

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

# **Arçelik Anonim Şirketi**

**January 1 - September 30, 2017 condensed interim consolidated financial statements**

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

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

		Unaudited	Audited
	Notes	September 30, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	1,982,875	2,441,871
Trade receivables			
-Due from related parties	27	14,798	6,504
-Trade receivables, third parties	8	6,995,297	5,288,765
Derivative instruments	7	7,365	4,804
Inventories	9	3,945,390	2,761,570
Prepaid expenses	16	242,101	119,154
Current income tax assets	17	90,571	74,629
Other current assets	19	309,140	276,575
<b>Subtotal</b>		<b>13,587,537</b>	<b>10,973,872</b>
Non-current assets or disposal groups classified as held for sale		10,995	11,888
<b>Total current assets</b>		<b>13,598,532</b>	<b>10,985,760</b>
<b>Non-current assets:</b>			
Financial investments			
-Financial assets available-for-sale	5	2,561	2,735
Trade receivables			
-Trade receivables, third parties	8	9,311	24,484
Derivate instruments	7	65,734	178,882
Associates	11	260,479	236,090
Property, plant and equipment	12	2,926,060	2,750,411
Intangible assets			
-Goodwill		400,288	393,752
-Other intangible assets	13	2,029,538	1,910,508
Deferred tax assets	25	613,407	426,746
<b>Total non-current assets</b>		<b>6,307,378</b>	<b>5,923,608</b>
<b>Total assets</b>		<b>19,905,910</b>	<b>16,909,368</b>

These condensed interim consolidated financial statements as at and for the period ended September 30, 2017, have been approved for issue by the Board of Directors on October 20, 2017.

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

		<b>Unaudited</b>	<b>Audited</b>
	<b>Notes</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Financial liabilities	6	1,078,982	1,239,158
Short term portion of long term financial liabilities	6	2,136,605	1,011,416
Trade payables			
-Due to related parties	27	515,535	506,164
-Trade payables, third parties	8	3,354,140	2,579,825
Derivative instruments	7	2,877	4,385
Employee benefit obligations	18	266,888	246,298
Other payables			
-Due to related parties	27	17,887	16,622
-Other payables, third parties	10	239,556	220,873
Current income tax liabilities	25	24,547	23,363
Provisions			
-Other provisions	15	438,699	412,360
Other current liabilities	19	570,176	345,624
<b>Total current liabilities</b>		<b>8,645,892</b>	<b>6,606,088</b>
<b>Non-current liabilities</b>			
Financial liabilities	6	3,767,027	3,407,081
Other payables			
-Due to related parties	27	43,222	56,292
Provisions			
-Provision for employee benefits		250,257	227,571
-Other provisions	15	189,187	140,236
Deferred tax liabilities	25	416,450	412,591
Other non-current liabilities		48,402	54,932
<b>Total non-current liabilities</b>		<b>4,714,545</b>	<b>4,298,703</b>
<b>Total liabilities</b>		<b>13,360,437</b>	<b>10,904,791</b>

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

		<b>Unaudited</b>	<b>Audited</b>
		<b>September 30,</b>	<b>December 31,</b>
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>EQUITY</b>			
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		(105,596)	(94,522)
-Increases/ decreases on revaluation of non-current assets		99,940	88,438
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		1,253,072	987,891
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(380,943)	(323,047)
-Gains/ losses on cash flow hedges		6,166	6,152
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		2,018	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		753,065	1,299,912
Attributable to:			
Equity holders of the parent		6,513,574	5,977,947
Non-controlling interest		31,899	26,630
<b>Total equity</b>		<b>6,545,473</b>	<b>6,004,577</b>
<b>Total liabilities and equity</b>		<b>19,905,910</b>	<b>16,909,368</b>
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 SEPTEMBER 30, 2017

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

	Notes	Unaudited			
		January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Net sales	3	15,134,941	11,570,243	5,439,610	4,083,238
Cost of sales		(10,378,003)	(7,662,492)	(3,714,987)	(2,722,219)
<b>Gross profit</b>	<b>3</b>	<b>4,756,938</b>	<b>3,907,751</b>	<b>1,724,623</b>	<b>1,361,019</b>
General administrative expenses		(658,963)	(539,283)	(231,867)	(176,328)
Marketing expenses		(2,887,091)	(2,331,825)	(1,047,777)	(809,101)
Research and development expenses		(123,483)	(113,804)	(39,978)	(39,898)
Other income from operating activities	21	425,774	300,755	155,483	129,118
Other expenses from operating activities	21	(230,451)	(184,687)	(57,061)	(27,263)
<b>Operating profit</b>		<b>1,282,724</b>	<b>1,038,907</b>	<b>503,423</b>	<b>437,547</b>
Income from investment activities	22	7,281	417,687	5,071	1,705
Expenses from investment activities	22	(5,254)	(751)	(3,159)	(66)
Income from associates (net)	11	37,244	27,937	11,429	8,760
<b>Operating income before financial income/(expense)</b>		<b>1,321,995</b>	<b>1,483,780</b>	<b>516,764</b>	<b>447,946</b>
Financial income	23	604,916	395,274	192,324	140,096
Financial expenses	24	(1,218,324)	(785,671)	(450,640)	(304,769)
<b>Profit from continuing operations before tax</b>		<b>708,587</b>	<b>1,093,383</b>	<b>258,448</b>	<b>283,273</b>
<b>Tax income/(expense), continuing operations</b>					
- Taxes on income	25	(138,999)	(82,584)	(36,077)	(33,489)
- Deferred tax income	25	185,637	62,988	35,168	14,343
<b>Net income</b>		<b>755,225</b>	<b>1,073,787</b>	<b>257,539</b>	<b>264,127</b>
<b>Attributable to:</b>					
Non-controlling interest		2,160	3,256	1,309	1,306
<b>Equity holders of the parent</b>		<b>753,065</b>	<b>1,070,531</b>	<b>256,230</b>	<b>262,821</b>
<b>Earnings per share (kurus)</b>	<b>26</b>	<b>1.114</b>	<b>1.584</b>	<b>0.379</b>	<b>0.389</b>
<b>Diluted earnings per share (kurus)</b>	<b>26</b>	<b>1.114</b>	<b>1.584</b>	<b>0.379</b>	<b>0.389</b>

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 SEPTEMBER 30, 2017

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

	Unaudited			
	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>Net income</b>	<b>755,225</b>	<b>1,073,787</b>	<b>257,539</b>	<b>264,127</b>
<b>Other comprehensive income</b>				
<b>Other comprehensive income not to be reclassified to profit or loss</b>	<b>(13,742)</b>	<b>(13,994)</b>	<b>4,814</b>	<b>(1,995)</b>
Actuarial gain/ loss arising from defined benefit plans	(13,453)	(14,072)	5,087	(2,018)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	(289)	78	(273)	23
<b>Other comprehensive income not to be reclassified to profit or loss, tax effect</b>	<b>2,668</b>	<b>2,814</b>	<b>(1,018)</b>	<b>403</b>
Actuarial gain/ loss arising from defined benefit plans, tax effect	2,668	2,814	(1,018)	403
<b>Other comprehensive income to be reclassified to profit or loss</b>	<b>207,261</b>	<b>(214,606)</b>	<b>56,032</b>	<b>137,222</b>
Currency translation differences	279,792	211,461	87,103	161,593
Other comprehensive income related with hedges of net investments in foreign operations	(72,372)	(27,480)	(28,410)	(23,460)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	(174)	(391,514)	(841)	191
Share of other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss	15	(7,073)	(1,820)	(1,102)
<b>Other comprehensive income to be reclassified to profit or loss, tax effect</b>	<b>14,484</b>	<b>25,072</b>	<b>5,724</b>	<b>4,683</b>
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	14,475	5,496	5,682	4,692
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	9	19,576	42	(9)
<b>Other comprehensive income/ (loss) (net of tax)</b>	<b>210,671</b>	<b>(200,714)</b>	<b>65,552</b>	<b>140,313</b>
<b>Total comprehensive income</b>	<b>965,896</b>	<b>873,073</b>	<b>323,091</b>	<b>404,440</b>
<b>Attributable to:</b>				
Non-controlling interest	5,269	4,808	2,411	2,706
<b>Equity holders of the parent</b>	<b>960,627</b>	<b>868,265</b>	<b>320,680</b>	<b>401,734</b>

