(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

JANUARY 1 - DECEMBER 31, 2018 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	***How our audit addressed the key audit matter***
Recoverability of trade receivables Trade receivables from third parties (TL 7,779,942 thousand as of 31 December 2018), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit. Please refer to notes 2.3, 8 and 34 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy and risk management policy.	We performed the following procedures in relation to the recoverability of trade receivables: • Understanding the business process for collections from customers and testing the operational effectiveness of selected key controls, • Understanding, evaluating and testing of credit risk related key controls in the financial reporting process, • Understanding and evaluating the customer and distributor collections process run by the finance department, • Comparing trade receivable turnover days to the prior period, • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. We had no material findings related to the recoverability of trade receivables as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Provision for the impairment of inventories The Group's inventories, amounting to TL 5,087,676 thousand as of 31 December 2018, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit. Please refer to notes 2.3 and 10 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.	Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. We had no material findings related to the provision for the impairment of inventories as a result of these procedures.

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3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Impairment tests of indefinite-life intangible assets The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 1,276,325 thousand and TL 507,966 thousand, respectively, in the consolidated financial statements as of 31 December 2018. In accordance with TFRS, these indefinite-life intangible assets should be tested for impairment annually. Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit. Please refer to notes 2.3, 13 and 14 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of brands and goodwill: • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management forecasts and future plans based on macroeconomic information, • Comparing forecasted cash flows for each CGU with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Assessing management's sensitivity analysis for key assumptions, • Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets, and evaluating the adequacy of these disclosures for TFRS' requirements. We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

5. **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 30 January 2019.

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

Cihan Harman, SMMM
Partner

İstanbul, 30 January 2019

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

		Audited	
	Notes	**December 31, 2018**	**December 31, 2017**
ASSETS			
Current assets:			
Cash and cash equivalents	4	5,341,524	2,581,964
Trade receivables			
-Due from related parties	33	12,059	13,609
-Trade receivables, third parties	8	7,744,252	6,504,468
Derivative instruments	7	28,405	9,133
Inventories	10	5,087,676	3,779,928
Prepaid expenses	19	181,987	106,686
Current income tax assets	20	118,220	106,532
Other current assets	22	681,903	398,838
Total current assets		**19,196,026**	**13,501,158**
Non-current assets:			
Financial investments	5	1,856	2,552
Trade receivables			
-Trade receivables, third parties	8	35,690	11,970
Derivate instruments	7	166,813	38,249
Investments accounted for using the equity method	11	346,605	282,261
Property, plant and equipment	12	4,534,276	3,264,771
Intangible assets			
-Goodwill	14	507,966	438,112
-Other intangible assets	13	2,600,849	2,140,338
Prepaid expenses		100,033	109,077
Deferred tax assets	31	878,247	648,007
Total non-current assets		**9,172,335**	**6,935,337**
Total assets		**28,368,361**	**20,436,495**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

		Audited	
	Notes	**December 31, 2018**	**December 31, 2017**
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	4,022,086	2,299,697
Short-term portion of long-term borrowings	6	1,494,640	962,490
Trade payables			
-Due to related parties	33	441,597	550,948
-Trade payables, third parties	8	4,292,847	3,024,620
Derivative instruments	7	251,095	13,888
Employee benefit obligations	21	344,171	323,515
Other payables			
-Due to related parties	33	27,794	19,712
-Other payables, third parties	9	241,069	242,655
Current income tax liabilities	31	42,978	28,053
Provisions			
-Other provisions	17	582,339	430,630
Other current liabilities	22	756,340	506,812
Total current liabilities		**12,496,956**	**8,403,020**
Non-current liabilities:			
Long-term borrowings	6	6,431,552	4,113,916
Other payables			
-Due to related parties	33	28,180	40,246
Provisions			
-Provision for employee benefits	18	289,560	241,758
-Other provisions	17	155,868	232,163
Deferred tax liabilities	31	511,386	439,909
Other non-current liabilities	22	235,697	50,406
Total non-current liabilities		**7,652,243**	**5,118,398**
Total liabilities		**20,149,199**	**13,521,418**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

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

		Audited	
	Notes	**December 31, 2018**	**December 31, 2017**
EQUITY			
Paid-in capital	23	675,728	675,728
Adjustment to share capital	23	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Gain/loss arising from defined benefit plans		(177,981)	(112,902)
- Gains/ losses on financial assets measured at fair value through other comprehensive income		1,348	2,009
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		2,871,675	1,622,125
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(601,215)	(419,715)
-Gains/ losses on cash flow hedges		5,405	7,263
Gains/ losses on revaluation and reclassification			
Balancing account for merger capital	23	14,507	14,507
Restricted reserves	23	409,115	368,993
Retained earnings		3,663,309	3,410,341
Net income for the period		851,756	842,949
Equity holders of the parent		8,183,347	6,880,998
Non-controlling interest		35,815	34,079
Total equity		**8,219,162**	**6,915,077**
Total liabilities and equity		**28,368,361**	**20,436,495**
Commitments, contingent assets and liabilities	16		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

		Audited	
	Notes	2018	2017
Net sales	3,24	26,904,384	20,840,613
Cost of sales	3	(18,358,622)	(14,334,414)
Gross profit		**8,545,762**	**6,506,199**
General administrative expenses	25	(1,209,472)	(936,579)
Marketing expenses	25	(5,094,434)	(4,027,699)
Research and development expenses	25	(204,792)	(170,177)
Other income from operating activities	27	1,324,815	711,838
Other expenses from operating activities	27	(724,557)	(371,751)
Operating profit		**2,637,322**	**1,711,831**
Income from investment activities	28	13,278	8,285
Expenses from investment activities	28	(6,795)	(7,347)
Share of profit/loss of investments accounted for using the equity method	11	12,226	39,090
Operating income before financial income/(expense)		**2,656,031**	**1,751,859**
Financial income	29	2,965,219	901,539
Financial expenses	30	(4,671,844)	(1,832,501)
Profit from continuing operations before tax		**949,406**	**820,897**
Tax income/(expense), continuing operations			
- Taxes on income	31	(248,748)	(194,034)
- Deferred tax income	31	155,183	218,440
Net income		**855,841**	**845,303**
Attributable to			
Non-controlling interest		4,085	2,354
Equity holders of the parent		**851,756**	**842,949**
Earnings per share (kurus)	32	**1.261**	**1.247**
Diluted earnings per share (kurus)	32	**1.261**	**1.247**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Audited	
	2018	**2017**
Net income	**855,841**	**845,303**
Other comprehensive income		
Not to be reclassified to profit or loss	**(81,719)**	**(23,012)**
Gain/ loss arising from defined benefit plans	(79,884)	(22,491)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	(1,139)	(338)
Gain/ loss on financial assets measured at fair value through other comprehensive income	(696)	(183)
Not to be reclassified to profit or loss, tax effect	**15,979**	**4,458**
Gain/ loss arising from defined benefit plans, tax effect	15,944	4,449
Gain/ loss on financial assets measured at fair value through other comprehensive income, tax effect	35	9
To be reclassified to profit or loss	**1,024,759**	**484,685**
Currency translation differences	1,239,434	604,586
Other comprehensive income related with hedges of net investments in foreign operations	(232,692)	(120,836)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	(1,858)	1,111
Currency translation differences of investments accounted for using the equity method	19,875	(176)
To be reclassified to profit or loss, tax effect	**51,192**	**24,168**
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	51,192	24,168
Other comprehensive income/ (loss) (net of tax)	**1,010,211**	**490,299**
Total comprehensive income	**1,866,052**	**1,335,602**
Attributable to:		
Non-controlling interest	13,844	7,551
Equity holders of the parent	**1,852,208**	**1,328,051**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss			Accumulated profit				
	Paid-in capital	Adjustment to share capital	Share premium /discount	Balancing account for merger capital	Gain/(loss) arising from defined benefit plans	Gains/ losses on financial assets measured at fair value through other comprehensive income	Gains/ losses on hedge	Currency translation differences	Restricted reserves	Retained earnings	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2017	**675,728**	**468,811**	**889**	**14,507**	**(94,522)**	**2,183**	**(316,895)**	**1,022,912**	**329,872**	**2,574,550**	**1,299,912**	**5,977,947**	**26,630**	**6,004,577**
Transfers	-	-	-	-	-	-	-	-	39,121	1,260,791	(1,299,912)	-	-	-
Total comprehensive income	-	-	-	-	**(18,380)**	**(174)**	**(95,557)**	**599,213**	-	-	**842,949**	**1,328,051**	**7,551**	**1,335,602**
Net income	-	-	-	-	-	-	-	-	-	-	842,949	**842,949**	2,354	**845,303**
Other comprehensive income	-	-	-	-	(18,380)	(174)	(95,557)	599,213	-	-	-	**485,102**	5,197	**490,299**
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	-	(425,000)	-	**(425,000)**	(102)	**(425,102)**
As of December 31, 2017	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**2,009**	**(412,452)**	**1,622,125**	**368,993**	**3,410,341**	**842,949**	**6,880,998**	**34,079**	**6,915,077**
Balance at January 1, 2018	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**2,009**	**(412,452)**	**1,622,125**	**368,993**	**3,410,341**	**842,949**	**6,880,998**	**34,079**	**6,915,077**
Restatements to mandatory changes in accounting policies (Note 2)	-	-	-	-	-	-	-	-	-	**(114,859)**	-	**(114,859)**	-	**(114,859)**
TFRS 15 impact due to policy change, net	-	-	-	-	-	-	-	-	-	(111,693)	-	**(111,693)**	-	**(111,693)**
TFRS 9 impact due to policy change, net	-	-	-	-	-	-	-	-	-	(3,166)	-	**(3,166)**	-	**(3,166)**
Restated balances	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**2,009**	**(412,452)**	**1,622,125**	**368,993**	**3,295,482**	**842,949**	**6,766,139**	**34,079**	**6,800,218**
Transfers	-	-	-	-	-	-	-	-	40,122	802,827	(842,949)	-	-	-
Total comprehensive income	-	-	-	-	**(65,079)**	**(661)**	**(183,358)**	**1,249,550**	-	-	**851,756**	**1,852,208**	**13,844**	**1,866,052**
Net income	-	-	-	-	-	-	-	-	-	-	851,756	**851,756**	4,085	**855,841**
Other comprehensive income	-	-	-	-	(65,079)	(661)	(183,358)	1,249,550	-	-	-	1,000,452	9,759	1,010,211
Dividends paid (Note 23)	-	-	-	-	-	-	-	-	-	(435,000)	-	**(435,000)**	(12,108)	**(447,108)**
As of December 31, 2018	**675,728**	**468,811**	**889**	**14,507**	**(177,981)**	**1,348**	**(595,810)**	**2,871,675**	**409,115**	**3,663,309**	**851,756**	**8,183,347**	**35,815**	**8,219,162**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Audited 2018	2017
Cash flows from operating activities:			
Net income:		**855,841**	**845,303**
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for tax expense (income)	31	93,565	(24,406)
Adjustments for depreciation and amortisation expense	26	690,414	548,187
Adjustments for impairment loss	36	65,656	41,995
Adjustments for provisions	36	289,387	304,873
Adjustments for interest expense	30	1,009,229	574,914
Adjustments for interest income	29	(61,644)	(30,578)
Adjustments for undistributed profits of ınvestments accounted for using equity method	11	(12,226)	(39,090)
Adjustments for fair value (gains) losses on derivative financial ınstruments	29, 30	(278,752)	168,195
Adjustments for unrealised foreign exchange losses (gains)	29, 30	1,021,151	208,648
Other adjustments to reconcile profit (loss)	29, 30	16,641	9,783
Adjustments for ıncome arised from government grants	27	(77,722)	(67,314)
Adjustments for dividend (income) expenses	28	(94)	(93)
Adjustments for losses (gains) on disposal of non-current assets	28	(6,389)	(845)
Net cash flow from operating activities before changes in operating assets and liabilities		**3,605,057**	**2,539,572**
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,283,364)	(1,226,705)
Adjustments for decrease (increase) in inventories		(1,348,338)	(1,035,079)
Decrease (increase) in prepaid expenses		(75,301)	(973)
Adjustments for increase (decrease) in trade payables		1,158,876	489,579
Increase (decrease) in employee benefit liabilities		(71,293)	18,819
Adjustments for increase (decrease) in other operating payables		(32,673)	3,949
Increase (decrease) in government grants and assistance		49,803	81,749
Other adjustments for other increase (decrease) in working capital		(216,048)	(117,104)
Income taxes refund (paid)		(105,810)	(163,939)
Cash flows from operating activities		**1,680,909**	**589,868**
Investing activities:			
Purchase of property, plant, equipment and intangible assets		(1,797,305)	(987,217)
Proceeds from sales of property, plant, equipment and intangible assets		37,507	18,730
Advances given for fixed assets		9,044	(95,636)
Dividends received		26,265	13,178
Cash outflows from participations and / or joint ventures share acquisitions or capital increase	11	(57,237)	(19,002)
Cash flows from investing activities		**(1,781,726)**	**(1,069,947)**
Financing activities:			
Proceeds from borrowings		5,548,940	2,834,707
Repayments of borrowings		(2,288,445)	(1,529,456)
Dividends paid	23	(435,168)	(425,102)
Interest paid		(832,947)	(511,168)
Interest received		58,468	29,727
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		368,123	(22,387)
Other inflows (outflows) of cash	29, 30	(16,641)	(9,783)
Cash flows from financing activities		**2,402,330**	**366,538**
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**2,301,513**	**(113,541)**
Effect of currency translation differences		454,872	252,782
Net increase/(decrease) in cash and cash equivalents		**2,756,385**	**139,241**
Cash and cash equivalents at January 1	4	**2,580,893**	**2,441,652**
Cash and cash equivalents at December 31	4	**5,337,278**	**2,580,893**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eighteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand and Pakistan. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 23).

