

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

Arçelik Anonim Şirketi

January 1 - September 30, 2016 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016

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

		Unaudited	Audited
	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,722,129	2,167,627
Trade receivables			
-Due from related parties	27	14,923	8,950
-Trade receivables, third parties	8	5,259,880	4,781,575
Derivative instruments	7	3,647	16,293
Inventories	9	2,401,519	2,140,057
Prepaid expenses	16	132,923	74,944
Current income tax assets	17	34,783	27,014
Other current assets	19	179,924	179,678
Subtotal		10,749,728	9,396,138
Non-current assets or disposal groups classified as held for sale		10,603	10,114
Total current assets		10,760,331	9,406,252
Non-current assets:			
Financial investments			
-Financial assets available-for-sale	5	2,819	539,176
Trade receivables			
-Trade receivables, third parties	8	12,839	13,205
Derivate instruments	7	117,680	144,742
Associates	11	218,403	209,881
Property, plant and equipment	12	2,210,669	2,055,675
Intangible assets			
-Goodwill		187,018	163,450
-Other intangible assets	13	1,086,166	1,007,480
Deferred tax assets	25	282,742	198,647
Total non-current assets		4,118,336	4,332,256
Total assets		14,878,667	13,738,508

These condensed interim consolidated financial statements as at and for the period ended September 30, 2016, have been approved for issue by the Board of Directors on October 21, 2016.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016

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

		Unaudited	Audited
		September 30,	December 31,
	Notes	2016	2015
LIABILITIES			
Current liabilities:			
Financial liabilities	6	1,399,480	1,035,741
Short term portion of long term financial liabilities	6	970,387	1,149,001
Trade payables			
-Due to related parties	27	361,825	413,983
-Trade payables, third parties	8	2,132,704	1,676,411
Derivative instruments	7	7,868	3,263
Employee benefit obligations	18	199,101	156,910
Other payables			
-Due to related parties	27	14,171	12,982
-Other payables, third parties	10	225,769	155,537
Current income tax liabilities	25	23,568	13,062
Provisions			
-Other provisions	15	401,018	334,536
Other current liabilities	19	415,593	284,871
Total current liabilities		6,151,484	5,236,297
Non-current liabilities			
Financial liabilities	6	2,843,077	3,268,907
Other payables			
-Due to related parties	27	51,492	60,674
Provisions			
-Provision for employee benefits		212,253	192,470
-Other provisions	15	136,743	126,052
Deferred tax liabilities	25	162,000	149,635
Other non-current liabilities		34,708	28,636
Total non-current liabilities		3,440,273	3,826,374
Total liabilities		9,591,757	9,062,671

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016

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

		Unaudited	Audited
	Notes	September 30, 2016	December 31, 2015
EQUITY			
Paid-in capital	20	675,728	675,728
Adjustment to share capital	20	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Actuarial gain/loss arising from defined benefit plans		(68,795)	(57,615)
-Increases/ decreases on revaluation of non-current assets		80,116	75,747
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		530,158	324,618
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(281,155)	(259,170)
-Gains/ losses on cash flow hedges		(5,659)	1,413
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		2,263	374,201
Balancing account for merger capital	20	14,507	14,507
Restricted reserves	20	329,872	307,051
Retained earnings		2,446,010	1,839,690
Net income for the period		1,070,531	891,141
Attributable to:			
Equity holders of the parent		5,263,276	4,657,011
Non-controlling interest		23,634	18,826
Total equity		5,286,910	4,675,837
Total liabilities and equity		14,878,667	13,738,508
Commitments, contingent assets and liabilities	14		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

	Notes	Unaudited			
		January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Net sales	3	11,570,243	10,099,139	4,083,238	3,877,286
Cost of sales		(7,662,492)	(6,885,533)	(2,722,219)	(2,617,177)
Gross profit	3	3,907,751	3,213,606	1,361,019	1,260,109
General administrative expenses		(539,283)	(451,335)	(176,328)	(167,430)
Marketing expenses		(2,331,825)	(1,944,977)	(809,101)	(742,967)
Research and development expenses		(113,804)	(89,627)	(39,898)	(31,225)
Other income from operating activities	21	300,755	526,159	129,118	253,964
Other expenses from operating activities	21	(184,687)	(205,963)	(27,263)	(90,877)
Operating profit		1,038,907	1,047,863	437,547	481,574
Income from investment activities	22	417,687	15,598	1,705	1,538
Expenses from investment activities	22	(751)	(461)	(66)	(109)
Income from associates (net)	11	27,937	19,840	8,760	3,520
Operating income before financial income/(expense)		1,483,780	1,082,840	447,946	486,523
Financial income	23	395,274	671,663	140,096	321,752
Financial expenses	24	(785,671)	(1,211,944)	(304,769)	(567,323)
Profit from continuing operations before tax		1,093,383	542,559	283,273	240,952
Tax income/(expense), continuing operations					
- Taxes on income	25	(82,584)	(48,542)	(33,489)	(31,703)
- Deferred tax income	25	62,988	187,202	14,343	4,352
Net income		1,073,787	681,219	264,127	213,601
Attributable to:					
Non-controlling interest		3,256	1,049	1,306	1,241
Equity holders of the parent		1,070,531	680,170	262,821	212,360
Earnings per share (kurus)	26	1.584	1.007	0.389	0.314
Diluted earnings per share (kurus)	26	1.584	1.007	0.389	0.314