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 SEPTEMBER 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		Equity holders of the parent	Non-controlling interest	Total equity
	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			
					Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets									
<b>Balance at January 1, 2016</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(57,615)</b>	<b>75,747</b>	<b>(257,757)</b>	<b>374,201</b>	<b>324,618</b>	<b>307,051</b>	<b>1,839,690</b>	<b>891,141</b>	<b>4,657,011</b>	<b>18,826</b>	<b>4,675,837</b>
Transfers	-	-	-	-	-	-	-	-	-	22,821	868,320	(891,141)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,180)</b>	<b>4,369</b>	<b>(29,057)</b>	<b>(371,938)</b>	<b>205,540</b>	<b>-</b>	<b>-</b>	<b>1,070,531</b>	<b>868,265</b>	<b>4,808</b>	<b>873,073</b>
Net income	-	-	-	-	-	-	-	-	-	-	-	1,070,531	1,070,531	3,256	1,073,787
Other comprehensive income	-	-	-	-	(11,180)	4,369	(29,057)	(371,938)	205,540	-	-	-	(202,266)	1,552	(200,714)
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(262,000)	-	(262,000)	-	(262,000)
<b>As of September 30, 2016</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(68,795)</b>	<b>80,116</b>	<b>(286,814)</b>	<b>2,263</b>	<b>530,158</b>	<b>329,872</b>	<b>2,446,010</b>	<b>1,070,531</b>	<b>5,263,276</b>	<b>23,634</b>	<b>5,286,910</b>
<b>Balance at January 1, 2017</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(94,522)</b>	<b>88,438</b>	<b>(316,895)</b>	<b>2,183</b>	<b>987,891</b>	<b>329,872</b>	<b>2,521,133</b>	<b>1,299,912</b>	<b>5,977,947</b>	<b>26,630</b>	<b>6,004,577</b>
Transfers	-	-	-	-	-	-	-	-	-	39,121	1,260,791	(1,299,912)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,074)</b>	<b>11,502</b>	<b>(57,882)</b>	<b>(165)</b>	<b>265,181</b>	<b>-</b>	<b>-</b>	<b>753,065</b>	<b>960,627</b>	<b>5,269</b>	<b>965,896</b>
Net income	-	-	-	-	-	-	-	-	-	-	-	753,065	753,065	2,160	755,225
Other comprehensive income	-	-	-	-	(11,074)	11,502	(57,882)	(165)	265,181	-	-	-	207,562	3,109	210,671
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(425,000)	-	(425,000)	-	(425,000)
<b>As of September 30, 2017</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(105,596)</b>	<b>99,940</b>	<b>(374,777)</b>	<b>2,018</b>	<b>1,253,072</b>	<b>368,993</b>	<b>3,356,924</b>	<b>753,065</b>	<b>6,513,574</b>	<b>31,899</b>	<b>6,545,473</b>

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 SEPTEMBER 30, 2017**

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

	Notes	Unaudited	
		January 1- September 30 2017	January 1- September 30 2016
<b>Cash flows from operating activities:</b>			
<b>Net income from continued operations:</b>		<b>755,225</b>	<b>1,073,787</b>
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	25	(46,638)	19,596
Adjustments for depreciation and amortisation expense		403,814	316,653
Adjustments for impairment loss	29	8,556	28,426
Adjustments for provisions	29	386,451	275,717
Adjustments for interest expense	24	414,800	327,026
Adjustments for interest income	23	(24,450)	(22,524)
Adjustments for undistributed profits of investments accounted for using equity method		(37,244)	(27,937)
Adjustments for fair value (gains) losses on derivative financial instruments	23,24	126,218	28,776
Adjustments for unrealised foreign exchange losses (gains)	23,24	90,005	49,033
Other adjustments to reconcile profit (loss)	23,24	6,835	8,086
Adjustments for income arised from government grants		(45,005)	(141,598)
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	(1,934)	(3,138)
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>2,036,540</b>	<b>1,518,105</b>
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,708,636)	(491,241)
Adjustments for decrease (increase) in inventories		(1,189,992)	(271,493)
Decrease (increase) in prepaid expenses		(122,947)	(57,979)
Adjustments for increase (decrease) in trade payables		783,686	404,135
Increase (decrease) in employee benefit liabilities		(66,321)	(44,677)
Adjustments for increase (decrease) in other operating payables		5,179	60,164
Increase (decrease) in government grants and assistance		48,196	64,269
Other adjustments for other increase (decrease) in working capital		(26,422)	119,699
Income taxes refund (paid)		(104,642)	(90,112)
<b>Cash flows from operating activities</b>		<b>(345,359)</b>	<b>1,210,870</b>
<b>Investing activities:</b>			
Purchase of property, plant, equipment and intangible assets		(580,948)	(438,848)
Proceeds from sales of property, plant, equipment and intangible assets		13,996	9,099
Dividends received		13,178	12,809
Cash receipts from sales of equity or debt instruments of other entities	27	-	558,582
<b>Cash flows from investing activities</b>		<b>(553,774)</b>	<b>141,642</b>
<b>Financing activities:</b>			
Proceeds from borrowings		2,546,888	1,641,397
Repayments of borrowings		(1,415,946)	(2,002,690)
Dividends paid		(425,000)	(262,000)
Interest paid		(360,256)	(317,759)
Interest received		24,120	23,136
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(17,139)	15,537
Other inflows (outflows) of cash	23,24	(6,835)	(8,086)
<b>Cash flows from financing activities</b>		<b>345,832</b>	<b>(910,465)</b>
<b>Net increase/(decrease) in cash and cash equivalents before currency translation differences</b>		<b>(553,301)</b>	<b>442,047</b>
Effect of currency translation differences		93,974	113,067
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(459,327)</b>	<b>555,114</b>
<b>Cash and cash equivalents at January 1</b>	4	<b>2,441,652</b>	<b>2,166,153</b>
<b>Cash and cash equivalents at September 30</b>	4	<b>1,982,325</b>	<b>2,721,267</b>

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 SEPTEMBER 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 fifteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa and Thailand. 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 September 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 September 30, 2017 is 6,339 white - collar (January 1- September 30, 2016: 4,712) and 24,078 (January 1- September 30, 2016: 20,964) blue – collar totalling to 30,417 (January 1- September 30, 2016: 25,676).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
<b>Continuing operations as of reporting date</b>			
Arçelik Pazarlama A.Ş. (“Pazarlama A.Ş.”)	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Ardutch B.V. Taiwan (“Ardutch Taiwan”) <sup>(*)</sup>	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) <sup>(*)</sup>	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”) <sup>(*)</sup>	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”) <sup>(*)</sup>	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”) <sup>(*)</sup>	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 SEPTEMBER 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>
<b>Ceased operations as of reporting date</b>			
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	-	-
<u>Associates</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication

#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

##### Financial reporting standards

The condensed interim consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/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 September 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 September 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.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2017

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

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

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

##### **Amendments to IAS 7 Statement of cash flows**

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

##### **Amendments IAS 12 Income Taxes**

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

##### **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 TFRS 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.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2017

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

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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.

##### **Annual Improvements to IFRSs - 2014-2016 Cycle**

POA 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.

##### **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.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

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

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

**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.

**IFRS 16 Leases**

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

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

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

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

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

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

**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.

**IFRIC 23 Uncertainty over income tax treatments**

The amendment effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. . The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 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 September 30, 2017 and December 31, 2016 (%) and their functional currencies:

	Functional currency	September 30, 2017		December 31, 2016	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
<b>Continuing operations as of balance sheet date:</b>					
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 <sup>(1)</sup>	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
<b>Ceased operations as of balance sheet date:</b>					
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

<sup>(1)</sup> Founded as a sales company in 2017.



**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

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

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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 September 2016, consolidated other comprehensive income statement has been changed in order to present the revaluation fund of financial assets amounting to TRY 392,841 TL and its tax effect amounting to TRY 19,642 due to the sale of shares of Koç Finansal Hizmetler in related accounts.

Financial income and expense amounting to TRY 129,874 has been net off in the consolidated statement of profit or loss for the six month period ended June 30, 2017.