The Company's head office is located at: Karaağaç Caddesi No: 2-6 Sütlüce 34445 Beyoğlu Istanbul / Turkey.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 1986. As of December 31, 2018, the publicly listed shares are 25.15% of the total shares. (December 31, 2017: 25.15%)

The average number of personnel employed by categories in the Group in 2018 is 6,767 monthly paid (2017: 6,433) and 23,110 hourly paid (2017: 23,621) totaling to 29,877 (2017: 30,054).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
Wat Motor San ve Tic. A.Ş. ("Wat Motor")	Turkey	Production/Sales	Multi-Purpose Motor
Token Finansal Teknolojiler A.Ş. ("Token")	Turkey	Information Techn.	Payment Systems
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") (*)	Taiwan	Purchase	Consumer Durables/Electronics
Arch R&D Co. Ltd. ("Arch R&D") (1)	China	R&D	Developing technology and design
Beko A and NZ Pty Ltd. ("Beko Australia") (*)	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn. Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Gulf FZE ("Beko Gulf")	United Arab Emirates	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") (*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D	Software
Dawlance Electronics (Pvt,) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

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

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

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

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Ceased operations as of reporting date			
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Associates			
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
Joint Ventures			
VoltBek Home Appliances Private Limited ("VoltBek") (*)	India	Production/Sales	Consumer Durables

(*) Voltbek is founded in 2017 to manufacture major domestic appliances and perform sales activities in Indian domestic market.

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2018 has been approved for issue by the Board of Directors on 30 January 2019. These consolidated financial statements will be finalised following their approval in the General Assembly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The 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.

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 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.

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/TFRS and IFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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 recognizes 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 amendments will not have an impact on the financial position or performance of the Group.

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

The TASB issued amendments to TFRS 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,
- 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 amendments will not have an impact on the financial position or performance of the Group.

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

The TASB issued amendments to TAS 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.

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

Annual Improvements to TFRS - 2014-2016 Cycle

POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 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 organization or other qualifying entity at fair value through profit or loss applying TFRS 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 amendments of the interpretations will not have an impact 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 as at December 31, 2018 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 9 Financial instruments – Amendments

Effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 16 Leases

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As at the reporting date, the assessment of the Group related to the impacts of TFRS 16 on its consolidated financial statements continues. These studies are managed by the Group including all its subsidiaries. The Group's activities as a lessor are not material.

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

IFRIC 23 Uncertainty over income tax treatments

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 IC 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. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 28 Investments in associates and joint venture

Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Annual improvements 2015-2017

Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations'; – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements'; – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes'; – a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs'; – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- TAS 19, 'Employee benefits'; on plan amendment, curtailment or settlement, use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

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

Amendments to IAS 1 and IAS 8 on the definition of material

Effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements'and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to TFRS 3 - definition of a business

Effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

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

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

(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 December 31, 2018 and December 31, 2017 (%) and their functional currencies:

		December 31, 2018		December 31, 2017	
	Functional currency	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Arch R&D(4)	Chinese Yuan ("CYN")	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 Gulf (3)	Dirham ("AED")	100.00	100.00	-	-
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Indonesia	Indonesian Rupiah ("IDR")	100.00	100.00	100.00	100.00
Beko 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	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Dawlance (Private)	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Swaziland	Svazi Lilangeni ("SZL")	100.00	100.00	100.00	100.00
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	Pakistani Rupee ("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
Wat Motor (1)	Turkish Lira ("TRY")	100.00	100.00	-	-
Token (2)	Turkish Lira ("TRY")	100.00	100.00	-	-
Vietbeko	Vietnamese Dong ("VND")	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00

(1) In order to transform the multi-purpose motor production into a more efficient organization that will expand its product range and offer specific solutions to market needs; to transfer the whole of the assets and liabilities for industrial motor production, after-sales services and related R&D activities in the balance sheet without compromising the integrity of the business which is Arçelik A.Ş.'s 100% subsidiary is established with the partial demerger in 2018.

(2) In order to transform payment systems by focusing on the field of financial technology into a more flexible and new structure, to create value-added solutions in software-based retail and payment areas and to create new business models, to transfer the whole of the assets and liabilities for payment systems operations and related R&D activities in the balance sheet without compromising the integrity of the business which is Arçelik A.Ş.'s 100% subsidiary is established with the partial demerger in 2018.

(3) Established as sales company in May 2018.

(4) Established as R&D company in December 2018.

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

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

(d) Associates and joint ventures are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the date of the caesura of the significant influence, the investment is carried at fair value.

The table below sets out all associates and joint ventures shows their direct and indirect ownership as of December 31, 2018 and 2017 (%):

	2018	**2017**
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00
Voltbek	49.00	49.00

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value. Any financial investment that is who has no fair value quoted in a stock exchange or whose fair value is not measured reliably are carried at cost value.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

Going concern

The Group prepared 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.

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

Comparatives and restatement of prior periods' financial statements

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

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

Advances given for fixed assets amounting to TRY 109,077 which had been classified under current assets in prepaid expenses account in the consolidated statement of financial position as of 31 December 2017 has been reclassified under non-current assets to prepaid expenses account. Advances given for fixed assets amounting to TRY 95,636 which had been classified in cash flows from operating activities in the consolidated statement of cash flows for the year ended December 31, 2017 has been reclassified in cash flows from investing activities. Borrowings amounting to TRY 1,265,280 which had been classified under current liabilities in short-term portion of long-term borrowings account in the consolidated statement of financial position as of 31 December 2017 has been reclassified under current liabilities to short-term borrowings account. These reclassifications performed in order to conform to changes in presentation in the current period consolidated financial statements are not material to the consolidated financial statements.

Transition to TFRS 15 "Revenue from contracts with customers"

Group has applied TFRS 15 "Revenue from contracts with customers", which has replaced TMS 18, by using cumulative effect method on the transition date, 1 January 2018. In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 15 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 18. In accordance with this method of transition, Group calculated the impact of transition for the active contacts as of 1 January 2018 and recorded the cumulative effect of transition in retained earnings.

Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach.

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

Transition to TFRS 9 "Financial instruments" (Continued)

In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

Financial assets	**Original classification under TMS 39**	**New classification under TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial assets	Available for sale financial assets	Fair value through other comprehensive income

Financial liabilities	**Original classification under TMS 39**	**New classification under TFRS 9**
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Financial lease liabilities	Amortized cost	Amortized cost
Factoring liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

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

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

Explanations related to the effects of TFRS 15 and TFRS 9 are as follows

Effects of the transition to TFRS 15 on the condensed interim consolidated financial statements as of 31 December 2018 are as follows:

December 31, 2018	Balance before new standards applied	Adjustments (*)	Reported
Consolidated statement of financial position			
Deferred tax assets	848,263	29,984	878,247
Other current liabilities	734,002	22,338	756,340
Other non-current provisions	193,485	(37,617)	155,868
Other non-current liabilities	78,740	156,957	235,697
Consolidated statement of income or loss and other comprehensive income			
Revenue	26,933,418	(29,034)	26,904,384
Tax income/(expense), net	(99,016)	5,451	(93,565)
Consolidated cash flows			
Net income from continuing operations	879,426	(23,585)	855,841

(*) Impact from adjustments of extended warranty sales.

Effects of the transition to TFRS 9 on the condensed interim consolidated financial statements as of January 1, 2018 are as follows:

	December 31, 2017 restated	TFRS 9 effect	January 1, 2018 restated
Consolidated statement of financial position			
Short-term trade receivables (Net)	6,504,468	(3,941)	6,500,527
Deferred tax assets	648,007	775	648,782

Effects of the transition to TFRS 9 and TFRS 15 on the condensed interim consolidated financial statements as of 1 January 2018 are as follows:

Retained earnings - January 1	2018
Reported	**4,253,290**
Total adjustments due to the changes in TFRS 15	(111,693)
Total adjustments due to the changes in TFRS 9	(3,166)
Restated	**4,138,431**

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

2.2 Restatement and errors in the accounting policies and estimates

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

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

Group recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

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

2.2 Restatement and errors in the accounting policies and estimates (Continued)

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 3). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

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

2.2 Restatement and errors in the accounting policies and estimates (Continued)

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

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

2.2 Restatement and errors in the accounting policies and estimates (Continued)

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of “financial assets” in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 33).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus, these transactions are eliminated in the consolidated financial statements.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 8).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

Trade receivables (Continued)

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 27).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account. Factoring are not frequently performed in terms of treasury transactions. Therefore, it does not affect the "held to collect" business model of the Group.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 10).

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 6). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 34).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 4). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 12). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 13).

a) *Brands*

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

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

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

d) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (8, 22 and 50 years).

Business combinations and goodwill

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.

Business combinations realized before January 1, 2010 have been accounted for by using the purchase method in the scope of TFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquire and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

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

Business combinations and goodwill (Continued)

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 14). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

TFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, is applied for business combinations realized in 2011.

The revised TFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill).

