 is as follows:

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Tax income/ (expense)				
- Current period tax expense	(102,922)	(49,095)	(37,389)	(29,711)
- Deferred tax income	150,469	48,645	80,763	27,112
Tax income, net	47,547	(450)	43,374	(2,599)

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

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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)	
	June 30, 2017, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Property, plant and equipment and intangible assets	2,586,863	2,533,773	(624,489)	(617,996)
Derivative instruments	114,753	180,057	(22,950)	(36,012)
Unearned credit finance income/expense (net)	43,529	36,463	(8,706)	(7,293)
Available-for-sale investments	2,965	2,298	(148)	(115)
Unused tax advantages ^(*)	(5,873,034)	(4,594,043)	618,859	489,686
Provision for warranty, assembly and transportation expenses	(384,665)	(338,062)	79,767	70,641
Provision for employment termination benefits	(219,027)	(197,805)	43,805	39,560
Provision for impairment on inventories	(68,669)	(83,547)	14,358	18,171
Provision for doubtful receivables	(14,841)	(14,868)	4,113	4,268
Other	(238,294)	(219,956)	57,874	53,245
Deferred tax assets, net			162,483	14,155

^(*) Gains not arising from investments under incentive certificate during investment period and gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of June 30, 2017 the tax advantage of TRY 569,581 (December 31, 2016: TRY 441,982) 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 six-month periods ended June 30 are as follows:

	2017	2016
Balance as of January 1	14,155	49,012
Deferred tax income recognized in statement of profit or loss	150,469	48,645
Deferred tax effect on sales of financial investment	-	19,642
Deferred tax income recognized directly in the shareholders' equity	3,653	2,354
Currency translation differences	(5,794)	(3,466)
Balance as of June 30	162,483	116,187

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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 period.

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

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

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Net income	496,835	807,710	256,581	652,009
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.735	1.195	0.380	0.965
Diluted earnings per share (kurus) (*)	0.735	1.195	0.380	0.965
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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2017	December 31, 2016
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	9,222	2,318
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	3,015	2,818
Other	929	1,368
	13,166	6,504

(b) Due to related parties:

Current:

Arçelik-LG ⁽¹⁾	243,678	251,160
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽²⁾	159,783	133,419
Ram Dış Ticaret ⁽²⁾	43,900	46,527
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	19,787	9,780
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	12,879	19,793
Koç Holding A.Ş. ⁽³⁾	1,904	22,261
Other	9,620	23,224
	491,551	506,164

	June 30, 2017	December 31, 2016
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	16,602	16,238
Other	394	384
	16,996	16,622

Other payables to related parties – Non Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. ^(*)	46,687	55,141
Other	788	1,151
	47,475	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 June 30, 2017, (December 31, 2016: TRY 81,040),

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

ARÇELİK ANONİM ŞİRKETİ

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	June 30, 2017	December 31, 2016
Other payables to related parties (gross)		
Up to 1 year	19,953	20,021
1 to 5 years	50,845	61,046
	70,798	81,067
Future finance charges on other liabilities	(6,327)	(8,153)
Present value of other payables to related parties (net)	64,471	72,914

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

	June 30, 2017	December 31, 2016
Up to 1 year	16,996	16,622
1 to 5 years	47,475	56,292
	64,471	72,914

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries ⁽¹⁾	132,478	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	
June 30, 2017		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	460,739	2,204	(471)
December 31, 2016		assets/(liabilities)	
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- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
(a) Sales of goods and services:				
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	12,881	10,207	6,739	6,313
Yapı ve Kredi Bankası A.Ş.	7,490	9,701	3,949	5,638
Otokar Otomotiv ve Savunma Sanayi A.Ş. ⁽¹⁾	2,587	-	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,868	319	324	1
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,207	1,162	716	470
Arçelik-LG	1,066	2,511	985	1,620
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	27	18,344	-	5,501
Diğer	1,062	719	737	633
	28,188	42,963	13,450	20,176

(b) Other sales:

Koç Holding A.Ş. (*)	-	558,582	-	558,582
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(*)Group's available for sale financial asset Koç Finansal Hizmetler A.Ş. ("KFS") shares corresponding to 3.98% of the share capital is sold to Koç Holding A.Ş. with the approval of Banking Regulation and Supervision Agency with total remuneration in cash, and profit on sale transaction was booked under income from investment activities (Note 22). The transaction value is determined by taking into account the valuation range indicated in the valuation report prepared by an independent consulting company and the recent market value of Yapı Kredi Bankası shares held by KFS as of the Board Decision date.