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

ARÇELİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

	Unaudited			
	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Net income	1,073,787	681,219	264,127	213,601
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss	(13,994)	(18,187)	(1,995)	(6,052)
Actuarial gain/ loss arising from defined benefit plans	(14,072)	(18,140)	(2,018)	(6,034)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	78	(47)	23	(18)
Other comprehensive income not to be reclassified to profit or loss, tax effect	2,814	3,628	403	1,207
Actuarial gain/ loss arising from defined benefit plans, tax effect	2,814	3,628	403	1,207
Other comprehensive income to be reclassified to profit or loss	178,235	232,469	137,222	127,286
Currency translation differences	211,461	385,646	161,593	195,031
Other comprehensive income related with hedges of net investments in foreign operations	(27,480)	(90,075)	(23,460)	(65,850)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	1,327	(59,743)	191	-
Share of other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss	(7,073)	(3,359)	(1,102)	(1,895)
Other comprehensive income to be reclassified to profit or loss, tax effect	5,430	21,002	4,683	13,170
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	5,496	18,015	4,692	13,170
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	(66)	2,987	(9)	-
Other comprehensive income/ (loss) (net of tax)	172,485	238,912	140,313	135,611
Total comprehensive income	1,246,272	920,131	404,440	349,212
Attributable to:				
Non-controlling interest	4,808	9,068	2,706	4,171
Equity holders of the parent	1,241,464	911,063	401,734	345,041

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss				Retained earnings				
	Adjustment Paid-in to share capital	Share premium /discount	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement	Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets	Gains/ losses on hedge	Gains/ losses on revaluation and reclassification	Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2016	675.728	468.811	889	14.507	(57.615)	75.747	(257.757)	374.201	324.618	307.051	1.839.690	891.141	4.657.011	18.826	4.675.837
Transfers	-	-	-	-	-	-	-	-	-	22.821	868.320	(891.141)	-	-	-
Total comprehensive income	-	-	-	-	(11.180)	4.369	(29.057)	1.261	205.540	-	-	1.070.531	1.241.464	4.808	1.246.272
Net income	-	-	-	-	-	-	-	-	-	-	-	1.070.531	1.070.531	3.256	1.073.787
Other comprehensive income	-	-	-	-	(11.180)	4.369	(29.057)	1.261	205.540	-	-	-	170.933	1.552	172.485
Dividends paid (Note 20, 26)	-	-	-	-	-	-	-	-	-	-	(262.000)	-	(262.000)	-	(262.000)
Increase/ decrease through other changes in equity (Note 20)	-	-	-	-	-	-	-	(373.199)	-	-	-	-	(373.199)	-	(373.199)
As of September 30, 2016	675.728	468.811	889	14.507	(68.795)	80.116	(286.814)	2.263	530.158	329.872	2.446.010	1.070.531	5.263.276	23.634	5.286.910

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss			Retained earnings					
	Adjustment Paid-in to share capital	Share premium /discount	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement	Gains/ losses on revaluation and remeasurement arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets	Gains/ losses on hedge	Gains/ losses on revaluation and reclassification	Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2015	675,728	468,811	889	14,507	(44,552)	67,241	(215,930)	525,549	178,569	275,430	1,792,299	617,084	4,355,625	43,073	4,398,698
Other restatements	-	-	-	-	-	-	-	-	-	-	61,780	-	61,780	-	61,780
Restated balances	675,728	468,811	889	14,507	(44,552)	67,241	(215,930)	525,549	178,569	275,430	1,854,079	617,084	4,417,405	43,073	4,460,478
Transfers	-	-	-	-	-	-	-	-	-	31,621	585,463	(617,084)	-	-	-
Total comprehensive income	-	-	-	-	(14,559)	14,313	(75,419)	(56,756)	363,314	-	-	680,170	911,063	9,068	920,131
Net income	-	-	-	-	-	-	-	-	-	-	-	680,170	680,170	1,049	681,219
Other comprehensive income	-	-	-	-	(14,559)	14,313	(75,419)	(56,756)	363,314	-	-	-	230,893	8,019	238,912
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(249,852)	-	(249,852)	(32,204)	(282,056)
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	175	175
Dividends paid (Note 20, 26)	-	-	-	-	-	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
As of September 30, 2015	675,728	468,811	889	14,507	(59,111)	81,554	(291,349)	468,793	541,883	307,051	1,839,690	680,170	4,728,616	20,112	4,748,728