Financial leases

(1) The Group as the lessee

Finance leases

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged as expense to the consolidated statement of profit or loss. Depreciation on the relevant asset is also charged to the consolidated statement of profit or loss over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated statement of financial position and rental income is recognized on a straight-line basis over the lease term.

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 13). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 29 and Note 30).

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 31).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent can control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused investment tax credits can be utilised.

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

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 18).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss, except for the effective portion of the foreign currency hedge of net investments in foreign operations.

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

Group recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

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

Revenue from sale of goods

Group recognizes revenue based on the production and sale of white goods, consumer electronics, air conditioners and home appliance. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-5 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Group delivers the control of services related to the sale of extended warranty over time and it fulfills the performance obligation of extended warranty over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly (Note 3). Group recognizes revenue from the sale of goods in the consolidated financial statements when the control of the good is transferred to the customer.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice. Group expects that the difference between the timing of the transfer of goods of services determined at the beginning of the contact and the timing of the collection of transaction price by the customer does not differ more than one year and therefore transaction price does not contain a significant finance component.

Transaction price varies due to favors like discounts and rebates provided to the customers. Transaction price is determined based on the most likely amount method since Group provides bonus premium to its customers if the customers achieves the limit of sale.

Accruals for customer premiums

Group pays customer premiums to its dealers based on their annual revenue performance results. Amounts calculated as of the balance sheet date are recognized in other short term liabilities in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

Group does not have any contract assets related to the contracts with customers and any expenses that can be capitalized in accordance with these contracts.

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

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 23).

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 17).

Assembly provisions

Assembly provision includes provision provided for the marketing expenses incurred for the assembly of products bought by the end users. This provision is calculated based on the past statistical information and projections for the future (Note 17).

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

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 16).

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 3).

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

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

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

2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 13 and 14). Impairment was not identified as a result of these tests.

NOTE 3 - SEGMENT REPORTING

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2018 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales (*)	20,657,411	2,806,453	3,440,520	26,904,384
Gross profit	6,782,022	626,435	1,137,305	8,545,762
Depreciation and amortization	542,092	107,735	53,425	703,252
Capital expenditures	1,571,424	187,669	51,050	1,810,143

(*) The Group recognised net sales amounting to TRY 26,882,046 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2018.

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

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2017 are as follows:

	White goods	Consumer electronics	Other	Total
Net sales	15,255,309	2,726,021	2,859,283	20,840,613
Gross profit	5,052,607	555,007	898,585	6,506,199
Depreciation and amortization	423,232	93,181	42,469	558,882
Capital expenditures	819,701	136,764	41,447	997,912

NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31,2017
Cash in hand	763	592
Cash at banks		
- demand deposits	569,097	354,745
- time deposits	4,652,265	2,026,021
Cheques and notes	62,200	111,538
Other	52,953	87,997
Cash and cash equivalents in cash flow statement	**5,337,278**	**2,580,893**
Interest income accruals	4,246	1,071
	5,341,524	**2,581,964**

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

Up to 30 days	5,135,129	2,389,520
30-90 days	206,395	192,444
	5,341,524	**2,581,964**

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

NOTE 5 - FINANCIAL INVESTMENTS

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

	December 31, 2018	December 31, 2017
Fair value gain/losses of financial assets reflected to other comprehensive income (*)	1,856	-
Available-for-sale investments	-	2,552
Total	**1,856**	**2,552**

(*) Explanations on the accounting policies changes are given in Note 2.2.

	December 31, 2018		December 31, 2017	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	1,777	0.34	2,473
Other		79		79
		1,856		**2,552**

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

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş.,the available for sale investment, amounting to TRY 661 (December 31, 2017: TRY 174) and net of deferred tax effect amounting to TRY 35 (December 31, 2017: TRY 9) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets " in the year ended December 31, 2018.

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

	2018	2017
As of January 1	**2,552**	**2,735**
Change in fair value	(696)	(183)
As of December 31	**1,856**	**2,552**

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

NOTE 6 - BORROWINGS

a) Short-term borrowings

	December 31, 2018	December 31, 2017
Short-term bank borrowings	3,896,688	2,210,542
Payables from factoring activities (*)	124,696	88,681
Other	702	474
Total short-term borrowings	**4,022,086**	**2,299,697**
Short-term portion of long-term bank borrowings and interest accruals	1,438,524	921,486
Interest accruals of long-term bond issued (**)	56,116	41,004
Total short-term portion of long-term borrowings	**1,494,640**	**962,490**

(*) Factoring liabilities are amounting to TRY 75,179 denominated in EUR (December 31, 2017: TRY 54,361), TRY 49,517 denominated in GBP (December 31, 2017: TRY 34,320) and interest rates are between 0.6 % for EUR (December 31, 2017: 0.6%) and 1.5 % for GBP (December 31, 2017: 1.12%). As of December 31, 2018, there is no factoring liability denominated in USD (December 31, 2017: none).

(**) 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%.

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

NOTE 6 - BORROWINGS (Continued)

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	21.2	2,306,188,778	2,306,189
EUR	0.5	159,429,560	961,041
PKR	9.3	14,229,053,772	532,025
ZAR	8.2	250,000,000	91,670
RON	4.9	4,478,922	5,763
			3,896,688

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.8	1,628,458,687	1,628,459
EUR	0.5	60,274,542	272,170
PKR	6.5	5,916,135,178	200,675
ZAR	8.6	310,183,326	95,124
CNY	4.4	23,908,664	13,777
SEK	0.5	569,354	260
USD	2.2	20,366	77
			2,210,542

b) Long-term borrowings

	December 31, 2018	December 31, 2017
Long-term bank borrowings	1,698,024	661,519
Long-term bonds issued	4,730,835	3,451,294
Other	2,693	1,103
	6,431,552	**4,113,916**

As of December 31, 2018, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	20.0	2,333,785,861	2,333,786
EUR	2.1	90,271,178	544,155
ZAR	9.9	500,000,000	183,340
PKR	10.1	2,013,060,000	75,267
			3,136,548
Short-term portion of long-term loans and interest accruals			(1,438,524)
			1,698,024

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

NOTE 6 - BORROWINGS (Continued)

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.1	1,160,799,167	1,160,799
EUR	2.6	44,454,182	200,733
ZAR	9.9	500,000,000	153,335
PKR	6.3	2,008,803,835	68,138
			1,583,005
Short-term portion of long-term loans and interest accruals			(921,486)
			661,519

As of December 31, 2018, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,002,896	2,656,770
EUR	4.0	353,381,156	2,130,181
			4,786,951
Interest accruals of long-term bonds issued			(56,116)
			4,730,835

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	504,201,724	1,901,799
EUR	4.0	352,231,061	1,590,499
			3,492,298
Interest accruals of long-term bonds issued			(41,004)
			3,451,294

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

	December 31, 2018	December 31, 2017
2019	-	440,344
2020	1,288,120	221,175
2021	2,141,331	1,580,425
2022	63,062	-
2023 to 2027	2,945,761	1,885,950
	6,438,274	**4,127,894**

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

NOTE 6 - BORROWINGS (Continued)

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

	December 31, 2018	December 31, 2017
Up to 3 months	3,214,446	1,730,745
3 - 12 months	2,145,905	1,482,809
1-5 years	5,770,250	2,088,609
Over 5 years	409,904	1,885,950
	11,540,505	**7,188,113**

Net financial debt reconciliation

As of December 31, 2018, and 2017, the net financial debt reconciliation is as follows:

	2018	2017
Cash and cash equivalents	5,341,524	2,581,964
Borrowings and bill of exchange – repayable within one year	(5,516,726)	(3,262,187)
Borrowings and bill of exchange – repayable after one year	(6,431,552)	(4,113,916)
Net debt	**(6,606,754)**	**(4,794,139)**
Cash and cash equivalents	5,341,524	2,581,964
Borrowings and bill of exchange - fixed interest rates	(10,425,910)	(6,800,998)
Borrowings and bill of exchange – floating interest rate	(1,522,368)	(575,105)
Net debt	**(6,606,754)**	**(4,794,139)**

2018	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Financial debt as of January 1st	**(3,262,187)**	**(4,113,916)**	**(7,376,103)**
Cash flows	(2,023,471)	(1,237,024)	(3,260,495)
Changes in interest accruals	(176,282)	-	(176,282)
Changes in factoring liabilities	(36,015)	-	(36,015)
Currency translation adjustments	(18,771)	(1,080,612)	(1,099,383)
Financial debt as of December 31th	**(5,516,726)**	**(6,431,552)**	**(11,948,278)**

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

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.

	December 31, 2018			December 31, 2017		
	Contract amount	**Fair value assets /(liabilities)**		**Contract amount**	**Fair value assets /(liabilities)**	
Held for trading:						
Short-term derivative instruments						
Forward transactions	6,184,770	11,761	(20,200)	1,539,368	2,607	(10,007)
Foreign currency swap contracts	5,906,441	16,644	(230,895)	2,868,887	6,526	(3,881)
	12,091,211	**28,405**	**(251,095)**	**4,408,255**	**9,133**	**(13,888)**
Long-term derivative instruments						
Cross-currency fixed interest rate swap (*)	3,540,742	166,813	-	2,596,351	38,249	-

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2018	December 31, 2017
Short-term trade receivables:		
Trade receivables	6,011,821	4,871,934
Notes receivables	1,625,067	1,545,334
Cheques receivables	393,722	273,545
Short-term trade receivables (gross)	**8,030,610**	**6,690,813**
Provision for doubtful receivables	(207,121)	(167,090)
Unearned credit finance income	(79,237)	(19,255)
Short-term trade receivables (net)	**7,744,252**	**6,504,468**

As of December 31, 2018, the Group has offsetted TRY 1,182,846 (December 31, 2017: TRY 833,682) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 78,018 related with its local bank borrowings (December 31, 2017: TRY 18,483).

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movements of provision for doubtful receivables for the years ended December 31, are as follows:

	2018	2017
As of January, 1 - calculated under IAS 39	**167,090**	**137,168**
Impact due to the changes in TFRS 9 (Note 2.1)	3,941	-
As of January, 1 – restated	**171,031**	**137,168**
Current year additions (Note 27)	35,512	28,853
Provisions no longer required (Note 27)	(4,844)	(1,867)
Write-offs (*)	(12,550)	(4,932)
Currency translation differences	17,972	7,868
As of December, 31	**207,121**	**167,090**

(*) 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.

Long-term trade receivables	**December 31, 2018**	**December 31, 2017**
Trade receivables	41,450	12,429
Unearned credit finance income	(5,760)	(459)
	35,690	**11,970**

	December 31, 2018	**December 31, 2017**
Short-term trade payables:		
Trade payables	4,032,950	2,845,593
Debt accruals	314,565	216,562
Unearned credit finance charges	(54,668)	(37,535)
	4,292,847	**3,024,620**

NOTE 9 - OTHER PAYABLES

	December 31, 2018	**December 31, 2017**
Taxes and duties payable	175,158	162,273
Dividend payables to shareholders	20,219	6,141
Deposits and guarantees received	3,400	5,272
Other	42,292	68,969
	241,069	**242,655**

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

NOTE 10 - INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials and supplies	2,042,764	1,460,439
Work in progress	149,579	122,335
Finished goods	2,141,994	1,778,062
Trade goods	858,126	504,068
Inventories (gross)	**5,192,463**	**3,864,904**
Provision for impairment on inventories	(104,787)	(84,976)
Inventories (net)	**5,087,676**	**3,779,928**

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 176,263 related with its local bank borrowings (December 31, 2017: TRY 37,727).