**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 nine month period ended September 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 September 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.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 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 nine-month period ended September 30, 2017 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	11,088,768	1,841,014	2,205,159	15,134,941
Gross profit	3,733,491	345,217	678,230	4,756,938
Depreciation and amortization	311,985	67,295	32,489	411,768
Capital expenditures	487,926	79,083	21,893	588,902

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

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	8,181,192	1,507,823	1,881,227	11,570,243
Gross profit	2,975,377	462,677	469,696	3,907,751
Depreciation and amortization	258,631	50,146	13,425	322,201
Capital expenditures	359,844	69,881	14,727	444,452

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

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	4,096,601	676,677	666,332	5,439,610
Gross profit	1,354,248	141,044	229,331	1,724,623
Depreciation and amortization	107,233	23,002	9,764	139,998
Capital expenditures	198,253	32,558	9,442	240,253

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

(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 July 1 – September 30, 2016 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	3,027,152	472,822	583,263	4,083,238
Gross profit	1,079,121	134,822	147,075	1,361,019
Depreciation and amortization	89,880	16,933	4,251	111,063
Capital expenditures	121,404	25,109	4,892	151,405

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

<b>January 1 – September 30, 2017</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	6,221,685	6,139,574	967,144	1,806,538	15,134,941

<b>January 1 – September 30, 2016</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	4,849,460	5,080,204	737,513	903,067	11,570,243

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

<b>July 1 – September 30, 2017</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	2,199,625	2,351,434	347,055	541,496	5,439,610

<b>July 1 – September 30, 2016</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	1,669,236	1,848,263	275,285	290,455	4,083,238

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NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016
Cash in hand	699	608
Cash at banks		
- demand deposits	259,909	538,957
- time deposits	1,544,902	1,774,982
Cheques and notes	107,190	90,240
Other	69,625	36,865
<b>Cash and cash equivalents in cash flow statement</b>	<b>1,982,325</b>	<b>2,441,652</b>
Interest income accruals	550	219
	<b>1,982,875</b>	<b>2,441,871</b>

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

Up to 30 days	1,910,574	2,291,112
30-90 days	72,301	150,759
	<b>1,982,875</b>	<b>2,441,871</b>

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

TRL	13.7	-
USD	0.4	0.7
EUR	(0.2)	0.1
AUD	0.0	0.0
BWP	1.0	1.0
CZK	(0.6)	0.0
CNY	1.0	1.7
DKK	0.0	-
IDR	4.5	-
ZAR	-	5.2
HKD	0.0	0.0
GBP	0.2	0.0
SEK	(0.8)	0.0
CHF	(0.7)	0.0
EGP	13.3	5.1
NAD	5.0	5.0
NOK	0.2	0.0
PKR	4.3	4.2
RON	0.6	0.7
RUB	8.0	8.3
THB	0.7	0.7
VND	1.0	1.0
NZD	0.0	0.0

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NOTE 5 - FINANCIAL INVESTMENTS

*Available-for-sale investments*

	September 30, 2017		December 31, 2016	
	%	TRY	%	TRY
Tat Gıda Sanayi A.Ş.	0.34	2,482	0.34	2,656
Other		79		79
		<b>2,561</b>		<b>2,735</b>

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 loss (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş., the available for sale investment, amounting to TRY 165 (September 30 2016: TRY 1,261 unrealized gain (net)) and net of deferred tax effect amounting to TRY 9 (September 30 2016: TRY 66) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets" for the nine-month periods ended at September 30, 2017.

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

	2017	2016
<b>As of January 1</b>	<b>2,735</b>	<b>539,176</b>
Change in fair value	(174)	22,225
Sale of financial asset (Note 27)	-	(558,582)
<b>As of September 30</b>	<b>2,561</b>	<b>2,819</b>

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	September 30, 2017	December 31, 2016
Short-term bank borrowings	1,010,170	1,169,875
Payables from factoring activities <sup>(*)</sup>	68,325	68,370
Other	487	913
<b>Total short-term financial liabilities</b>	<b>1,078,982</b>	<b>1,239,158</b>
Short-term portion of long-term bank borrowings and interest accruals	2,090,360	975,119
Interest accruals of long-term bond issued <sup>(**)</sup>	46,245	36,297
<b>Total short-term portion of long-term financial liabilities</b>	<b>2,136,605</b>	<b>1,011,416</b>

<sup>(\*)</sup> Factoring liabilities are amounting to TRY 36,492 denominated in EUR (December 31, 2016: TRY 43,237), TRY 31,833 denominated in GBP (December 31, 2016: TRY 23,398), (denominated in USD December 31, 2016: TRY 1,735) and interest rates are between 0.60% for EUR (December 31, 2016: 0.55%-0.62%) (for USD December 31, 2016: 1.4%) and 0.93% for GBP (December 31, 2016: 1%).

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**NOTE 6 - FINANCIAL LIABILITIES (Continued)**

**(\*\*) Long term bonds issued:**

**2014:**

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

**2013:**

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

As of September 30, 2017, the details of short-term bank borrowings are as follows:

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY equivalent</b>
TRY	12.5	541,986,293	541,986
EUR	0.5	56,134,599	235,339
PKR	6.3	4,122,761,518	138,195
ZAR	8.9	250,000,000	65,875
CNY	4.4	54,047,924	28,693
USD	1.9	23,259	82
			<b>1,010,170</b>

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

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY Equivalent</b>
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
			<b>1,169,875</b>

**b) Long-term financial liabilities**

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Long-term bank borrowings	538,537	364,884
Long-term bonds issued	3,227,524	3,040,539
Other	966	1,658
	<b>3,767,027</b>	<b>3,407,081</b>

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY Equivalent</b>
TRY	13.0	2,194,916,028	2,194,916
EUR	2.6	56,032,060	234,909
ZAR	10.3	500,000,000	131,750
PKR	6.3	2,008,431,781	67,322
			<b>2,628,897</b>
Short-term portion of long-term loans and interest accruals			(2,090,360)
			<b>538,537</b>

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

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY equivalent</b>
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
			<b>1,340,003</b>
Short-term portion of long-term loans and interest accruals			(975,119)
			<b>364,884</b>

As of September 30, 2017, detail of discounted amounts of long-term bonds issued is given below:

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY equivalent</b>
USD	5.1	510,237,024	1,812,413
EUR	4.0	348,572,612	1,461,356
			<b>3,273,769</b>
Interest accruals of long-term bonds issued			(46,245)
			<b>3,227,524</b>

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

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

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**NOTE 6 - FINANCIAL LIABILITIES (Continued)**

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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
2018	46,582	282,442
2019	293,164	82,442
2020	198,791	-
2021	1,467,340	1,298,465
2023	1,776,050	1,759,600
	<b>3,781,927</b>	<b>3,422,949</b>

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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Up to 3 months	780,345	923,813
3 - 12 months	2,394,568	547,688
1-5 years	1,874,127	2,323,349
Over 5 years	1,776,050	1,759,600
	<b>6,825,090</b>	<b>5,554,450</b>

**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.

	<b>September 30, 2017</b>			<b>December 31, 2016</b>		
	<b>Contract amount</b>	<b>Fair value assets /(liabilities)</b>		<b>Contract amount</b>	<b>Fair value assets /(liabilities)</b>	
<i>Held for trading:</i>						
<i>Short-term derivative instruments</i>						
Forward transactions	820,257	4,881	(221)	1,035,792	2,039	(2,183)
Foreign currency swap contracts	3,263,588	2,484	(2,656)	2,403,272	2,765	(2,202)
	<b>4,083,845</b>	<b>7,365</b>	<b>(2,877)</b>	<b>3,439,064</b>	<b>4,804</b>	<b>(4,385)</b>
<i>Long-term derivative instruments</i>						
Cross-currency fixed interest rate swap (*)	2,460,514	65,734	-	2,294,713	178,882	-

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



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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2017	December 31, 2016
<b>Short-term trade receivables:</b>		
Trade receivables	5,044,620	3,529,754
Notes receivables	1,792,688	1,649,614
Cheques receivables	334,161	273,467
<b>Short-term trade receivables (gross)</b>	<b>7,171,469</b>	<b>5,452,835</b>
Provision for doubtful receivables	(140,299)	(137,168)
Unearned credit finance income	(35,873)	(26,902)
<b>Short-term trade receivables (net)</b>	<b>6,995,297</b>	<b>5,288,765</b>

As of September 30, 2017, the Group has offsetted TRY 651,675 (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 nine-month periods ended September 30 are as follows:

	2017	2016
<b>As of January 1</b>	<b>137,168</b>	<b>110,601</b>
Current year additions (Note 21)	4,248	19,340
Provisions no longer required (Note 21)	(1,067)	(1,358)
Write-offs (*)	(4,740)	(1,494)
Currency translation differences	4,690	2,174
<b>As of September 30</b>	<b>140,299</b>	<b>129,263</b>

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

	September 30, 2017	December 31, 2016
Long-term trade receivables	9,331	24,484
<b>Short-term trade payables:</b>		
Trade payables	3,092,772	2,455,560
Debt accruals	241,138	140,455
Unearned credit finance charges	(44,451)	(16,190)
	<b>3,289,459</b>	<b>2,579,825</b>

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NOTE 9 - INVENTORIES

	September 30, 2017	December 31, 2016
Raw materials and supplies	1,570,918	1,092,288
Work in progress	117,560	98,748
Finished goods	1,797,082	1,366,939
Trade goods	537,417	296,263
<b>Inventories (gross)</b>	<b>4,022,977</b>	<b>2,854,238</b>
Provision for impairment on inventories	(77,587)	(92,668)
<b>Inventories (net)</b>	<b>3,945,390</b>	<b>2,761,570</b>

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:

	September 30, 2017	December 31, 2016
Raw materials and supplies	57,817	62,709
Finished goods	16,877	26,850
Trade goods	2,893	3,109
	<b>77,587</b>	<b>92,668</b>