⁽¹⁾ Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(c) Purchases of goods and services:	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
Zer Merkezi Hizmetler ve Ticaret A.Ş.	397,556	274,599	234,390	120,753
Arçelik-LG	276,593	241,199	203,049	161,776
Ram Dış Ticaret	82,394	48,792	36,084	10,681
Bilkom Bilişim Hizmetleri A.Ş.	69,752	42,104	48,044	7,235
Ram Sigorta Aracılık Hizmetleri A.Ş. ^{(1) (*)}	26,988	24,995	1,763	1,103
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	24,152	27,276	13,457	5,076
Koç Holding A.Ş. ^(**)	17,738	16,516	8,649	11,434
Setur Servis Turistik A.Ş. ⁽¹⁾	11,222	9,485	6,579	3,992
Other	35,204	26,320	20,842	14,222
	941,599	711,286	572,857	336,272

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 June 30, 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)

(d) 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 six month period ended June 30, 2017 amounts to TRY 9,081 (January 1- June 30, 2016: TRY 22,461). TRY 2,034 (January 1- June 30, 2016: TRY 17,500) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(e) Other transactions

	January 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2017	April 1- June 30, 2016
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	9,458	5,997	5,778	3,562
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,518	933	379	461

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.

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.

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

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 JUNE 30, 2017

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

Details of credit and receivable risk as of June 30, 2017 and December 31, 2016 are as follows:

June, 30, 2017	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	13,166	6,455,706	1,881,038	121,284
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(4,776,515)	-	-
A. Net book value of financial asset either are not due or not impaired	13,166	5,800,630	1,881,038	121,284
-Secured portion by guarantees, etc.	-	(4,285,095)	-	-
B. Financial assets with renegotiated conditions	-	256,543	-	-
- Secured portion by guarantees, etc.	-	(183,941)	-	-
C. Net book value of overdue but not impaired financial assets	-	354,231	-	-
- Secured portion by guarantees, etc.	-	(263,177)	-	-
D. Net book value of the impaired assets	-	44,302	-	-
- Overdue (Gross book value)	-	182,393	-	-
- Impairment (-)	-	(138,092)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,302)	-	-
December 31, 2016				
	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
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

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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**

	June 30, 2017	December 31, 2016
Group 1	26,032	12,859
Group 2	5,902,638	4,605,763
Group 3	141,669	153,405
	6,070,339	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**

	June 30, 2017	December 31, 2016
0-1 month	210,926	262,254
1-3 months	65,649	166,955
3-12 months	56,401	37,057
1-5 years	21,255	32,226
	354,231	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 bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of June 30, 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:

	June 30, 2017	December 31, 2016
Assets	3,531,741	3,913,700
Liabilities	(5,238,159)	(4,962,169)
Net position of financial statement	(1,706,418)	(1,048,469)
Net position of derivative instruments	1,580,165	901,901
Foreign currency position (net)	(126,253)	(146,568)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2017 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent	
Current Assets																					
Trade receivables	382,877	191,028	72,042	311,105	80,651	-	123,469	-	-	54,496	48,609	42,805	509	-	1,675	360	290,618	-	385	2,954,075	
Monetary financial assets	63,833	7,123	48	2	1	14	84	2	-	13	13,676	778	6	-	1	-	1	1	-	-	290,214
Other	17,003	59,435	10	-	-	-	-	-	-	-	-	12	-	1,157	-	-	16,728	610	-	-	287,452
Total Assets	463,713	257,586	72,100	311,107	80,652	14	123,553	2	-	54,509	62,285	43,595	515	1,157	1,676	360	307,347	611	385	3,531,741	
Current Liabilities																					
Trade payables	196,476	250,767	1,114	(42)	-	-	-	142	186	7,863	206	9,329	148	7,725	-	928	39,834	618	-	-	1,721,888
Financial liabilities	33,006	8,765	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	162,863
Other monetary liabilities	111	5,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,688
Non-Current Liabilities																					
Financial liabilities	383,333	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,288,032
Other monetary liabilities	-	13,312	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,688
Total Liabilities	612,926	778,046	1,114	(42)	-	-	-	142	186	7,863	206	9,329	148	7,725	-	928	39,834	618	-	385	5,238,159
Net Position of Financial Statement	(149,213)	(520,460)	70,986	311,149	80,652	14	123,553	(140)	(186)	46,646	62,079	34,266	367	(6,568)	1,676	(568)	267,513	(7)	385	(1,706,418)	
Off-balance sheet																					
derivative assets (*)	441,945	486,496	-	51,225	-	-	-	-	-	-	-	9,580	-	-	-	-	-	-	-	-	3,504,035
Off-balance sheet																					
derivative liabilities (*)	(282,310)	(10,160)	(70,563)	(350,000)	(81,000)	-	(140,000)	-	-	(54,500)	(67,877)	(43,780)	-	-	(1,500)	-	(285,000)	-	-	-	(1,923,870)
Net position of																					
off-balance sheet items	159,635	476,336	(70,563)	(298,775)	(81,000)	-	(140,000)	-	-	(54,500)	(67,877)	(34,200)	-	-	(1,500)	-	(285,000)	-	-	-	1,580,165
Net Asset/(Liability) Position of Foreign Currency	10,422	(44,124)	423	12,374	(348)	14	(16,447)	(140)	(186)	(7,854)	(5,798)	66	367	(6,568)	176	(568)	(17,487)	(7)	385	(126,253)	
Net Asset/(Liability) Position of Foreign																					
Currency Monetary Items	(166,216)	(579,895)	70,976	311,149	80,652	14	123,553	(140)	(186)	46,646	62,079	34,254	367	(7,725)	1,676	(568)	250,785	(617)	385	(1,993,870)	
Fair Value of Financial Instruments Used																					
for Foreign Exchange Hedge																					117,196
Hedged Amount of Foreign Currency Assets	282,310	10,160	70,563	350,000	81,000	-	140,000	-	-	54,500	67,877	43,780	-	-	1,500	-	285,000	-	-	-	1,923,870
Hedged Amount of Foreign Currency																					
Liabilities	291,945	486,496	-	51,225	-	-	-	-	-	-	-	9,580	-	-	-	-	-	-	-	-	2,903,585

(*) 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:

June 30, 2017	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent	
Against TRY	6,692	4,700	(420)	12,374	(348)	14	(16,465)	2	(100)	-	-	441	-	(3,452)	176	(375)	5,619	(7)	385	43,619	
Against EUR	-	(2,293)	-	-	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	(8,039)
Against RUB	549	916	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,411
Against PLN	(1,355)	29	-	-	-	-	18	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,319)
Against GBP	1,224	(101)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,546
Against RON	5,532	(5,051)	1,084	-	-	-	-	-	-	-	-	-	-	(3,251)	-	-	-	-	-	-	9,253
Against CZK	(52)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(208)
Against NOK	1,674	-	-	-	-	-	-	-	(86)	-	(5,898)	-	-	-	-	-	-	-	-	-	3,496
Against SEK	(552)	-	-	-	-	-	-	(142)	-	-	100	-	-	-	-	-	-	-	-	-	(2,215)
Against CNY	(51)	1,505	568	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,653
Against ZAR	(183)	134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(263)
Against AUD	7	32	-	-	-	-	-	-	-	-	-	-	367	-	-	-	-	-	-	-	1,080
Against EGP	(2)	(26,980)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(98,236)
Against UAH	(2,973)	(12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,943)
Against CHF	2,077	693	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,744
Against BWP	-	-	-	-	-	-	-	-	-	(7,864)	-	-	-	-	-	-	-	-	-	-	(2,126)
Against NZD	(114)	(32)	-	-	-	-	-	-	-	-	-	(375)	-	-	-	-	-	-	-	-	(1,575)
Against USD	278	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,113
Against RSD	398	(1,255)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,808)
Against THB	(223)	(2,652)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,194)
Against MYR	-	(722)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,532)
Against VND	-	(5,209)	-	-	-	-	-	-	-	-	-	-	-	-	-	(193)	-	-	-	-	(18,288)
Against PKR	(2,504)	(7,826)	(15)	-	-	-	-	-	-	-	-	-	-	135	-	-	(23,106)	-	-	-	(49,422)
	10,422	(44,124)	423	12,374	(348)	14	(16,447)	(140)	(186)	(7,854)	(5,798)	66	367	(6,568)	176	(568)	(17,487)	(7)	385	(126,253)	