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

	December 31, 2018	December 31, 2017
Raw materials and supplies	69,929	58,060
Finished goods	27,904	21,587
Trade goods	6,954	5,329
	104,787	**84,976**

Movements of provision for impairment on inventories for the periods ended December 31 are as follows:

	2018	2017
As of January 1	**84,976**	**92,668**
Current year additions (Note 27)	30,144	13,142
Realized due to sales of inventory	(16,605)	(23,846)
Currency translation differences	6,272	3,012
As of December 31	**104,787**	**84,976**

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2018		December 31, 2017	
	%	**TRY**	**%**	**TRY**
Koç Finansman	47.0	149,131	47.0	132,227
Arçelik - LG	45.0	124,716	45.0	116,480
VoltBek	49.0	64,015	49.0	16,496
Ram Dış Ticaret	33.5	5,643	33.5	11,055
Tanı Pazarlama	32.0	3,100	32.0	6,003
		346,605		**282,261**

The movements of associates for the years ended December 31, are as follows:

	2018	2017
As of January 1	**282,261**	**236,090**
Shares of income/loss of associates	12,226	39,090
Shares of other comprehensive income/loss of associates	(2,997)	773
Gross profit elimination on inventory	4,174	567
Dividends received	(26,171)	(13,085)
Share participation in joint venture	57,237	19,002
Currency translation difference	19,875	(176)
As of December 31	**346,605**	**282,261**

Shares of income/loss from associates and joint venture:

	2018	2017
Koç Finansman	37,490	36,408
Arçelik - LG	5,115	2,036
Ram Dış Ticaret	1,989	4,351
Tanı Pazarlama	(2,774)	(1,375)
VoltBek	(29,594)	(2,330)
	12,226	**39,090**

Aggregated summary figures of the financial statements of associates and joint venture:

	December 31, 2018	December 31, 2017
Total assets	6,072,971	5,102,179
Total liabilities	5,321,349	4,476,576

	2018	2017
Net sales	4,041,781	2,763,719
Net income for the period	37,281	87,184

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency Translation Differences	December 31, 2018
Cost						
Land	145,375	88	-	-	29,588	175,051
Land improvements	44,304	2,736	(1,220)	44	559	46,423
Buildings	959,896	46,579	(307)	155,995	117,732	1,279,895
Machinery, equipment and moulds	4,714,562	234,827	(107,319)	449,852	382,238	5,674,160
Motor vehicles and Fixtures	718,666	86,077	(9,413)	83,410	50,006	928,746
Leasehold improvements	64,974	4,368	(603)	20,401	8,010	97,150
Construction in progress	502,469	1,096,618	(102)	(751,797)	29,914	877,102
	7,150,246	**1,471,293**	**(118,964)**	**(42,095)**	**618,047**	**9,078,527**
Accumulated depreciation						
Land improvements	(28,259)	(4,868)	1,094	-	(31)	(32,064)
Buildings	(300,393)	(35,592)	104	-	(28,968)	(364,849)
Machinery, equipment and moulds	(3,074,472)	(370,735)	78,344	-	(176,233)	(3,543,096)
Motor vehicles and Fixtures	(433,753)	(90,798)	8,169	-	(30,193)	(546,575)
Leasehold improvements	(48,598)	(6,195)	565	-	(3,439)	(57,667)
	(3,885,475)	**(508,188)**	**88,276**	**-**	**(238,864)**	**(4,544,251)**
Net book value	**3,264,771**					**4,534,276**

(*) Consists of transfers amounting to TRY 42,095 from property, plant and equipment to other intangible assets (Note 13).

There is no mortgage on property, plant and equipment as of December 31, 2018 (December 31, 2017: None).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2017	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2017
Cost						
Land	135,074	616	-	30	9,655	145,375
Land improvements	42,488	1,086	-	295	435	44,304
Buildings	888,448	9,814	(3,044)	5,172	59,506	959,896
Machinery, equipment and moulds	4,321,491	63,426	(88,201)	239,713	178,133	4,714,562
Motor vehicles and Fixtures	605,258	75,480	(9,270)	21,984	25,214	718,666
Leasehold improvements	53,867	7,383	(31)	168	3,587	64,974
Construction in progress	185,121	575,539	(119)	(267,362)	9,290	502,469
	6,231,747	**733,344**	**(100,665)**	**-**	**285,820**	**7,150,246**
Accumulated depreciation						
Land improvements	(26,277)	(1,977)	-	-	(5)	(28,259)
Buildings	(267,483)	(19,475)	13	-	(13,448)	(300,393)
Machinery, equipment and moulds	(2,766,735)	(307,973)	81,355	-	(81,119)	(3,074,472)
Motor vehicles and Fixtures	(365,894)	(62,041)	8,299	-	(14,117)	(433,753)
Leasehold improvements	(43,059)	(4,245)	2	-	(1,296)	(48,598)
	(3,469,448)	**(395,711)**	**89,669**	**-**	**(109,985)**	**(3,885,475)**
Net book value	**2,762,299**					**3,264,771**

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

NOTE 13 – OTHER INTANGIBLE ASSETS

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency translation differences	December 31, 2018
Cost						
Brands	1,052,282	-	-	-	224,043	1,276,325
Development costs	1,119,297	270,147	-	-	-	1,389,444
Computer software and rights	249,726	64,406	(6,240)	42,095	10,630	360,617
Trademark licenses and patents	33,988	4,297	(650)	-	11,391	49,026
Customer relationships	489,088	-	-	-	50,033	539,121
	2,944,381	**338,850**	**(6,890)**	**42,095**	**296,097**	**3,614,533**
Accumulated amortization						
Development costs	(574,775)	(129,133)	-	-	-	(703,908)
Computer software and rights	(168,418)	(38,777)	5,862	-	(8,714)	(210,047)
Trademark licenses and patents	(33,748)	(116)	598	-	(11,282)	(44,548)
Customer relationships	(27,102)	(27,038)	-	-	(1,041)	(55,181)
	(804,043)	**(195,064)**	**6,460**	**-**	**(21,037)**	**(1,013,684)**
Net book value	**2,140,338**					**2,600,849**

(*) Consists of transfers from property, plant and equipment.

Net carrying value of the development costs as of December 31, 2018 is TRY 685,536 (December 31, 2017: TRY 544,522) and capitalized development costs for the period is TRY 270,147 (January 1 - December 31, 2017: TRY 224,704).

As of December 31, 2018, total amount of borrowing costs capitalized is none. (December 31, 2017: none).

	January 1, 2017	Additions	Disposals	Currency translation differences	December 31, 2017
Cost					
Brands	924,497	-	-	127,785	1,052,282
Development costs	894,593	224,704	-	-	1,119,297
Computer software and rights	212,335	39,864	(7,251)	4,778	249,726
Trademark licenses and patents	28,000	-	-	5,988	33,988
Customer relationships	482,599	-	-	6,489	489,088
	2,542,024	**264,568**	**(7,251)**	**145,040**	**2,944,381**
Accumulated amortization					
Development costs	(459,894)	(114,881)	-	-	(574,775)
Computer software and rights	(140,157)	(24,527)	362	(4,096)	(168,418)
Trademark licenses and patents	(27,673)	(114)	-	(5,961)	(33,748)
Customer relationships	(3,792)	(23,649)	-	339	(27,102)
	(631,516)	**(163,171)**	**362**	**(9,718)**	**(804,043)**
Net book value	**1,910,508**				**2,140,338**

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

NOTE 13 – OTHER INTANGIBLE ASSETS (Continued)

The carrying values of the brands of the Group are as below:

	December 31, 2018	**December 31, 2017**
Grundig (*)	518,782	388,613
Defy (*)	382,156	319,613
Dawlance(*)	266,429	241,703
Beko	81,040	81,040
Other brands (*)	27,918	21,313
	1,276,325	**1,052,282**

(*) Values of brands in their original currencies are same as of December 31, 2018 and 2017 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2018. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value. Sales forecast beyond the five-year period is extrapolated with 3% expected growth rate. The estimated royalty income is calculated by applying the expected 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 8% to 16% discount rates.

Fair value of brands is around 9.4 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management's estimate, fair value of brands would be 7.9 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 14 – GOODWILL

	2018	**2017**
As of January 1	**438,112**	**393,752**
Currency translation differences	69,854	44,360
As of December 31	**507,966**	**438,112**

Details of goodwill are as follows:

	December 31, 2018	**December 31, 2017**
Defy and its subsidiaries	298,014	249,241
Dawlance and its subsidiaries	194,491	176,441
Other	15,461	12,430
	507,966	**438,112**

NOTE 14 – GOODWILL (Continued)

Goodwill impairment test

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2018.

The projection period for the purposes of goodwill impairment testing is approved by the board of directors as 5 years between January 1, 2019 and December 31, 2023.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 1% - 5% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 7.7% - 16% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Defy Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 25% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 12.2%. Had the compound average growth rate been assumed to be 11.2%, the recoverable amount would have been calculated as 16% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 3%. Had the rate been assumed to be 2%, the recoverable amount would have been 18% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 12.57%. Had the rate been assumed to be 13.57%, the recoverable amount would have been 11% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 14 – GOODWILL (Continued)

Dawlance Group operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 57% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 27.6%. Had the compound average growth rate been assumed to be 26.6%, the recoverable amount would have been calculated as 39% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 46% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 16%. Had the rate been assumed to be %17, the recoverable amount would have been 37% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 15 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Trade.
j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2018.

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

NOTE 15 - GOVERNMENT GRANTS (Continued)

Grants which are accounted for under other income from operating activities for year ended December 31, 2018 are as follows:

i) Research and development incentive premiums taken or certain to be taken amounts to TRY 10,642 (December 31, 2017: TRY 5,010).

ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Trade amounts to TRY 26,210 (December 31, 2017: TRY 51,010).