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

	2017	2016
<b>As of January 1</b>	<b>92,668</b>	<b>67,072</b>
Current year additions (Note 21)	4,308	9,086
Realized due to sales of inventory	(20,749)	(4,429)
Currency translation differences	1,360	614
<b>As of September 30</b>	<b>77,587</b>	<b>72,343</b>

NOTE 10 - OTHER PAYABLES

	September 30, 2017	December 31, 2016
Taxes and duties payable	192,257	173,224
Dividend payables to shareholders	5,794	5,242
Deposits and guarantees received	4,989	6,360
Other	36,516	36,047
	<b>239,556</b>	<b>220,873</b>

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NOTE 11 - ASSOCIATES

	September 30, 2017		December 31, 2016	
	%	TRY	%	TRY
Koç Finansman	47.0	122,059	47.0	104,059
Arçelik - LG	45.0	121,535	45.0	114,280
Ram Dış Ticaret	33.5	10,758	33.5	10,372
Tamı Pazarlama	32.0	6,127	32.0	7,379
		<b>260,479</b>		<b>236,090</b>

The movements of associates for the nine-month periods ended September 30 are as follows:

	2017	2016
<b>As of January 1</b>	<b>236,090</b>	<b>209,881</b>
Shares of income/loss of associates	37,244	27,937
Shares of other comprehensive income/loss of associates	(274)	(6,995)
Gross profit elimination on inventory	504	330
Dividends received	(13,085)	(12,750)
<b>As of September 30</b>	<b>260,479</b>	<b>218,403</b>

*Shares of income/loss from associates:*

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Koç Finansman	27,382	15,323	10,391	5,448
Arçelik – LG	7,071	12,001	(143)	2,349
Ram Dış Ticaret	4,041	984	1,548	986
Tamı Pazarlama	(1,250)	(371)	(367)	(23)
	<b>37,244</b>	<b>27,937</b>	<b>11,429</b>	<b>8,760</b>

*Aggregated summary figures of the financial statements of associates:*

	September 30, 2017	December 31, 2016
Total assets	4,648,661	4,584,127
Total liabilities	4,067,625	4,054,751

  

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Net sales	2,066,541	1,563,217	747,343	477,053
Net income for the period	83,249	61,782	33,066	24,303

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	<b>2017</b>	<b>2016</b>
<b>As of January 1</b>		
Cost	6,219,273	5,090,900
Accumulated depreciation	(3,468,862)	(3,035,225)
<b>Net carrying value</b>	<b>2,750,411</b>	<b>2,055,675</b>
<b>Net carrying value at the beginning of the period</b>		
Additions	399,048	321,186
Disposals	(11,403)	(5,387)
Currency translation differences	77,630	72,466
Depreciation for the period	(289,626)	(233,271)
<b>Net carrying value at the end of the period</b>	<b>2,926,060</b>	<b>2,210,669</b>
<b>As of September 30</b>		
Cost	6,664,951	5,472,172
Accumulated depreciation	(3,738,891)	(3,261,503)
<b>Net carrying value</b>	<b>2,926,060</b>	<b>2,210,669</b>

There is no mortgage on property, plant and equipment as of September 30, 2017 (December 31, 2016: None).

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NOTE 13 – OTHER INTANGIBLE ASSET

	2017	2016
<b>As of January 1</b>		
Cost	2,542,024	1,506,857
Accumulated amortization	(631,516)	(499,377)
<b>Net carrying value</b>	<b>1,910,508</b>	<b>1,007,480</b>
<b>Net carrying value at the beginning of the period</b>	<b>1,910,508</b>	<b>1,007,480</b>
Additions	189,854	123,266
Disposals	(659)	(574)
Currency translation differences	51,977	44,924
Amortization for the period	(122,142)	(88,930)
<b>Net carrying value at the end of the period</b>	<b>2,029,538</b>	<b>1,086,166</b>
<b>As of September 30</b>		
Cost	2,788,531	1,675,990
Accumulated amortization	(758,993)	(589,824)
<b>Net carrying value</b>	<b>2,029,538</b>	<b>1,086,166</b>

Net carrying value of the development costs as of September 30, 2017 is TRY 510,110 (December 31, 2016: TRY 434,699) and capitalized development costs excluding amount of borrowing cost in the period is TRY 161,911 (January 1 – September 30, 2016: TRY 105,830).

As of September 30, 2017 there is no capitalized borrowing cost (January 1- September 30, 2016: TRY 56).

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2017, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 628,019,736 (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:

	September 30, 2017	December 31, 2016
Up to 1 year	52,318	40,247
1-5 years	128,211	87,753
Over 5 years	88,482	7,531
<b>Operating lease commitments</b>	<b>269,011</b>	<b>135,531</b>

Derivative instruments contracts commitments

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

September 30, 2017	Purchase commitments	Sales commitments
TRY	-	718,491
USD	1,859,702	52,216
EUR	1,073,622	1,180,312
AUD	24,449	131,607
CZK	-	48,534
CNY	18,699	178,372
DKK	-	47,697
ZAR	5,974	57,637
GBP	23,739	508,684
SEK	20,827	-
CHF	111,137	-
CAD	-	4,281
MYR	-	19,947
NOK	47,429	4,166
PKR	-	3,762
PLN	-	95,887
RON	118,442	-
RUB	15,328	46,807
THB	32,687	67,341
NZD	-	26,583
	<b>3,352,035</b>	<b>3,192,324</b>

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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
	<b>3,001,204</b>	<b>2,732,573</b>

	September 30, 2017	December 31, 2016
Collaterals obtained	3,023,029	3,092,142

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

CPMB's given by the Company	September 30, 2017	December 31, 2016
A. CPMB's given for Company's own legal personality	574,178	700,641
B. CPMB's given on behalf of fully consolidated companies	922	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	-	-
<b>Total</b>	<b>575,100</b>	<b>701,457</b>

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

TRY equivalents of CPMB's as of September 30, 2017 and December 31, 2016 are as follows on original currency basis are as follows:

<b>CPMB's given by the Company</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
USD	483,866	632,996
TRY	58,698	51,173
EUR	13,796	11,868
Other currencies	18,740	5,420
	<b>575,100</b>	<b>701,457</b>

NOTE 15 – OTHER PROVISIONS

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Other current provisions</b>		
Warranty provision	212,179	226,251
Assembly provision	98,665	73,118
Provision for transportation cost	49,428	31,260
Provision for returns	9,471	7,096
Provision for lawsuit risks	9,462	9,501
Other	59,494	65,134
	<b>438,699</b>	<b>412,360</b>
<b>Other non-current provisions</b>		
Warranty provision	189,164	139,855
Other	23	381
	<b>189,187</b>	<b>140,236</b>

NOTE 16 – PREPAID EXPENSES

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Short-term prepaid expenses	111,470	88,004
Advances given for fixed assets	99,695	13,441
Advances given for inventories	30,936	17,709
	<b>242,101</b>	<b>119,154</b>



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NOTE 17 – CURRENT INCOME TAX ASSETS

	September 30, 2017	December 31, 2016
Prepaid taxes and funds	90,571	74,629

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2017	December 31, 2016
Social security payables	116,177	93,003
Accruals for bonuses and premiums	78,261	17,558
Payables to personnel	72,450	135,737
	<b>266,888</b>	<b>246,298</b>

NOTE 19 - OTHER ASSETS AND LIABILITIES

	September 30, 2017	December 31, 2016
<b>Other current assets:</b>		
Value added tax and private consumption tax receivable	185,756	149,004
Taxes and funds deductible	73,274	79,779
Income accruals	10,259	22,904
Other	39,851	24,888
	<b>309,140</b>	<b>276,575</b>
<b>Other current liabilities:</b>		
Accruals for customer premiums	509,286	292,914
Advances received	51,945	47,686
Other	8,945	5,024
	<b>570,176</b>	<b>345,624</b>

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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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:

	September 30, 2017	December 31, 2016
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	September 30, 2017		December 31, 2016	
	Share %	Amount	Share %	Amount
<b>Shareholders</b>				
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
<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>51.93</b>	<b>350,909</b>	<b>51.93</b>	<b>350,909</b>
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfi	5.14	34,722	5.14	34,722
Vehbi Koç Vakfi	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
<b>Paid-in capital</b>	<b>100.00</b>	<b>675,728</b>	<b>100.00</b>	<b>675,728</b>
Adjustment to share capital (*)		468,811		468,811
<b>Total share capital</b>		<b>1,144,539</b>		<b>1,144,539</b>

(\*) “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.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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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 September 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:

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
General legal reserves	83,690	83,690
Other legal reserves	285,303	246,182
	<b>368,993</b>	<b>329,872</b>