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

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 June 30, 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%
June 30, 2017				
USD net asset/liability	(182,530)	182,530	(180,084)	180,084
Secured portion from USD risk	167,056	(167,056)	167,056	(167,056)
USD Net effect	(15,474)	15,474	(13,028)	13,028
EUR net asset/liability	315	(315)	4,718	(4,718)
Secured portion from EUR risk	3,857	(3,857)	63,902	(63,902)
EUR Net effect	4,172	(4,172)	68,620	(68,620)
GBP net asset/liability	32,237	(32,237)	42,400	(42,400)
Secured portion from GBP risk	(32,045)	32,045	(32,045)	32,045
GBP Net effect	192	(192)	10,355	(10,355)
RUB net asset/liability	1,838	(1,838)	38,827	(38,827)
Secured portion from RUB risk	(1,765)	1,765	(1,765)	1,765
RUB Net effect	73	(73)	37,062	(37,062)
RON net asset/liability	1	(1)	90,421	(90,421)
Secured portion from RON risk	-	-	-	-
RON Net effect	1	(1)	90,421	(90,421)
PLN net asset/liability	7,603	(7,603)	15,169	(15,169)
Secured portion from PLN risk	(7,636)	7,636	(7,636)	7,636
PLN Net effect	(33)	33	7,533	(7,533)
CZK net asset/liability	1,882	(1,882)	5,807	(5,807)
Secured portion from CZK risk	(2,132)	2,132	(2,132)	2,132
CZK Net effect	(250)	250	3,675	(3,675)
NOK net asset/liability	(6)	6	355	(355)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(6)	6	355	(355)
SEK net asset/liability	(8)	8	4,398	(4,398)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	(8)	8	4,398	(4,398)
NZD net asset/liability	94	(94)	94	(94)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	94	(94)	94	(94)
ZAR net asset/liability	1,261	(1,261)	68,652	(68,652)
Secured portion from ZAR risk	(1,473)	1,473	(1,473)	1,473
ZAR Net effect	(212)	212	67,179	(67,179)
AUD net asset/liability	9,198	(9,198)	7,477	(7,477)
Secured portion from AUD risk	(9,180)	9,180	(9,180)	9,180
AUD Net effect	18	(18)	(1,703)	1,703
DKK net asset/liability	3,336	(3,336)	3,336	(3,336)
Secured portion from DKK risk	(3,648)	3,648	(3,648)	3,648
DKK Net effect	(312)	312	(312)	312
JPY net asset/liability	(20)	20	(20)	20
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(20)	20	(20)	20
CAD net asset/liability	451	(451)	451	(451)
Secured portion from CAD risk	(403)	403	(403)	403
CAD Net effect	48	(48)	48	(48)
THB net asset/liability	(6)	6	25,439	(25,439)
Secured portion from THB risk	-	-	-	-
THB Net effect	(6)	6	25,439	(25,439)
EGP net asset/liability	-	-	(8,514)	8,514
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(8,514)	8,514
UAH net asset/liability	-	-	805	(805)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	805	(805)
CNY net asset/liability	13,760	(13,760)	21,415	(21,415)
Secured portion from CNY risk	(14,659)	14,659	(14,659)	14,659
CNY Net effect	(899)	899	6,756	(6,756)
CHF net asset/liability	(3)	3	23,684	(23,684)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(3)	3	23,684	(23,684)
BWP net asset/liability	-	-	(96)	96
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(96)	96
RSD net asset/liability	-	-	2,663	(2,663)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	2,663	(2,663)
MYR net asset/liability	-	-	(575)	575
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	(575)	575
VND net asset/liability	-	-	(163)	163
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	(163)	163
PKR net asset/liability	-	-	90,213	(90,213)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	-	-	90,213	(90,213)
IDR net asset/liability	-	-	1,722	(1,722)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	-	-	1,722	(1,722)
	(12,625)	12,625	416,611	(416,611)