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2018, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 255,196,533 (December 31, 2017: USD 301,896,261). 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:

	December 31, 2018	December 31, 2017
Up to 1 year	82,753	57,426
1-5 years	183,074	139,473
Over 5 years	141,974	90,202
Operating lease commitments	**407,801**	**287,101**

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2018 and December 31, 2017 are as follows:

December 31, 2018	Purchase Commitments	Sales Commitments
TRY	2,737,411	1,236,152
USD	2,799,081	576,621
EUR	1,854,102	3,594,909
AUD	33,927	185,130
CZK	-	79,655
CNY	59,464	426,737
DKK	-	64,483
ZAR	-	134,930
GBP	30,008	682,535
SEK	42,101	-
CHF	68,461	-
CAD	-	3,861
MYR	-	15,291
NOK	64,293	12,000
PKR	-	604
PLN	-	171,215
ROL	55,094	543,013
RUB	39,158	45,957
RSD	-	24,341
THB	18,986	-
NZD	-	32,433
	7,802,086	**7,829,867**

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2017	Purchase Commitments	Sales Commitments
TRY	138,257	565,523
USD	1,981,535	61,536
EUR	1,004,308	1,374,024
AUD	26,446	151,595
CZK	-	51,307
CNY	43,219	224,726
DKK	-	36,331
ZAR	-	92,961
GBP	-	503,539
SEK	31,696	-
CHF	130,967	-
CAD	-	5,255
MYR	-	24,756
NOK	36,577	-
PLN	-	1,828
ROL	-	139,810
RUB	125,833	12,582
RSD	31,534	42,946
THB	22,313	112,638
NZD	-	30,564
	3,572,685	**3,431,921**

	December 31, 2018	December 31, 2017
Collaterals obtained	3,616,758	2,911,732

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2018 and December 31, 2017 are as follows:

CPMB's given by the Company	December 31, 2018	December 31, 2017
A. CPMB's given for Company's own legal personality	160,425	623,454
B. CPMB's given on behalf of fully consolidated companies	1,356	993
C. CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	**161,781**	**624,447**

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

NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

TRY equivalents of CPMB given as of December 31, 2018 and December 31, 2017 are as follows on original currency basis are as follows:

CPMB's given by the Company	**December 31, 2018**	**December 31, 2017**
TRY	68,845	59,250
EUR	43,203	14,814
USD	27,160	532,667
Other currencies	22,573	17,716
	161,781	**624,447**

NOTE 17 – OTHER PROVISIONS

	December 31, 2018	**December 31, 2017**
Other short-term provisions		
Warranty provision	333,359	215,208
Assembly provision	108,248	98,210
Provision for transportation cost	41,996	49,303
Provision for lawsuit risks	15,648	9,596
Provision for returns	14,946	10,242
Other	68,142	48,071
	582,339	**430,630**
Other long-term provisions		
Warranty provision	155,747	232,137
Other	121	26
	155,868	**232,163**

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

NOTE 17 – OTHER PROVISIONS (Continued)

The movements of warranty and assembly provisions for the years ended December 31, are as follows:

Warranty provision	**2018**	**2017**
As of January 1	**447,345**	**366,106**
Additions	723,400	574,503
Disposals	(752,618)	(533,284)
Currency translation differences	70,979	40,020
As of December 31	**489,106**	**447,345**

Assembly provision	**2018**	**2017**
As of January 1	**98,210**	**73,118**
Additions	307,055	309,784
Disposals	(297,017)	(284,692)
As of December 31	**108,248**	**98,210**

NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2018	**December 31, 2017**
Provision for employment termination benefits	254,904	211,995
Provision for vacation pay liability	34,656	29,763
	289,560	**241,758**

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 5,434.42 as of December 31, 2018 (December 31, 2017: full TRY 4,732.48) for each period of service.

The provision for employee termination benefits is not funded, as there is no funding requirement

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, The provision made for present value of determined social relief is calculated by the prescribed liability method, All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

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

NOTE 18 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

Accordingly, the following demographic and financial actuarial assumptions were used in the calculation of the total liability:

	2018	2017
Net discount rate (%)	5.65	4.95
Turnover rate related the probability of retirement (%)	96.36	96.24

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 6,017.60 (January 1, 2018: full TRY 5,001.76) which is effective from January 1, 2019 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits for the years ended December 31, are as follows:

	2018	2017
As of January 1	**211,995**	**201,155**
Interest expense	6,742	15,122
Actuarial losses	79,884	22,491
Service cost	16,965	14,569
Payments during the year	(62,452)	(42,562)
Currency translation differences	1,770	1,220
As of December 31	**254,904**	**211,995**

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	249,190	207,952
Non – Turkey	5,714	4,043
	254,904	**211,995**

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2018 is below:

	Net discount rate		Turnover rate related the probability of retirement	
Sensitivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	(5.2)	(6.2)	(95.9)	(96.9)
Change in employee benefits liability	11,274	(10,433)	(7,190)	7,914

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

NOTE 19 – PREPAID EXPENSES

	December 31, 2018	December 31, 2017
Short-term prepaid expenses	156,879	91,686
Advances given for inventories	25,108	15,000
	181,987	**106,686**

NOTE 20 – CURRENT INCOME TAX ASSETS

	December 31, 2018	December 31, 2017
Prepaid taxes and funds	118,220	106,532
	118,220	**106,532**

NOTE 21 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2018	December 31, 2017
Payables to personnel	201,246	195,859
Social security payables	103,214	104,492
Accruals for bonuses and premiums	39,711	23,164
	344,171	**323,515**

NOTE 22 - OTHER ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Other current assets:		
Value added tax and private consumption tax receivable	460,277	291,663
Taxes and funds deductible	127,534	62,911
Income accruals	27,739	7,645
Other	66,353	36,619
	681,903	**398,838**
Other current liabilities:		
Accruals for customer premiums	620,521	431,528
Advances received	90,532	66,448
Deferred income	35,144	1,119
Other	10,143	7,717
	756,340	**506,812**
Other long term liabilities:		
Deferred income	178,871	217
Other	56,826	50,189
	235,697	**50,406**

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

NOTE 23 - 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:

	December 31, 2018	December 31, 2017
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:

	December 31, 2018		December 31, 2017	
	Share (%)	**Amount**	**Share (%)**	**Amount**
Shareholders				
Koç Holding A,Ş,	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A,Ş,	2.75	18,577	2.75	18,577
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

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

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

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

NOTE 23 – EQUITY (Continued)

Contribution to shareholders' equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	December 31, 2018	December 31, 2017
Legal reserves	409,115	368,993

As agreed in the ordinary general meeting dated March 19, 2018, the decision to pay dividend as cash has been taken and the payment was made in March 2018 (previous year in April 2017). The dividend details are as follows: 64.375% (2017: 62.9%) corresponding to gross TRY 0.64375 (full) (2017:TRY 0.62895 (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; 64.375% (2017: 62.9%) corresponding to gross TRY 0.64375 (full) (2017: gross TRY 0.62895 (full)) and net TRY 0.54719 (full) (2017: net TRY 0.53461 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

Dividend distribution

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

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

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

NOTE 23 – EQUITY (Continued)

Dividend distribution (Continued)

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

As of December 31, 2018, total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 1,417,696 (December 31, 2017: TRY 715,105).

NOTE 24 - SALES

Sales revenue grouped geographically based on the location of the customers for the years ended December 31 are shown as below:

2018	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	8,425,038	13,271,626	1,925,939	2,299,255	982,526	26,904,384

2017	Turkey	Europe	Africa	Asia Pasific	Other	Total
Total segment revenue	8,125,012	8,953,340	1,413,628	1,522,675	825,958	20,840,613

The Group recognised net sales amounting to TRY 26,882,046 with respect to the performance obligations satisfied at a point in time for the year ended December 31, 2018.

The amount of performance obligations at ongoing contracts of the Group will be recognized in the future is 208,329 TL. The Group expects that 178,678 TL portion of amount will be recorded as revenue to financial statements within six years.

The movements of performance obligations for the years ended December 31, 2018 is as follows:

	2018
Impact due to the changes in TFRS 15 (Note 2.1)	179,295
As of January, 1	**179,295**
Recognized as revenue	(22,338)
Increases due to changes in measurements	51,372
As of December, 31	**208,329**

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

NOTE 25 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
Marketing expenses:		
Transportation, distribution and storage expenses	1,591,929	1,220,581
Warranty and assembly expenses	1,030,455	884,287
Personnel expenses	861,582	645,432
Advertising and promotion expenses	849,010	656,153
Depreciation and amortization expenses	122,590	90,662
License expenses	79,339	57,241
Energy expenses	11,204	9,065
Other	548,325	464,278
	5,094,434	**4,027,699**
General administrative expenses:		
Personnel expenses	617,080	491,512
Information technology expenses	119,457	78,097
Insurance expenses	68,354	55,075
Depreciation and amortization expenses	54,464	44,608
Legal consultancy and audit expenses	52,843	38,674
Rent expenses	42,000	31,563
Duties, taxes and levies	28,467	20,777
Energy expenses	12,523	8,580
Donations	11,269	13,016
Repair and maintenance expense	11,061	9,621
Other	191,954	145,056
	1,209,472	**936,579**
Research and development expenses (*):		
Depreciation and amortization expenses	134,236	115,842
Personnel expenses	43,872	34,526
Energy expenses	3,737	3,016
Other	22,947	16,793
	204,792	**170,177**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 327,865 in 2018 (December 31, 2017: TRY 268,344).

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

NOTE 26 - EXPENSES BY NATURE

	2018	**2017**
Raw materials, supplies and trade goods	16,860,787	13,188,336
Changes in finished goods, work in process and trade goods	(745,233)	(642,515)
Personnel expenses	2,924,665	2,264,310
Transportation, distribution and storage expenses	1,714,956	1,322,636
Warranty and assembly expenses	1,030,455	884,287
Advertising and promotion expenses	849,010	656,153
Depreciation and amortization expenses	690,414	548,187
Foreign exchange loss arising from trading activities	471,119	232,840
Energy expenses	165,176	130,972
Repair and maintenance expenses	116,480	102,005
Insurance expenses	90,372	70,296
License expenses	79,339	57,241
Legal consultancy and audit expenses	71,306	62,070
Credit finance charges arising from trading activities	65,560	8,818
Cash discounts expenses	62,687	39,320
Provision expense for doubtful receivables	35,512	28,853
Provision expense for impairment on inventories	30,144	13,142
Other	1,079,128	873,669
	25,591,877	**19,840,620**

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

NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2018	2017
Other income from operating activities:		
Foreign exchange gains arising from trading activities	1,078,169	526,644
Income from claims and grants	77,722	67,314
Credit finance income arising from trading activities	58,142	61,506
Reversals of provisions	8,812	3,132
Reversal of provisions for doubtful receivables (Note 8)	4,844	1,867
Other	97,126	51,375
	1,324,815	**711,838**
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(471,119)	(232,840)
Credit finance charges arising from trading activities	(65,560)	(8,818)
Cash discounts expenses	(62,687)	(39,320)
Provision expense for doubtful receivables (Note 8)	(35,512)	(28,853)
Provision expense for inventory impairment (Note 10)	(30,144)	(13,142)
Other	(59,535)	(48,778)
	(724,557)	**(371,751)**

NOTE 28 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2018	2017
Income from investment activities:		
Income from sales of property plant and equipment	13,184	8,192
Dividends received from financial investments	94	93
	13,278	**8,285**
Expenses from investment activities:		
Loss from sales of property plant and equipment	(6,795)	(7,347)
	(6,795)	**(7,347)**

NOTE 29- FINANCIAL INCOME

	2018	2017
Foreign exchange gains (*)	1,739,314	714,398
Gains on derivative instruments	1,163,350	156,014
Interest income	61,644	30,578
Other	911	549
	2,965,219	**901,539**

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

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

NOTE 30 - FINANCIAL EXPENSES

	2018	2017
Foreign exchange losses (*)	(2,760,465)	(923,046)
Interest expenses	(1,009,229)	(574,914)
Losses on derivative instruments	(884,598)	(324,209)
Other	(17,552)	(10,332)
	(4,671,844)	**(1,832,501)**

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

NOTE 31 - TAX ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Corporation and income taxes	164,206	121,925
Prepaid tax	(121,228)	(93,872)
Tax liabilities (net)	**42,978**	**28,053**
Deferred tax assets	878,247	648,007
Deferred tax liabilities	(511,386)	(439,909)
Deferred tax assets, net	**366,861**	**208,098**

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 22% in Turkey (December 31, 2017: 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 December 31 is as follows:

	2018	2017
Tax income		
- Current period tax expense	(248,748)	(194,034)
- Deferred tax income	155,183	218,440
Tax income	**(93,565)**	**24,406**

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

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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)**	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Property, plant and equipment and intangible assets	3,274,756	2,762,388	(800,105)	(685,411)
Unearned credit finance income/expense (net)	81,580	58,370	(17,948)	(12,841)
Fair value gain/losses of financial assets reflected to other comprehensive income	1,420	2,116	(71)	(106)
Unused tax advantages (*)	-	-	639,641	588,183
Provision for doubtful receivables	(36,233)	(22,818)	9,736	5,932
Derivative instruments	(59,079)	38,158	12,929	(8,422)
Provision for impairment on inventories	(69,048)	(69,609)	14,879	14,822
Provision for employment termination benefits	(248,744)	(208,146)	49,881	41,639
Provision for warranty, assembly and transportation expenses	(607,584)	(404,231)	132,421	90,683
Unused tax credits	(536,554)	(232,098)	150,445	66,312
Other	(629,971)	(436,188)	175,053	107,307
Deferred tax assets, net			**366,861**	**208,098**

(*) 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 December 31, 2018 the tax advantage of TRY 639,641 (December 31, 2017: TRY 588,183) from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

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

NOTE 31 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2018	2017
Balance as of January 1– reported	**208,098**	**14,155**
Impact due to the changes in accounting policies	30,760	-
Balance as of January 1– restated	**238,858**	**14,155**
Deferred tax income recognized in statement of profit or loss	155,183	218,440
Deferred tax income recognized directly in the equity	15,979	4,458
Currency translation differences	(43,159)	(28,955)
Balance as of December 31	**366,861**	**208,098**

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 641,213. Maturity analysis of this amount is as follows:

	December 31, 2018
2019	40,284
2020	11,749
2021	61,032
2022	90,416
2023 and after	437,732
	641,213

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2018, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 2,489,837 (December 31, 2017: TRY 2,051,192).