**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- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>Other income from operating activities:</b>				
Foreign exchange gains arising from trading activities	304,858	118,091	109,856	61,218
Credit finance income arising from trading activities	41,507	15,629	28,799	6,047
Reversal of provisions for doubtful receivables (Note 8)	1,067	1,358	134	1,165
Other	78,342	165,677	16,694	60,688
	<b>425,774</b>	<b>300,755</b>	<b>155,483</b>	<b>129,118</b>
<b>Other expenses from operating activities:</b>				
Foreign exchange losses arising from trading activities	(147,381)	(91,385)	(33,828)	6,223
Cash discounts expenses	(28,856)	(17,014)	(11,022)	(5,095)
Credit finance charges arising from trading activities	(8,762)	(12,738)	2,999	(4,416)
Provision expense for inventory impairment (Note 9)	(4,308)	(9,086)	(758)	(1,660)
Provision expense for doubtful receivables (Note 8)	(4,248)	(19,340)	(1,100)	(1,417)
Other	(36,896)	(35,124)	(13,352)	(20,898)
	<b>(230,451)</b>	<b>(184,687)</b>	<b>(57,061)</b>	<b>(27,263)</b>

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>Income from investment activities:</b>				
Income from sales of property plant and equipment	7,188	3,889	5,071	1,705
Dividends received from financial investments	93	59	-	-
Income from sales of financial investment (*)	-	413,739	-	-
	<b>7,281</b>	<b>417,687</b>	<b>5,071</b>	<b>1,705</b>
<b>Expenses from investment activities:</b>				
Loss from sales of property plant and equipment	(5,254)	(751)	(3,159)	(66)
	<b>(5,254)</b>	<b>(751)</b>	<b>(3,159)</b>	<b>(66)</b>

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 23- FINANCIAL INCOME

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Foreign exchange gains (*)	453,949	248,555	127,736	113,365
Gains on derivative instruments	126,059	123,900	55,193	18,597
Interest income	24,450	22,524	9,481	8,038
Other	458	295	(86)	96
	<b>604,916</b>	<b>395,274</b>	<b>192,324</b>	<b>140,096</b>

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Foreign exchange losses (*)	(543,954)	(297,588)	(194,181)	(158,259)
Interest expenses	(414,800)	(327,026)	(154,144)	(104,687)
Losses on derivative instruments	(252,277)	(152,676)	(100,170)	(38,656)
Other	(7,293)	(8,381)	(2,145)	(3,167)
	<b>(1,218,324)</b>	<b>(785,671)</b>	<b>(450,640)</b>	<b>(304,769)</b>

(\*) 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

	September 30, 2017	December 31, 2016
Corporation and income taxes	84,965	115,379
Prepaid tax	(60,418)	(92,016)
<b>Tax liabilities (net)</b>	<b>24,547</b>	<b>23,363</b>
Deferred tax assets	613,407	426,746
Deferred tax liabilities	(416,450)	(412,591)
<b>Deferred tax assets, net</b>	<b>196,957</b>	<b>14,155</b>

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

The corporation tax rate is 20% in Turkey (December 31, 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 years ended September 30 is as follows:

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>Tax income/ (expense)</b>				
- Current period tax expense	(138,999)	(82,584)	(36,077)	(33,489)
- Deferred tax income	185,637	62,988	35,168	14,343
<b>Tax income/ (expense), net</b>	<b>46,638</b>	<b>(19,596)</b>	<b>(909)</b>	<b>(19,146)</b>

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

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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)	
	September 30, 2017, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Property, plant and equipment and intangible assets	2,559,993	2,533,773	(632,961)	(617.996)
Derivative instruments	67,691	180,057	(13,530)	(36.012)
Unearned credit finance income/expense (net)	66,387	36,463	(13,277)	(7.293)
Available-for-sale investments	2,125	2,298	(106)	(115)
Unused tax advantages (*)	(6,138,044)	(4,594,043)	647,970	489.686
Provision for warranty, assembly and transportation expenses	(338,646)	(338,062)	70,745	70.641
Provision for employment termination benefits	(214,357)	(197,805)	42,871	39.560
Provision for impairment on inventories	(66,618)	(83,547)	13,773	18.171
Provision for doubtful receivables	(14,962)	(14,868)	4,206	4.268
Other	(276,129)	(219,956)	77,266	53.245
<b>Deferred tax assets, net</b>			<b>196,957</b>	<b>14,155</b>

(\*) 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 September 30, 2017 the tax advantage of TRY 594,884 (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 nine-month periods ended September 30 are as follows:

	2017	2016
<b>Balance as of January 1</b>	<b>14,155</b>	<b>49,012</b>
Deferred tax income recognized in statement of profit or loss	185,637	62,988
Deferred tax effect on sales of financial investment	-	19,642
Deferred tax income recognized directly in the shareholders' equity	2,677	2,748
Currency translation differences	(5,512)	(13,648)
<b>Balance as of September 30</b>	<b>196,957</b>	<b>120,742</b>

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**NOTE 26 - EARNINGS PER SHARE**

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

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

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

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
Net income	753,065	1,070,531	256,230	262,821
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
<b>Earnings per share (kurus) (*)</b>	<b>1.114</b>	<b>1.584</b>	<b>0.379</b>	<b>0.389</b>
<b>Diluted earnings per share (kurus) (*)</b>	<b>1.114</b>	<b>1.584</b>	<b>0.379</b>	<b>0.389</b>
Dividends distributed to the equity holders of the parent	425,000	262,000	-	-
<b>Gross dividend distributed per share (kurus) (*)</b>	<b>0.629</b>	<b>0.388</b>	-	-

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



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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	September 30, 2017	December 31, 2016
<b>(a) Due from related parties:</b>		
Koçtaş Yapı Marketleri Ticaret A.Ş. <sup>(1)</sup>	9,375	2,318
Yapı ve Kredi Bankası A.Ş. <sup>(1)</sup>	3,526	2,818
Other	1,897	1,368
	<b>14,798</b>	<b>6,504</b>

**(b) Due to related parties:**

**Current:**

Arçelik-LG <sup>(2)</sup>	241,534	251,160
Zer Merkezi Hizmetler ve Ticaret A.Ş. <sup>(1)</sup>	184,887	133,419
Ram Dış Ticaret <sup>(2)</sup>	54,155	46,527
Bilkom Bilişim Hizmetleri A.Ş. <sup>(1)</sup>	35,975	9,780
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. <sup>(1)</sup>	11,329	19,793
Koç Holding A.Ş. <sup>(3)</sup>	3,695	22,261
Other	50,435	23,224
	<b>582,010</b>	<b>506,164</b>

	September 30, 2017	December 31, 2016
<b>Other payables to related parties – Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. <sup>(*)</sup>	17,474	16,238
Other	413	384
	<b>17,887</b>	<b>16,622</b>

**Other payables to related parties – Non Current:**

Zer Merkezi Hizmetler ve Ticaret A.Ş. <sup>(*)</sup>	42,396	55,141
Other	826	1,151
	<b>43,222</b>	<b>56,292</b>

<sup>(\*)</sup> 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 September 30, 2017, (December 31, 2016: TRY 81,040),

- <sup>(1)</sup> Koç Holding group companies  
<sup>(2)</sup> Associates  
<sup>(3)</sup> Parent company

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	September 30, 2017	December 31, 2016
<b>Other payables to related parties (gross)</b>		
Up to 1 year	20,661	20,021
1 to 5 years	46,025	61,046
	<b>66,686</b>	<b>81,067</b>
Future finance charges on other liabilities	(5,577)	(8,153)
<b>Present value of other payables to related parties (net)</b>	<b>61,109</b>	<b>72,914</b>

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

	September 30, 2017	December 31, 2016
Up to 1 year	17,887	16,622
1 to 5 years	43,222	56,292
	<b>61,109</b>	<b>72,914</b>

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries <sup>(1)</sup>	40,541	441,508
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(d) Bank borrowings:

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

	Contract amount	Fair value assets/(liabilities)
<b>September 30, 2017</b>		
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	742,396	1,294 (172)
<b>December 31, 2016</b>		
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	260,924	1,558 (156)

<sup>(1)</sup> Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>(a) Sales of goods and services:</b>				
Koçtaş Yapı Marketleri Ticaret A.Ş.	20,806	15,325	7,925	5,118
Yapı ve Kredi Bankası A.Ş.	12,148	13,443	4,658	3,742
Otokar Otomotiv ve Sav. San. A.Ş. <sup>(1)</sup>	2,587	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,483	2,842	1,276	1,680
Arçelik-LG	2,297	4,449	1,231	1,938
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	1,915	391	47	72
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. <sup>(1)</sup>	27	17,241	-	-
Other	2,770	1,850	1,708	1,331
	<b>45,033</b>	<b>55,741</b>	<b>16,845</b>	<b>13,881</b>

<sup>(1)</sup> Koç Holding group companies

**(b) Other sales:**

Koç Holding A.Ş. <sup>(*)</sup>	-	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.