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

	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%
December 31, 2016				
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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

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

Imports and exports performed to / from Turkey for the periods ended as of June 30, 2017 and 2016 are as follows:

	June 30, 2017		June 30, 2016	
	Original amount	TRY	Original amount	TRY
EUR	466,182,654	1,836,844	464,425,542	1,512,212
USD	153,796,324	555,065	179,695,502	521,558
GBP	108,977,652	497,558	119,615,647	499,122
Other		333,748		243,976
Total export amount		3,223,215		2,776,868
EUR	211,465,316	828,814	166,258,184	540,931
USD	454,458,148	1,648,321	374,053,629	1,091,262
GBP	334,000	1,510	342,275	1,449
Other		3,556		3,721
Total import amount		2,482,201		1,637,363

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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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 June 30, 2017 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 5,884,949 (December 31, 2016: TRY 4,418,497) (Note 6), and TRY 5,882,793 (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 June 30, 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)	-	121,284	-
Financial investments (Note 5)	3,323	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	4,088	-
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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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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:

	January 1- June 30, 2017	January 1- June 30, 2016
Adjustments for provisions:		
Accrual for customer premiums	128,492	36,522
Provision for assembly and transportation cost	72,632	35,958
Accrual for bonuses and premiums	33,656	34,042
Warranty provision	18,393	14,592
Provision for employment termination benefits	14,512	14,781
Provision for legal claims	5,430	(597)
Provision for vacation pay liability	2,795	5,112
Return provisions	1,013	(929)
	276,923	139,481
Adjustments for impairment loss:		
Provision for impairment on inventories	3,550	7,426
Provision for doubtful receivables	3,148	17,923
	6,698	25,349

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

None.

NOTE 31 – OTHER ISSUES

On 23rd May,2017 a Joint Venture Agreement has been signed between Ardutch main shareholder company Koç Holding A.Ş. and; Voltas Limited and Tata Investment Corporation Limited, Tata Group Companies based in India. Based on the Joint Venture Agreement; a company will be established to engage in the production and sales of refrigerators, in addition to the sales of washing machines, dishwashers, dryers, microwaves and other white goods, under the Voltas-Beko brand for the Indian market. The company will be governed as per joint management principles and shareholding ratios will be as follows; Ardutch 49%, Koç Holding A.Ş. 1%, Voltas Limited 49%, Tata Investment Corporation Limited (TICL) 1%. The company will commence operations on the date (the Closing Date) on which the approval of the Competition Board of India and the other pre-conditions included in the contract are fulfilled.

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

NOTE 31 – OTHER ISSUES (Continued)

The company to be established in India is forecasted to be incorporated with an initial capital of 100,000 INR (c. USD 1,500 in full). After the Closing Date, a capital increase of USD 100 million, minimum investment amount, is planned to be made taking into consideration the company's business plan and cash flow requirements. Capital amount will be paid by the shareholders in proportion to their shareholding ratios and the payments are foreseen to be made in the periods to be determined according to the company's business plan. Under the joint venture agreement, refrigerators will be produced at the production plant to be built in India. The production plant is planned to be established within the first year when the Company starts its operation. In the first year, it is expected to sell the products sourced from Arçelik's production plants and subsequent to the establishment of the production plant in India, the company will start the sales of the products manufactured in the aforementioned plant. In addition, by the end of the fourth year following the Closing Date, the Company will assess to produce air conditioners. Within the scope of the joint venture agreement, the Company is expected to supply refrigerator, washing machine, dishwasher, drier and other white goods from the Group.

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