Reconciliation between tax expenses for the years ended December 31, 2018 and 2017 and calculated tax expense using corporate tax rate in Turkey (22%) is as follows:

	2018	2017
Profit before tax	949,406	820,897
Tax expense calculated using 22% local tax rate	**(208,869)**	**(164,179)**
Exemptions	78,072	70,966
Effect of unused tax losses for which no deferred tax asset was recognized	(33,513)	(25,431)
Expenses not deductible for tax purposes	(26,984)	(9,011)
Impact of different tax rates in other countries	(13,518)	(1,166)
Adjustments with no tax effects	25,975	5,784
Effect on deferred tax balances due to change in income tax rate from 20% to 22%	-	927
Utilization of previously unrecognized tax advantages	87,689	156,061
Other	(2,417)	(9,545)
Taxation income recognized in statement of profit or loss	**(93,565)**	**24,406**

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

NOTE 32 - 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:

	December 31, 2018	December 31, 2017
Profit for the year attributable to shareholders of the Company	851,756	842,949
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	**1.261**	**1.247**
Diluted earnings per share (kurus) (*)	**1.261**	**1.247**

(*) 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.

NOTE 33 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2018	December 31, 2017
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	8,487	4,466
Yapı ve Kredi Bankası A.Ş. (1)	3,340	4,209
Other	232	4,934
	12,059	**13,609**
(b) Due to related parties:		
Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	236,701	153,813
Ram Dış Ticaret (2)	95,226	63,685
Arçelik-LG (2)	41,068	256,126
Koç Holding A.Ş. (3)	24,813	21,646
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	16,132	21,658
Bilkom Bilişim Hizmetleri A.Ş. (1)	7,832	2,354
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	2,889	4,243
Other	16,936	27,423
	441,597	**550,948**

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

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2018	December 31, 2017
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	27,253	19,267
Other	541	445
	27,794	**19,712**

	December 31, 2018	December 31, 2017
Other payables to related parties – Non-Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	27,641	39,357
Other	539	889
	28,180	**40,246**

(*) 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 December 31, 2018. (December 31, 2017: TRY 81,040).

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

	December 31, 2018	December 31, 2017
Other payables to related parties (gross)		
Up to 1 year	28,426	20,436
1 to 5 years	28,424	40,872
	56,850	**61,308**
Future finance charges on other liabilities	(876)	(1,350)
Present value of other payables to related parties (net)	**55,974**	**59,958**

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

	December 31, 2018	December 31, 2017
Up to 1 year	27,794	19,712
1 to 5 years	28,180	40,246
	55,974	**59,958**

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	2,433,594	246,664

(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	-	18,773

(1) Koç Holding group companies

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

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(e) Derivative instruments

December 31, 2018	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,583,952	5,080	(2,001)

December 31, 2017	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	377,713	158	(401)

(ii) Transactions with related parties

	2018	2017
(a) Sales of goods and services:		
Koçtaş Yapı Marketleri Ticaret A.Ş.	30,165	25,599
Yapı ve Kredi Bankası A.Ş.	14,747	19,611
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,938	4,589
Other	6,949	16,084
	55,799	**65,883**

	2018	2017
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,291,196	1,009,125
Arçelik-LG	798,644	635,656
Ram Dış Ticaret	367,168	203,507
Ark İnşaat	131,951	58,938
Bilkom Bilişim Hizmetleri A.Ş.	124,792	190,324
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	86,143	78,391
Setur Servis Turistik (1)	51,317	45,798
Other	163,381	146,326
	3,014,592	**2,368,065**

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.

(1) Koç Holding group companies

(c) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the year ended December 31, 2018 amounts to TRY 65,242 (December 31, 2017: TRY 53,809). Compensation includes only short-term benefits. There is no redundancy payments made to the senior executives as of December 31, 2018 (December 31, 2017: TRY 2,034)

NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

(d) Other transactions:

	2018	2017
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	27,211	18,134
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	5,840	4,934

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2018 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	11,948,278	13,483,739	3,312,933	2,868,771	7,038,747	263,288
Trade payables	4,734,444	4,789,337	4,652,447	136,890	-	-
Other payables, related parties	55,974	56,850	6,974	21,452	28,424	-
Other payables, third parties	241,069	241,069	220,426	20,643	-	-
	16,979,765	**18,570,995**	**8,192,780**	**3,047,756**	**7,067,171**	**263,288**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		8,205,070	5,282,213	697,496	2,225,361	-
Derivative cash outflows		(8,022,122)	(5,229,922)	(1,053,294)	(1,738,906)	-
Derivative instruments (net)	**(55,877)**	**182,948**	**52,291**	**(355,798)**	**486,455**	**-**

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2017 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	7,376,103	8,331,021	1,775,048	1,775,945	2,846,929	1,933,099
Trade payables	3,575,568	3,613,103	3,432,579	180,524	-	-
Other payables, related parties	59,958	61,308	4,999	15,437	40,872	-
Other payables, third parties	242,655	242,655	228,738	13,917	-	-
	11,254,284	**12,248,087**	**5,441,364**	**1,985,823**	**2,887,801**	**1,933,099**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		3,929,507	2,084,238	181,861	271,577	1,391,831
Derivative cash outflows		(3,635,147)	(2,094,448)	(173,579)	(232,063)	(1,135,057)
Derivative instruments (net)	**33,494**	**294,360**	**(10,210)**	**8,282**	**39,514**	**256,774**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

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

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

Average effective annual interest rates of statement of financial position accounts as of December 31, 2018 and 2017 are as follows:

December 31, 2018 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	THB	BWP	VND	PKR	INR	HKD
Cureent Assets																				
Cash and cash equivalents	23.02	1.54	3.44	0.62	0.06	7.25	2.96	5.25	-	-	10.39	0.46	5.00	(0.75)	0.70	1.00	1.00	4.83	-	0.25
Trade receivables	12.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																				
Short-term bank borrowings	21.22	0.45	-	-	4.94	-	-	8.23	-	-	-	-	-	-	-	-	-	9.31	-	-
Trade payables	12.09	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																				
Long term bank borrowings	20.02	2.11	-	-	-	-	-	9.95	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

December 31, 2017 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	THB	BWP	VND	PKR	INR	HKD
Cureent Assets																				
Cash and cash equivalents	13.50	0.02	1.79	0.42	0.91	7.50	1.06	5.25	(0.56)	(0.75)	11.25	0.19	5.00	(0.75)	0.65	1.00	1.00	4.27	4.59	0.25
Trade receivables	4.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																				
Short-term bank borrowings	12.83	0.45	2.15	-	-	-	4.35	8.57	-	0.49	-	-	-	-	-	-	-	6.45	-	-
Trade payables	4.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																				
Long term bank borrowings	13.14	2.63	-	-	-	-	-	9.94	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2018	2017
Financial instruments with fixed interest rates		
Time deposits	3,211,005	587,579
Borrowings and bonds issued	10,297,821	6,710,740
Other	128,091	90,258
Financial instruments with variable interest rates		
Time deposits	1,445,506	1,439,513
Borrowings	1,522,366	575,105

At December 31, 2018, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 769 (2017: TRY 8,644 lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2018 and December 31, 2017 are as follows:

	Trade receivables			
December 31, 2018	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**12,059**	**7,779,942**	**5,225,608**	**195,218**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(6,537,570)	-	-
A. Net book value of financial asset either are not due or not impaired	12,059	7,151,501	5,225,608	195,218
-Secured portion by guarantees, etc.	-	(6,072,337)	-	-
B. Net book value of overdue but not impaired financial assets	-	594,427	-	-
- Secured portion by guarantees, etc.	-	(426,948)	-	-
C. Net book value of the impaired assets	-	38,285	-	-
- Overdue (Gross book value)	-	241,135	-	-
- Impairment (-)	-	(202,850)	-	-
- Secured portion of the net value by guarantees, etc.	-	(38,285)	-	-
D. Expected credit losses (-)	-	(4,271)	-	-

	Trade receivables			
December 31, 2017	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**13,609**	**6,516,438**	**2,381,837**	**47,382**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(5,218,549)	-	-
A. Net book value of financial asset either are not due or not impaired	13,609	5,970,709	2,381,837	47,382
-Secured portion by guarantees, etc.	-	(4,796,631)	-	-
B. Net book value of overdue but not impaired financial assets	-	500,799	-	-
- Secured portion by guarantees, etc.	-	(376,988)	-	-
C. Net book value of the impaired assets	-	44,930	-	-
- Overdue (Gross book value)	-	212,020	-	-
- Impairment (-)	-	(167,090)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,930)	-	-

(1) Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.
(2) Major part of guarantees is composed of mortgages and trade receivable insurances.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2018	December 31, 2017
Group 1	19,717	11,628
Group 2	6,849,922	5,758,507
Group 3	293,921	214,183
	7,163,560	**5,984,318**

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

	December 31, 2018	December 31, 2017
0-1 month	298,221	292,347
1-3 months	157,045	100,657
3-12 months	97,192	79,743
1-5 years	41,969	28,052
	594,427	**500,799**

c) Geographical concentration of the trade receivables

	December 31, 2018	December 31, 2017
Turkey	3,608,325	3,417,146
Europe	2,383,813	1,782,084
Other	1,799,863	1,330,817
	7,792,001	**6,530,047**

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

	Undue	Overdue 0-1 month	Overdue 1-3 months	Overdue more than 3 months	Total
Expected loss rate	0.04	0.08	0.38	0.51	
Gross carrying amount	7,151,501	298,221	157,045	139,161	**7,745,928**
Loss allowance provision	2,740	229	591	711	**4,271**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2018, a portion of bank borrowings amounting to EUR 153,846,154 (before tax) was designated as a net investment hedging instrument (December 31, 2017: EUR 153,846,154).