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<b>(c) Purchases of goods and services:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	663,734	553,826	266,178	279,227
Arçelik-LG	558,636	372,727	282,043	131,528
Ram Dış Ticaret	131,484	103,805	49,090	55,013
Bilkom Bilişim Hizmetleri A.Ş.	105,651	95,991	35,899	53,887
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	46,785	48,035	22,633	20,759
Koç Holding A.Ş. (**)	26,606	27,949	8,868	11,433
Ram Sigorta Aracılık Hizmetleri A.Ş. <sup>(1) (*)</sup>	27,060	25,521	72	526
Setur Servis Turistik A.Ş. <sup>(1)</sup>	21,338	19,406	10,116	9,921
Other	73,196	42,286	37,992	16,377
	<b>1,654,490</b>	<b>1,289,546</b>	<b>712,891</b>	<b>578,671</b>

<sup>(1)</sup> Koç Holding group companies

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.

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> 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.

**(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 nine month period ended September 30, 2017 amounts to TRY 12,734 (January 1- September 30, 2016: TRY 25,210). TRY 2,034 (January 1- September 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.

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(e) Other transactions

	January 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2017	July 1- September 30, 2016
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	15,976	10,244	6,518	4,247
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,976	1,481	458	548

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.

**ARÇELİK ANONİM ŞİRKETİ**

**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 SEPTEMBER 30, 2017

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

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

September 30, 2017	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>14,798</b>	<b>7,004,608</b>	<b>1,805,361</b>	<b>73,099</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(5,096,854)	-	-
A. Net book value of financial asset either are not due or not impaired	14,798	6,358,607	1,805,361	73,099
-Secured portion by guarantees, etc.	-	(4,599,166)	-	-
B. Financial assets with renegotiated conditions	-	229,068	-	-
- Secured portion by guarantees, etc.	-	(181,289)	-	-
C. Net book value of overdue but not impaired financial assets	-	373,023	-	-
- Secured portion by guarantees, etc.	-	(272,530)	-	-
D. Net book value of the impaired assets	-	43,910	-	-
- Overdue (Gross book value)	-	184,208	-	-
- Impairment (-)	-	(140,299)	-	-
- Secured portion of the net value by guarantees, etc.	-	(43,869)	-	-
December 31, 2016	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>6,504</b>	<b>5,313,249</b>	<b>2,314,158</b>	<b>183,686</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(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)	-	-

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

<sup>(2)</sup> 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**

	September 30, 2017	December 31, 2016
Group 1	16,030	12,859
Group 2	6,410,379	4,605,763
Group 3	176,064	153,405
	<b>6,602,473</b>	<b>4,772,027</b>

Group 1 - New customers (customers for a period less than 3 months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

b) **Aging analysis of the receivables which are overdue but not impaired**

	September 30, 2017	December 31, 2016
0-1 month	230,994	262,254
1-3 months	57,889	166,955
3-12 months	56,249	37,057
1-5 years	27,891	32,226
	<b>373,023</b>	<b>498,492</b>

**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 September 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:

	September 30, 2017	December 31, 2016
Assets	3,909,026	3,913,700
Liabilities	(5,442,483)	(4,962,169)
<b>Net position of financial statement</b>	<b>(1,533,457)</b>	<b>(1,048,469)</b>
Net position of derivative instruments	1,291,037	901,901
<b>Foreign currency position (net)</b>	<b>(242,420)</b>	<b>(146,568)</b>

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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 September 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
<b>Current Assets</b>																				
Trade receivables	417,176	182,718	104,350	477,465	91,536	-	272,448	-	-	6	60,970	44,206	592	-	2,538	-	327,176	-	385	3,395,338
Monetary financial assets	49,035	8,735	27	26,994	-	23	12	2	547	5	17,994	3,498	7	-	1	-	1	1	-	258,505
Other	12,437	55,028	8	-	-	-	-	-	-	-	-	-	-	26,145	-	-	8,604	588	-	255,183
<b>Total Assets</b>	<b>478,648</b>	<b>246,481</b>	<b>104,385</b>	<b>504,459</b>	<b>91,536</b>	<b>23</b>	<b>272,460</b>	<b>2</b>	<b>547</b>	<b>11</b>	<b>78,964</b>	<b>47,704</b>	<b>599</b>	<b>26,145</b>	<b>2,539</b>	<b>-</b>	<b>335,781</b>	<b>589</b>	<b>385</b>	<b>3,909,026</b>
<b>Current Liabilities</b>																				
Trade payables	198,945	266,659	1,824	-	-	-	-	708	1,134	11,589	234	8,001	148	32,646	-	570	36,133	591	-	1,838,949
Financial liabilities	23,191	17,399	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,029
Other monetary liabilities	59	5,272	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,974
<b>Non-Current Liabilities</b>																				
Financial liabilities	383,333	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,383,135
Other monetary liabilities	-	11,936	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,396
<b>Total Liabilities</b>	<b>605,528</b>	<b>801,266</b>	<b>1,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708</b>	<b>1,134</b>	<b>11,589</b>	<b>234</b>	<b>8,001</b>	<b>148</b>	<b>32,646</b>	<b>-</b>	<b>570</b>	<b>36,133</b>	<b>591</b>	<b>-</b>	<b>5,442,483</b>
<b>Net Position of Financial Statement</b>	<b>(126,880)</b>	<b>(554,785)</b>	<b>102,561</b>	<b>504,459</b>	<b>91,536</b>	<b>23</b>	<b>272,460</b>	<b>(706)</b>	<b>(587)</b>	<b>(11,578)</b>	<b>78,730</b>	<b>39,703</b>	<b>451</b>	<b>(6,501)</b>	<b>2,539</b>	<b>(570)</b>	<b>299,648</b>	<b>(2)</b>	<b>385</b>	<b>(1,533,457)</b>
Off-balance sheet																				
derivative assets (*)	399,394	523,550	5,000	-	-	-	-	-	-	-	-	8,800	-	-	-	-	-	-	-	3,582,309
Off-balance sheet																				
derivative liabilities (*)	(281,536)	(14,700)	(107,141)	(766,944)	(98,500)	-	(300,000)	-	-	-	(84,800)	(46,245)	-	-	(1,500)	-	(336,000)	-	-	(2,291,272)
Net position of																				
off-balance sheet items	117,858	508,850	(102,141)	(766,944)	(98,500)	-	(300,000)	-	-	-	(84,800)	(37,445)	-	-	(1,500)	-	(336,000)	-	-	1,291,037
<b>Net Asset/(Liability) Position of Foreign Currency</b>	<b>(9,022)</b>	<b>(45,935)</b>	<b>420</b>	<b>(262,485)</b>	<b>(6,964)</b>	<b>23</b>	<b>(27,540)</b>	<b>(706)</b>	<b>(587)</b>	<b>(11,578)</b>	<b>(6,070)</b>	<b>2,258</b>	<b>451</b>	<b>(6,501)</b>	<b>1,039</b>	<b>(570)</b>	<b>(36,352)</b>	<b>(2)</b>	<b>385</b>	<b>(242,420)</b>
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(139,317)	(609,813)	102,553	504,459	91,536	23	272,460	(706)	(587)	(11,578)	78,730	39,703	451	(32,646)	2,539	(570)	291,044	(590)	385	(1,788,640)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																				70,222
Hedged Amount of Foreign Currency Assets	281,536	14,700	107,141	766,944	98,500	-	300,000	-	-	-	84,800	46,245	-	-	1,500	-	336,000	-	-	2,291,272
Hedged Amount of Foreign Currency Liabilities	249,394	523,550	5,000	-	-	-	-	-	-	-	-	8,800	-	-	-	-	-	-	-	2,953,449

(\*) 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:

September 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	(9,390)	252	590	(262,485)	(6,964)	23	(27,552)	2	(100)	-	-	4	-	(3,207)	1,039	(375)	(8,823)	(2)	385	(64,789)	
Against EUR	-	161	-	-	-	-	-	-	-	11	-	-	-	-	-	-	-	-	-	-	575
Against RUB	1,062	454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,065
Against PLN	253	29	(1)	-	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-	-	1,161
Against GBP	756	(129)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,711
Against RON	(518)	(1,514)	617	-	-	-	-	-	-	-	-	-	-	(1,903)	-	-	-	-	-	-	(4,681)
Against CZK	(381)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,597)
Against NOK	(229)	-	-	-	-	-	-	-	(487)	-	(6,070)	-	-	-	-	-	-	-	-	-	(4,586)
Against SEK	1,802	-	-	-	-	-	-	(708)	-	-	-	-	-	-	-	-	-	-	-	-	7,240
Against CNY	461	1,215	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,287
Against ZAR	(284)	(891)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,356)
Against AUD	(99)	(1,602)	-	-	-	-	-	-	-	-	-	-	451	-	-	-	-	-	-	-	(4,947)
Against EGP	6	(27,156)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100,206)
Against UAH	(2,486)	(10)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,458)
Against CHF	215	675	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,299
Against BWP	-	-	-	-	-	-	-	-	-	(11,589)	-	-	-	-	-	-	-	-	-	-	(3,055)
Against NZD	(114)	(145)	-	-	-	-	-	-	-	-	-	2,254	-	-	-	-	-	-	-	-	5,269
Against USD	294	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,233
Against RSD	1,327	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,563
Against THB	(315)	(2,773)	(3)	-	-	-	-	-	-	-	-	-	-	(909)	-	-	-	-	-	-	(11,214)
Against MYR	-	(601)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,135)
Against VND	-	(7,526)	-	-	-	-	-	-	-	-	-	-	-	-	-	(195)	-	-	-	-	(26,754)
Against PKR	(1,382)	(6,374)	3	-	-	-	-	-	-	-	-	-	-	(482)	-	-	(27,529)	-	-	-	(43,045)
	<b>(9,022)</b>	<b>(45,935)</b>	<b>420</b>	<b>(262,485)</b>	<b>(6,964)</b>	<b>23</b>	<b>(27,540)</b>	<b>(706)</b>	<b>(587)</b>	<b>(11,578)</b>	<b>(6,070)</b>	<b>2,258</b>	<b>451</b>	<b>(6,501)</b>	<b>1,039</b>	<b>(570)</b>	<b>(36,352)</b>	<b>(2)</b>	<b>385</b>	<b>(242,420)</b>	

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2016 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	CNY	CHF	TRY Equivalent
<b>Current Assets</b>																	
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
<b>Total Assets</b>	<b>560,973</b>	<b>261,562</b>	<b>101,397</b>	<b>561,181</b>	<b>107,146</b>	<b>263,827</b>	<b>-</b>	<b>3,867</b>	<b>297,801</b>	<b>82,257</b>	<b>33,193</b>	<b>404</b>	<b>1,099</b>	<b>1,780</b>	<b>207,361</b>	<b>619</b>	<b>3,913,700</b>
<b>Current Liabilities</b>																	
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
<b>Non-Current Liabilities</b>																	
Financial liabilities	394,465	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,223,026
Other monetary liabilities	-	15,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,140
<b>Total Liabilities</b>	<b>627,275</b>	<b>731,365</b>	<b>1,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240</b>	<b>334</b>	<b>9,156</b>	<b>1,186</b>	<b>6,637</b>	<b>148</b>	<b>73,754</b>	<b>-</b>	<b>61,427</b>	<b>643</b>	<b>4,962,169</b>
<b>Net Position of Financial Statement</b>	<b>(66,302)</b>	<b>(469,803)</b>	<b>100,128</b>	<b>561,181</b>	<b>107,146</b>	<b>263,827</b>	<b>(240)</b>	<b>3,533</b>	<b>288,645</b>	<b>81,071</b>	<b>26,556</b>	<b>256</b>	<b>(72,655)</b>	<b>1,780</b>	<b>145,934</b>	<b>(24)</b>	<b>(1,048,469)</b>
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
<b>Net Asset/(Liability) Position of Foreign Currency</b>	<b>(14,437)</b>	<b>(11,877)</b>	<b>(7,775)</b>	<b>(28,819)</b>	<b>(5,854)</b>	<b>8,827</b>	<b>(240)</b>	<b>3,533</b>	<b>(8,355)</b>	<b>3,071</b>	<b>356</b>	<b>256</b>	<b>(72,655)</b>	<b>(20)</b>	<b>(24,066)</b>	<b>(24)</b>	<b>(146,568)</b>
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.

## ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

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

## 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)
	<b>(14,437)</b>	<b>(11,877)</b>	<b>(7,775)</b>	<b>(28,819)</b>	<b>(5,854)</b>	<b>8,827</b>	<b>(240)</b>	<b>3,533</b>	<b>(8,355)</b>	<b>3,071</b>	<b>356</b>	<b>256</b>	<b>(72,655)</b>	<b>(20)</b>	<b>(24,066)</b>	<b>(24)</b>	<b>(146,568)</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

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

As of September 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%
<b>September 30, 2017</b>				
USD net asset/liability	197,066	197,066	194,639	194,639
Secured portion from USD risk	180,749	(180,749)	180,749	(180,749)
<b>USD Net effect</b>	<b>(16,317)</b>	<b>16,317</b>	<b>(13,890)</b>	<b>13,890</b>
EUR net asset/liability	9,694	(9,694)	14,830	(14,830)
Secured portion from EUR risk	(13,475)	13,475	49,411	(49,411)
<b>EUR Net effect</b>	<b>(3,781)</b>	<b>3,781</b>	<b>64,241</b>	<b>(64,241)</b>
GBP net asset/liability	48,694	(48,694)	60,359	(60,359)
Secured portion from GBP risk	(48,495)	48,495	(48,495)	48,495
<b>GBP Net effect</b>	<b>199</b>	<b>(199)</b>	<b>11,864</b>	<b>(11,864)</b>
RUB net asset/liability	3,079	(3,079)	42,246	(42,246)
Secured portion from RUB risk	(4,681)	4,681	(4,681)	4,681
<b>RUB Net effect</b>	<b>(1,602)</b>	<b>1,602</b>	<b>37,565</b>	<b>(37,565)</b>
RON net asset/liability	2	(2)	96,628	(96,628)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	<b>2</b>	<b>(2)</b>	<b>96,628</b>	<b>(96,628)</b>
PLN net asset/liability	8,911	(8,911)	16,945	(16,945)
Secured portion from PLN risk	(9,589)	9,589	(9,589)	9,589
<b>PLN Net effect</b>	<b>(678)</b>	<b>678</b>	<b>7,356</b>	<b>(7,356)</b>
CZK net asset/liability	4,408	(4,408)	8,729	(8,729)
Secured portion from CZK risk	(4,853)	4,853	(4,853)	4,853
<b>CZK Net effect</b>	<b>(445)</b>	<b>445</b>	<b>3,876</b>	<b>(3,876)</b>
NOK net asset/liability	(31)	31	500	(500)
Secured portion from NOK risk	-	-	-	-
<b>NOK Net effect</b>	<b>(31)</b>	<b>31</b>	<b>500</b>	<b>(500)</b>
SEK net asset/liability	(26)	26	4,913	(4,913)
Secured portion from SEK risk	-	-	-	-
<b>SEK Net effect</b>	<b>(26)</b>	<b>26</b>	<b>4,913</b>	<b>(4,913)</b>
NZD net asset/liability	116	(116)	116	(116)
Secured portion from NZD risk	-	-	-	-
<b>NZD Net effect</b>	<b>116</b>	<b>(116)</b>	<b>116</b>	<b>(116)</b>
ZAR net asset/liability	(305)	305	66,987	(66,987)
Secured portion from ZAR risk	-	-	-	-
<b>ZAR Net effect</b>	<b>(305)</b>	<b>305</b>	<b>66,987</b>	<b>(66,987)</b>
AUD net asset/liability	11,031	(11,031)	8,838	(8,838)
Secured portion from AUD risk	(10,403)	10,403	(10,403)	10,403
<b>AUD Net effect</b>	<b>628</b>	<b>(628)</b>	<b>(1,565)</b>	<b>1,565</b>
DKK net asset/liability	4,428	(4,428)	4,428	(4,428)
Secured portion from DKK risk	(4,770)	4,770	(4,770)	4,770
<b>DKK Net effect</b>	<b>(342)</b>	<b>342</b>	<b>(342)</b>	<b>342</b>
JPY net asset/liability	(20)	20	(20)	20
Secured portion from JPY risk	-	-	-	-
<b>JPY Net effect</b>	<b>(20)</b>	<b>20</b>	<b>(20)</b>	<b>20</b>
CAD net asset/liability	725	(725)	725	(725)
Secured portion from CAD risk	(428)	428	(428)	428
<b>CAD Net effect</b>	<b>297</b>	<b>(297)</b>	<b>297</b>	<b>(297)</b>
THB net asset/liability	(6)	6	24,932	(24,932)
Secured portion from THB risk	-	-	-	-
<b>THB Net effect</b>	<b>(6)</b>	<b>6</b>	<b>24,932</b>	<b>(24,932)</b>
EGP net asset/liability	-	-	(8,695)	8,695
Secured portion from EGP risk	-	-	-	-
<b>EGP Net effect</b>	-	-	<b>(8,695)</b>	<b>8,695</b>
UAH net asset/liability	-	-	844	(844)
Secured portion from UAH risk	-	-	-	-
<b>UAH Net effect</b>	-	-	<b>844</b>	<b>(844)</b>
CNY net asset/liability	15,907	(15,907)	23,809	(23,809)
Secured portion from CNY risk	(17,837)	17,837	(17,837)	17,837
<b>CNY Net effect</b>	<b>(1,930)</b>	<b>1,930</b>	<b>5,972</b>	<b>(5,972)</b>
CHF net asset/liability	(1)	1	24,643	(24,643)
Secured portion from CHF risk	-	-	-	-
<b>CHF Net effect</b>	<b>(1)</b>	<b>1</b>	<b>24,643</b>	<b>(24,643)</b>
BWP net asset/liability	-	-	(96)	96
Secured portion from BWP risk	-	-	-	-
<b>BWP Net effect</b>	-	-	<b>(96)</b>	<b>96</b>
RSD net asset/liability	-	-	3,479	(3,479)
Secured portion from RSD risk	-	-	-	-
<b>RSD Net effect</b>	-	-	<b>3,479</b>	<b>(3,479)</b>
MYR net asset/liability	-	-	(872)	872
Secured portion from MYR risk	-	-	-	-
<b>MYR Net effect</b>	-	-	<b>(872)</b>	<b>872</b>
VND net asset/liability	-	-	(533)	533
Secured portion from VND risk	-	-	-	-
<b>VND Net effect</b>	-	-	<b>(533)</b>	<b>533</b>
PKR net asset/liability	-	-	92,585	(92,585)
Secured portion from PKR risk	-	-	-	-
<b>PKR Net effect</b>	-	-	<b>92,585</b>	<b>(92,585)</b>
IDR net asset/liability	-	-	1,712	(1,712)
Secured portion from IDR risk	-	-	-	-
<b>IDR Net effect</b>	-	-	<b>1,712</b>	<b>(1,712)</b>
	<b>(24,242)</b>	<b>24,242</b>	<b>422,497</b>	<b>(422,497)</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

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%
<b>December 31, 2016</b>				
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)
<b>USD Net effect</b>	<b>(4,180)</b>	<b>4,180</b>	<b>(1,940)</b>	<b>1,940</b>
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)
<b>EUR Net effect</b>	<b>(5,356)</b>	<b>5,356</b>	<b>61,670</b>	<b>(61,670)</b>
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
<b>GBP Net effect</b>	<b>(3,358)</b>	<b>3,358</b>	<b>4,394</b>	<b>(4,394)</b>
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
<b>RUB Net effect</b>	<b>(165)</b>	<b>165</b>	<b>35,865</b>	<b>(35,865)</b>
RON net asset/liability	-	-	80,689	(80,689)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	-	-	<b>80,689</b>	<b>(80,689)</b>
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
<b>PLN Net effect</b>	<b>(493)</b>	<b>493</b>	<b>5,816</b>	<b>(5,816)</b>
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
<b>CZK Net effect</b>	<b>122</b>	<b>(122)</b>	<b>3,216</b>	<b>(3,216)</b>
NOK net asset/liability	(10)	10	407	(407)
Secured portion from NOK risk	-	-	-	-
<b>NOK Net effect</b>	<b>(10)</b>	<b>10</b>	<b>407</b>	<b>(407)</b>
SEK net asset/liability	136	(136)	4,264	(4,264)
Secured portion from SEK risk	-	-	-	-
<b>SEK Net effect</b>	<b>136</b>	<b>(136)</b>	<b>4,264</b>	<b>(4,264)</b>
NZD net asset/liability	63	(63)	63	(63)
Secured portion from NZD risk	-	-	-	-
<b>NZD Net effect</b>	<b>63</b>	<b>(63)</b>	<b>63</b>	<b>(63)</b>
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
<b>ZAR Net effect</b>	<b>(215)</b>	<b>215</b>	<b>61,775</b>	<b>(61,775)</b>
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
<b>AUD Net effect</b>	<b>90</b>	<b>(90)</b>	<b>(791)</b>	<b>791</b>
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
<b>DKK Net effect</b>	<b>153</b>	<b>(153)</b>	<b>153</b>	<b>(153)</b>
JPY net asset/liability	(218)	218	(218)	218
Secured portion from JPY risk	-	-	-	-
<b>JPY Net effect</b>	<b>(218)</b>	<b>218</b>	<b>(218)</b>	<b>218</b>
CAD net asset/liability	464	(464)	464	(464)
Secured portion from CAD risk	(469)	469	(469)	469
<b>CAD Net effect</b>	<b>(5)</b>	<b>5</b>	<b>(5)</b>	<b>5</b>
THB net asset/liability	-	-	26,214	(26,214)
Secured portion from THB risk	-	-	-	-
<b>THB Net effect</b>	-	-	<b>26,214</b>	<b>(26,214)</b>
EGP net asset/liability	-	-	(8,141)	8,141
Secured portion from EGP risk	-	-	-	-
<b>EGP Net effect</b>	-	-	<b>(8,141)</b>	<b>8,141</b>
UAH net asset/liability	-	-	607	(607)
Secured portion from UAH risk	-	-	-	-
<b>UAH Net effect</b>	-	-	<b>607</b>	<b>(607)</b>
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
<b>CNY Net effect</b>	<b>(1,213)</b>	<b>1,213</b>	<b>6,904</b>	<b>(6,904)</b>
CHF net asset/liability	(8)	8	26,697	(26,697)
Secured portion from CHF risk	-	-	-	-
<b>CHF Net effect</b>	<b>(8)</b>	<b>8</b>	<b>26,697</b>	<b>(26,697)</b>
BWP net asset/liability	-	-	89	(89)
Secured portion from BWP risk	-	-	-	-
<b>BWP Net effect</b>	-	-	<b>89</b>	<b>(89)</b>
RSD net asset/liability	-	-	1,573	(1,573)
Secured portion from RSD risk	-	-	-	-
<b>RSD Net effect</b>	-	-	<b>1,573</b>	<b>(1,573)</b>
MYR net asset/liability	-	-	11	(11)
Secured portion from MYR risk	-	-	-	-
<b>MYR Net effect</b>	-	-	<b>11</b>	<b>(11)</b>
VND net asset/liability	-	-	400	(400)
Secured portion from VND risk	-	-	-	-
<b>VND Net effect</b>	-	-	<b>400</b>	<b>(400)</b>
PKR net asset/liability	-	-	85,906	(85,906)
Secured portion from PKR risk	-	-	-	-
<b>PKR Net effect</b>	-	-	<b>85,906</b>	<b>(85,906)</b>
	<b>(14,657)</b>	<b>14,657</b>	<b>395,618</b>	<b>(395,618)</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

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

Import and exports performed to / from Turkey for the periods ended as of September 30, 2017 and 2015 are as follows:

	September 30, 2017		September 30, 2016	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	738,891,403	2,963,540	718,379,484	2,353,988
USD	224,928,289	804,750	249,630,766	729,377
GBP	191,781,027	878,031	188,594,286	767,273
Other		530,227		399,060
<b>Total exports</b>		<b>5,176,548</b>		<b>4,249,698</b>
EUR	310,339,849	1,235,687	261,337,755	855,240
USD	721,145,225	2,584,833	551,906,351	1,617,309
GBP	738,695	3,372	537,461	2,212
Other		4,150		10,400
<b>Total imports</b>		<b>3,828,042</b>		<b>2,485,161</b>

*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 September 30, 2017 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 5,968,541 (December 31, 2016: TRY 4,418,497) (Note 6), and TRY 5,967,129 (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 September 30, 2017 is as follows:

<b>Financial assets carried at fair value in statement of financial position</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative instruments (assets) (Note 7)	-	73,099	-
Financial investments (Note 5)	2,482	-	-
<b>Financial liabilities carried at fair value in statement of financial position</b>			
Derivative instruments (liabilities) (Note 7)	-	2,877	-

Fair value hierarchy table as of December 31, 2016 is as follows:

<b>Financial assets carried at fair value in statement of financial position</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative instruments (assets) (Note 7)	-	183,686	-
Financial investments (Note 5)	2,656	-	-
<b>Financial liabilities carried at fair value in statement of financial position</b>			
Derivative instruments (liabilities) (Note 7)	-	4,385	-

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**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:

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>Adjustments for provisions:</b>		
Accrual for customer premiums	216,372	137,595
Accrual for bonuses and premiums	60,703	55,191
Warranty provision	35,237	29,895
Provision for employment termination benefits	22,009	25,235
Provision for assembly and transportation cost	43,715	20,607
Provision for vacation pay liability	6,079	7,258
Provision for legal claims	(39)	546
Return provisions	2,375	(610)
	<b>386,451</b>	<b>275,717</b>
<b>Adjustments for impairment loss:</b>		
Provision for doubtful receivables	4,248	19,340
Provision for impairment on inventories	4,308	9,086
	<b>8,556</b>	<b>28,426</b>

**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. VoltBek Home Appliances Private Limited (“VoltBek”)’s establishment and registration process started. VoltBek 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 pre-conditions included in the contract are fulfilled.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 31 – OTHER ISSUES (Continued)**

VoltBek will be incorporated with an initial capital of INR 100,000 (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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