Foreign currency position

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

	December 31, 2018	**December 31, 2017**
Assets	8,419,230	4,582,379
Liabilities	(8,169,123)	(5,639,134)
Net position of financial statement	**250,107**	**(1,056,755)**
Net position of derivative instruments	(347,860)	1,086,338
Foreign currency position (net)	**(97,753)**	**29,583**

NOTE 34 - 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 December 31, 2018 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																				
Trade receivables	428,626	184,618	105,679	621,748	124,607	-	314,323	-	-	155,964	51,586	49,663	1,276	-	1,146	-	560,922	-	385	5,272,472
Monetary financial assets	349,882	115,207	23	-	-	6	-	-	1,019	5	28,505	-	18	-	-	-	1	4	-	2,739,003
Other	20,919	47,406	27	-	-	-	-	-	-	-	-	14	-	504	-	-	37,878	588	-	407,755
Total Assets	**799,427**	**347,231**	**105,729**	**621,748**	**124,607**	**6**	**314,323**	**-**	**1,019**	**155,969**	**80,091**	**49,677**	**1,294**	**504**	**1,146**	**-**	**598,801**	**592**	**385**	**8,419,230**
Current Liabilities																				
Trade payables	214,069	225,131	908	18	-	-	-	1,861	1,756	-	2,145	761	-	9,866	-	714	54,671	619	-	2,533,080
Financial liabilities	56,997	6,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,727
Other monetary liabilities	795	8,464	-	-	-	-	-	-	-	-	-	8,858	515	-	-	-	-	-	-	83,939
Non-Current Liabilities																				
Financial liabilities	417,765	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,148,737
Other monetary liabilities	-	5,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,640
Total Liabilities	**689,626**	**744,960**	**908**	**18**	**-**	**-**	**-**	**1,861**	**1,756**	**-**	**2,145**	**9,619**	**515**	**9,866**	**-**	**714**	**54,671**	**619**	**-**	**8,169,123**
Net Position of Financial Stateme	**109,801**	**(397,729)**	**104,821**	**621,730**	**124,607**	**6**	**314,323**	**(1,861)**	**(737)**	**155,969**	**77,946**	**40,058**	**779**	**(9,362)**	**1,146**	**(714)**	**544,130**	**(27)**	**385**	**250,107**
Off-balance sheet derivative assets (*)	450,463	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	5,542,842
Off-balance sheet derivative liabilities (*)	(596,368)	(109,605)	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(50,000)	(1,300)	-	(1,000)	-	(560,000)	-	-	(5,890,702)
Net position of off-balance sheet items	(145,905)	422,449	(102,594)	(610,000)	(122,000)	-	(340,000)	-	-	(150,000)	(80,000)	(42,500)	(1,300)	-	(1,000)	-	(559,212)	-	-	(347,860)
Net Asset/(Liability) Position of Foreign Currency	**(36,104)**	**24,720**	**2,227**	**11,730**	**2,607**	**6**	**(25,677)**	**(1,861)**	**(737)**	**5,969**	**(2,054)**	**(2,442)**	**(521)**	**(9,362)**	**146**	**(714)**	**(15,082)**	**(27)**	**385**	**(97,753)**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	88,882	(445,135)	104,794	621,730	124,607	6	314,323	(1,861)	(737)	155,969	77,946	40,044	779	(9,866)	1,146	(714)	506,252	(615)	385	(157,648)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																				(55,877)
Hedged Amount of Foreign Currenc	596,368	109,605	102,594	610,000	122,000	-	340,000	-	-	150,000	80,000	50,000	1,300	-	1,000	-	560,000	-	-	5,890,702
Hedged Amount of Foreign Currency Liabilities	296,617	532,054	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	788	-	-	4,615,457

(*) 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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2018	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY equivalent
Against TRY	(22,243)	53,018	2,030	11,730	2,607	6	(25,677)	-	-	-	(56)	(1,085)	-	(8,756)	146	-	742	(27)	385	153,401
Against EUR	-	400	-	-	-	-	-	-	-	5,969	-	-	-	-	-	-	-	-	-	4,293
Against RUB	413	(1,252)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,175)	-	-	(8,041)
Against PLN	(4)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Against GBP	(2,808)	72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,548)
Against RON	(4,839)	(3,780)	266	-	-	-	-	-	-	-	(90)	-	-	-	-	-	-	-	-	(47,358)
Against CZK	(265)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,597)
Against NOK	(1,901)	-	-	-	-	-	-	-	(737)	-	(1,908)	-	-	-	-	-	-	-	-	(13,428)
Against SEK	3,985	-	-	-	-	-	-	(1,861)	-	-	-	-	-	-	-	-	-	-	-	22,904
Against CNY	318	1,352	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,571
Against ZAR	145	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,079
Against AUD	1,123	(522)	-	-	-	-	-	-	-	-	-	-	(521)	-	-	-	-	-	-	2,181
Against EGP	5	(461)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,395)
Against UAH	(3,093)	(29)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,798)
Against CHF	603	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,598
Against BWP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Against NZD	(519)	(1,100)	-	-	-	-	-	-	-	-	-	(1,357)	-	-	-	-	-	-	-	(13,940)
Against USD	377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,273
Against RSD	(5,306)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,985)
Against THB	33	329	-	-	-	-	-	-	-	-	-	-	-	(606)	-	-	-	-	-	1,901
Against MYR	-	612	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,220
Against VND	-	(12,671)	-	-	-	-	-	-	-	-	-	-	-	-	-	(714)	-	-	-	(66,776)
Against AED	(28)	1,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,343
Against PKR	(2,100)	(13,094)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,649)	-	-	(89,659)
	(36,104)	**24,720**	**2,227**	**11,730**	**2,607**	**6**	**(25,677)**	**(1,861)**	**(737)**	**5,969**	**(2,054)**	**(2,442)**	**(521)**	**(9,362)**	**146**	**(714)**	**(15,082)**	**(27)**	**385**	**(97,753)**

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

NOTE 34 - 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, 2017 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																				
Trade receivables	435,133	183,215	102,917	629,106	126,235	-	292,599	-	-	6	63,538	46,867	689	-	2,633	-	384,145	-	385	3,815,591
Monetary financial assets	76,305	29,881	22	-	-	48	7	4	144	5	1,446	(100)	7	-	1	-	1	1	-	458,101
Other	14,284	63,451	42	-	-	-	-	-	-	-	-	-	-	26,145	-	-	2,549	597	-	308,687
Total Assets	**525,722**	**276,547**	**102,981**	**629,106**	**126,235**	**48**	**292,606**	**4**	**144**	**11**	**64,984**	**46,767**	**696**	**26,145**	**2,634**	**-**	**386,695**	**598**	**385**	**4,582,379**
Current Liabilities																				
Trade payables	172,891	265,000	1,188	8	-	-	-	10	1,518	13,431	288	9,894	148	27,191	-	584	47,684	635	-	1,851,643
Financial liabilities	26,228	11,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,558
Other monetary liabilities	60	5,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,858
Non-Current Liabilities																				
Financial liabilities	372,222	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,566,718
Other monetary liabilities	-	10,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,357
Total Liabilities	**571,401**	**792,060**	**1,188**	**8**	**-**	**-**	**-**	**10**	**1,518**	**13,431**	**288**	**9,894**	**148**	**27,191**	**-**	**584**	**47,684**	**635**	**-**	**5,639,134**
Net Position of Financial Statement	**(45,679)**	**(515,513)**	**101,793**	**629,098**	**126,235**	**48**	**292,606**	**(6)**	**(1,374)**	**(13,420)**	**64,696**	**36,873**	**548**	**(1,046)**	**2,634**	**(584)**	**339,011**	**(37)**	**385**	**(1,056,755)**
Off-balance sheet derivative assets (*)	366,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	3,663,917
Off-balance sheet derivative liabilities (*)	(304,291)	(16,314)	(99,116)	(660,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(47,000)	-	-	(1,750)	-	(390,000)	-	-	(2,577,579)
Net position of off-balance sheet items	61,856	509,027	(99,116)	(620,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(38,000)	-	-	(1,750)	-	(390,000)	-	-	1,086,338
Net Asset/(Liability) Position of Foreign Currency	**16,177**	**(6,486)**	**2,677**	**9,098**	**(2,765)**	**48**	**2,606**	**(6)**	**(1,374)**	**(13,420)**	**4,696**	**(1,127)**	**548**	**(1,046)**	**884**	**(584)**	**(50,989)**	**(37)**	**385**	**29,583**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(59,963)	(578,964)	101,751	629,098	126,235	48	292,606	(6)	(1,374)	(13,420)	64,696	36,873	548	(27,191)	2,634	(584)	336,462	(634)	385	(1,365,442)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																				33,494
Hedged Amount of Foreign Currency Assets	304,291	16,314	99,116	660,000	129,000	-	290,000	-	-	-	60,000	47,000	-	-	1,750	-	390,000	-	-	2,577,579
Hedged Amount of Foreign Currency Liabilities	216,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	2,986,592

(*) 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.

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2017	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	equivalent
Against TRY	17,269	49,031	3,194	9,098	(2,765)	48	2,599	4	(49)	-	-	(466)	-	-	884	(389)	(5,854)	(37)	385	274,963
Against EUR	-	238	-	-	-	-	-	-	-	11	-	-	-	-	-	-	-	-	-	901
Against RUB	81	144	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	909
Against PLN	2,488	10	(1)	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	11,269
Against GBP	2,431	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,860
Against RON	(8,793)	(541)	264	-	-	-	-	-	-	-	-	-	-	(727)	-	-	-	-	-	(40,429)
Against CZK	(584)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,637)
Against NOK	453	-	-	-	-	-	-	-	(1,325)	-	4,696	-	-	-	-	-	-	-	-	4,284
Against SEK	1,699	-	-	-	-	-	-	(10)	-	-	-	-	-	-	-	-	-	-	-	7,667
Against CNY	270	107	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,679
Against ZAR	(256)	(522)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,125)
Against AUD	593	54	-	-	-	-	-	-	-	-	-	-	548	-	-	-	-	-	-	4,355
Against EGP	2	(26,074)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(102,374)
Against UAH	(3,418)	(27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,536)
Against CHF	742	672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,886
Against BWP	-	-	-	-	-	-	-	-	-	(13,431)	-	-	-	-	-	-	-	-	-	(4,120)
Against NZD	(61)	(90)	-	-	-	-	-	-	-	-	-	(661)	-	-	-	-	-	-	-	(2,556)
Against USD	302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,364
Against RSD	4,098	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,350
Against THB	(392)	(971)	-	-	-	-	-	-	-	-	-	-	-	(320)	-	-	-	-	-	(5,444)
Against MYR	-	(850)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,206)
Against VND	-	(11,447)	-	-	-	-	-	-	-	-	-	-	-	-	-	(195)	-	-	-	(43,200)
Against PKR	(747)	(16,148)	3	-	-	-	-	-	-	-	-	-	-	1	-	-	(45,135)	-	-	(90,277)
	16,177	**(6,486)**	**2,677**	**9,098**	**(2,765)**	**48**	**2,606**	**(6)**	**(1,374)**	**(13,420)**	**4,696**	**(1,127)**	**548**	**(1,046)**	**884**	**(584)**	**(50,989)**	**(37)**	**385**	**29,583**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2018, and December 31, 2017, 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	
December 31, 2018	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(209,241)	209,241	(209,377)	209,377
Secured portion from USD risk	222,248	(222,248)	222,246	(222,246)
USD Net effect	**13,007**	**(13,007)**	**12,869**	**(12,869)**
EUR net asset/liability	158,927	(158,927)	105,281	(105,281)
Secured portion from EUR risk	(180,690)	180,690	(87,952)	87,952
EUR Net effect	**(21,763)**	**21,763**	**17,329**	**(17,329)**
GBP net asset/liability	69,735	(69,735)	86,654	(86,654)
Secured portion from GBP risk	(68,253)	68,253	(68,253)	68,253
GBP Net effect	**1,482**	**(1,482)**	**18,401**	**(18,401)**
RUB net asset/liability	4,684	(4,684)	63,241	(63,241)
Secured portion from RUB risk	(4,596)	4,596	(4,596)	4,596
RUB Net effect	**88**	**(88)**	**58,645**	**(58,645)**
RON net asset/liability	1	(1)	106,047	(106,047)
Secured portion from RON risk	-	-	-	-
RON Net effect	**1**	**(1)**	**106,047**	**(106,047)**
PLN net asset/liability	17,487	(17,487)	30,264	(30,264)
Secured portion from PLN risk	(17,121)	17,121	(17,121)	17,121
PLN Net effect	**366**	**(366)**	**13,143**	**(13,143)**
CZK net asset/liability	7,364	(7,364)	12,507	(12,507)
Secured portion from CZK risk	(7,966)	7,966	(7,966)	7,966
CZK Net effect	**(602)**	**602**	**4,541**	**(4,541)**
NOK net asset/liability	(112)	112	883	(883)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**(112)**	**112**	**883**	**(883)**
SEK net asset/liability	(43)	43	7,468	(7,468)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	**(43)**	**43**	**7,468**	**(7,468)**
NZD net asset/liability	275	(275)	275	(275)
Secured portion from NZD risk	(460)	460	(460)	460
NZD Net effect	**(185)**	**185**	**(185)**	**185**
ZAR net asset/liability	5,719	(5,719)	106,333	(106,333)
Secured portion from ZAR risk	(5,500)	5,500	(5,500)	5,500
ZAR Net effect	**219**	**(219)**	**100,833**	**(100,833)**
AUD net asset/liability	14,832	(14,832)	8,225	(8,225)
Secured portion from AUD risk	(15,736)	15,736	(15,736)	15,736
AUD Net effect	**(904)**	**904**	**(7,511)**	**7,511**
DKK net asset/liability	6,283	(6,283)	6,283	(6,283)
Secured portion from DKK risk	(6,448)	6,448	(6,448)	6,448
DKK Net effect	**(165)**	**165**	**(165)**	**165**
JPY net asset/liability	(45)	45	(45)	45
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(45)**	**45**	**(45)**	**45**
CAD net asset/liability	442	(442)	442	(442)
Secured portion from CAD risk	(386)	386	(386)	386
CAD Net effect	**56**	**(56)**	**56**	**(56)**
THB net asset/liability	(12)	12	53,181	(53,181)
Secured portion from THB risk	-	-	-	-
THB Net effect	**(12)**	**12**	**53,181**	**(53,181)**
EGP net asset/liability	-	-	4,493	(4,493)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	**-**	**-**	**4,493**	**(4,493)**
UAH net asset/liability	-	-	1,688	(1,688)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	**-**	**-**	**1,688**	**(1,688)**
CNY net asset/liability	41,464	(41,464)	53,086	(53,086)
Secured portion from CNY risk	(42,614)	42,614	(42,614)	42,614
CNY Net effect	**(1,150)**	**1,150**	**10,472**	**(10,472)**
CHF net asset/liability	(14)	14	25,552	(25,552)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	**(14)**	**14**	**25,552**	**(25,552)**
BWP net asset/liability	-	-	109	(109)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	**-**	**-**	**109**	**(109)**
RSD net asset/liability	-	-	5,325	(5,325)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	**-**	**-**	**5,325**	**(5,325)**
MYR net asset/liability	-	-	689	(689)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	**-**	**-**	**689**	**(689)**
VND net asset/liability	-	-	886	(886)
Secured portion from VND risk	-	-	-	-
VND Net effect	**-**	**-**	**886**	**(886)**
PKR net asset/liability	1	(1)	106,993	(106,993)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	**1**	**(1)**	**106,993**	**(106,993)**
AED net asset/liability	-	-	1,604	(1,604)
Secured portion from AED risk	-	-	-	-
AED Net effect	**-**	**-**	**1,604**	**(1,604)**
IDR net asset/liability	-	-	1,746	(1,746)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	**-**	**-**	**1,746**	**(1,746)**
	(9,775)	**9,775**	**545,047**	**(545,047)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Gain/Loss		Other Comprehensive Income	
December 31, 2017	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(194,446)	194,446	(192,306)	192,306
Secured portion from USD risk	192,000	(192,000)	192,000	(192,000)
USD Net effect	**(2,446)**	**2,446**	**(306)**	**306**
EUR net asset/liability	47,107	(47,107)	54,245	(54,245)
Secured portion from EUR risk	(39,802)	39,802	27,931	(27,931)
EUR Net effect	**7,305**	**(7,305)**	**82,176**	**(82,176)**
GBP net asset/liability	51,714	(51,714)	66,251	(66,251)
Secured portion from GBP risk	(50,354)	50,354	(50,354)	50,354
GBP Net effect	**1,360**	**(1,360)**	**15,897**	**(15,897)**
RUB net asset/liability	4,094	(4,094)	47,505	(47,505)
Secured portion from RUB risk	(4,034)	4,034	(4,034)	4,034
RUB Net effect	**60**	**(60)**	**43,471**	**(43,471)**
RON net asset/liability	5	(5)	102,933	(102,933)
Secured portion from RON risk	-	-	-	-
RON Net effect	**5**	**(5)**	**102,933**	**(102,933)**
PLN net asset/liability	13,681	(13,681)	23,801	(23,801)
Secured portion from PLN risk	(13,981)	13,981	(13,981)	13,981
PLN Net effect	**(300)**	**300**	**9,820**	**(9,820)**
CZK net asset/liability	5,177	(5,177)	10,219	(10,219)
Secured portion from CZK risk	(5,131)	5,131	(5,131)	5,131
CZK Net effect	**46**	**(46)**	**5,088**	**(5,088)**
NOK net asset/liability	-	-	410	(410)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**-**	**-**	**410**	**(410)**
SEK net asset/liability	(63)	63	5,396	(5,396)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	**(63)**	**63**	**5,396**	**(5,396)**
NZD net asset/liability	147	(147)	147	(147)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	**147**	**(147)**	**147**	**(147)**
ZAR net asset/liability	(412)	412	80,878	(80,878)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	**(412)**	**412**	**80,878**	**(80,878)**
AUD net asset/liability	10,835	(10,835)	8,036	(8,036)
Secured portion from AUD risk	(11,166)	11,166	(11,166)	11,166
AUD Net effect	**(331)**	**331**	**(3,130)**	**3,130**
DKK net asset/liability	3,917	(3,917)	3,917	(3,917)
Secured portion from DKK risk	(3,633)	3,633	(3,633)	3,633
DKK Net effect	**284**	**(284)**	**284**	**(284)**
JPY net asset/liability	(3)	3	(3)	3
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(3)**	**3**	**(3)**	**3**
CAD net asset/liability	791	(791)	791	(791)
Secured portion from CAD risk	(526)	526	(526)	526
CAD Net effect	**265**	**(265)**	**265**	**(265)**
THB net asset/liability	(7)	7	24,344	(24,344)
Secured portion from THB risk	-	-	-	-
THB Net effect	**(7)**	**7**	**24,344**	**(24,344)**
EGP net asset/liability	-	-	(8,965)	8,965
Secured portion from EGP risk	-	-	-	-
EGP Net effect	**-**	**-**	**(8,965)**	**8,965**
UAH net asset/liability	-	-	798	(798)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	**-**	**-**	**798**	**(798)**
CNY net asset/liability	19,534	(19,534)	28,866	(28,866)
Secured portion from CNY risk	(22,473)	22,473	(22,473)	22,473
CNY Net effect	**(2,939)**	**2,939**	**6,393**	**(6,393)**
CHF net asset/liability	(14)	14	27,098	(27,098)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	**(14)**	**14**	**27,098**	**(27,098)**
BWP net asset/liability	-	-	135	(135)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	**-**	**-**	**135**	**(135)**
RSD net asset/liability	-	-	4,221	(4,221)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	**-**	**-**	**4,221**	**(4,221)**
MYR net asset/liability	-	-	(1,330)	1,330
Secured portion from MYR risk	-	-	-	-
MYR Net effect	**-**	**-**	**(1,330)**	**1,330**
VND net asset/liability	-	-	(944)	944
Secured portion from VND risk	-	-	-	-
VND Net effect	**-**	**-**	**(944)**	**944**
PKR net asset/liability	1	(1)	93,687	(93,687)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	**1**	**(1)**	**93,687**	**(93,687)**
IDR net asset/liability	-	-	1,799	(1,799)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	**-**	**-**	**1,799**	**(1,799)**
	2,958	**(2,958)**	**490,562**	**(490,562)**

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

NOTE 34 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Original Amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	977,477,372	5,646,399	1,022,753,060	4,232,762
USD	369,799,939	1,807,807	300,429,459	1,093,807
GBP	304,627,673	1,995,487	268,704,759	1,263,008
Other		1,089,671		787,646
Total exports		**10,539,364**		**7,377,223**
EUR	323,424,961	1,930,426	384,280,363	1,563,160
USD	819,938,934	4,227,079	925,028,469	3,353,607
GBP	1,272,998	8,848	1,030,303	4,833
Other		4,671		5,359
Total imports		**6,171,024**		**4,926,959**

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	**December 31, 2017**
Total financial liabilities (Note 6)	11,948,278	7,376,103
Cash and cash equivalents (Note 4)	(5,341,524)	(2,581,964)
Net financial liabilities	6,606,754	4,794,139
Equity	8,219,162	6,915,077
Total capital invested	**14,825,916**	**11,709,216**
Gearing ratio	**45%**	**41%**

NOTE 35 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of December 31, 2018, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 7,923,499 (December 31, 2017: TRY 5,075,303) (Note 6) and TRY 7,712,416 (December 31, 2017: TRY 5,238,541) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of borrowings considering the changing country risk premium and changes in market interest rates.

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

NOTE 35 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of December 31, 2018 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 7)	-	195,218	-
Financial investments (Note 5)	1,777	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	251,095	-

Fair value hierarchy table as of December 31, 2017 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 7)	-	47,382	-
Financial investments (Note 5)	2,473	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	13,888	-

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

NOTE 36 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	1 January-December 31, 2018	1 January-December 31, 2017
Adjustments for provisions:		
Accrual for customer premiums	188,993	138,614
Warranty provision	41,763	81,239
Provision for employment termination benefits	23,707	29,691
Accrual for bonuses and premiums	16,547	5,606
Provision for legal claims	6,052	95
Provision for vacation pay liability	4,893	3,347
Return provisions	4,704	3,146
Provision for assembly and transportation cost	2,728	43,135
	289,387	**304,873**

	1 January-December 31, 2018	1 January-December 31, 2017
Adjustments for impairment loss:		
Provision for doubtful receivables	35,512	28,853
Provision for impairment on inventories	30,144	13,142
	65,656	**41,995**

NOTE 37 – EVENTS AFTER BALANCE SHEET DATE

None.

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