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

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

ARÇELİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED SEPTEMBER 30, 2016**

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

	Notes	Unaudited	
		January 1- September 30, 2016	January 1- September 30, 2015
Cash flows from operating activities:			
Net income from continued operations:		1,073,787	681,219
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	25	19,596	(138,660)
Adjustments for depreciation and amortisation expense		316,653	275,853
Adjustments for impairment loss	29	28,426	13,428
Adjustments for provisions	29	275,717	181,166
Adjustments for interest income	24	327,026	286,749
Adjustments for interest expense	23	(22,524)	(17,824)
Adjustments for undistributed profits of investments accounted for using equity method	11	(27,937)	(19,840)
Adjustments for fair value (gains) losses on derivative financial instruments	23, 24	28,776	(192,271)
Adjustments for unrealised foreign exchange losses (gains)	23, 24	49,033	458,724
Other adjustments to reconcile profit (loss)	23, 24	8,086	4,903
Adjustments for income arised from government grants	21	(141,598)	(62,010)
Adjustments for dividend (income) expenses	22	(59)	(12,865)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	22	(413,739)	-
Adjustments for losses (gains) on disposal of non-current assets	22	(3,138)	(2,272)
Net cash flow from operating activities before changes in operating assets and liabilities		1,518,105	1,456,300
<i>Changes in operating assets and liabilities:</i>			
Adjustments for decrease (increase) in trade receivables		(491,241)	(1,171,427)
Adjustments for decrease (increase) in inventories		(271,493)	(370,346)
Decrease (increase) in prepaid expenses		(57,979)	(48,411)
Adjustments for increase (decrease) in trade payables		404,135	366,052
Increase (decrease) in employee benefit liabilities		(44,677)	(44,987)
Adjustments for increase (decrease) in other operating payables		60,164	50,970
Increase (decrease) in government grants and assistance		64,269	48,627
Other adjustments for other increase (decrease) in working capital		119,699	224,544
Income taxes refund (paid)		(90,112)	(56,990)
Cash flows from operating activities		1,210,870	454,332
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses		-	(1,327)
Purchase of property, plant, equipment and intangible assets		(438,848)	(413,094)
Proceeds from sales of property, plant, equipment and intangible assets		9,099	11,355
Dividends received		12,809	24,275
Cash receipts from sales of equity or debt instruments of other entities	27	558,582	-
Cash flows from investing activities		141,642	(378,791)
Financing activities:			
Proceeds from borrowings		1,641,397	3,111,425
Repayments of borrowings		(2,002,690)	(2,637,391)
Dividends paid		(262,000)	(350,000)
Payments from changes in ownership interests in subsidiaries that do not result in loss of control	27	-	(282,056)
Interest paid		(317,759)	(271,037)
Interest received		23,136	17,677
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		15,537	61,350
Other inflows (outflows) of cash	23, 24	(8,086)	(4,903)
Cash flows from financing activities		(910,465)	(354,935)
Net increase/(decrease) in cash and cash equivalents before currency translation differences		442,047	(279,394)
Effect of currency translation differences		113,067	222,189
Net increase/(decrease) in cash and cash equivalents		555,114	(57,205)
Cash and cash equivalents at January 1	4	2,166,153	1,620,523
Cash and cash equivalents at September 30	4	2,721,267	1,563,318

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fifteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa and Thailand. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 20).

The Company's head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1986. As of September 30, 2016, the publicly listed shares are 25.15% of the total shares (December 31, 2015: 25.15%).

The average number of personnel employed by categories in the Group for the period ended September 30, 2016 is 4,712 white - collar (January 1- September 30, 2015: 4,477) and 20,964 (January 1- September 30, 2015: 22,841) blue – collar totalling to 25,676 (January 1- September 30, 2015: 27,318).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Continuing operations as of reporting date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") *	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") *	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") *	Poland, Czechia	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
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
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables
Ceased operations as of reporting date:			
Archin Limited ("Archin")	Hong Kong, China	-	-
Beko Cesko ("Beko Cesko")	Czechia	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

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

<u>Associates</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

For the period ended September 30, 2016, the Group prepared its condensed interim consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of December 31, 2015.

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.

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as of and for the period ended September 30, 2016 are applied consistently with the TAS/TFRS and interpretations.

The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments had no effect on the financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

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

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments had no effect on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

POA of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with TFRS 9 or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and had no effect on the financial position or performance of the Group.

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and had no effect on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are not applicable for the Group no effect on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

Amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income arising from equity accounted investments. The amendments had no significant effect on the financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

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

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments had no significant effect on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

Annual Improvements – 2011–2013 Cycle

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

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

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IAS 7 Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

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

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of September 30, 2016 and December 31, 2015 (%) and their functional currencies:

	Functional currency	September 30, 2016		December 31, 2015	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei (“RON”)	96.72	96.72	96.72	96.72
Ardutch	Euro (“EUR”)	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar (“TWD”)	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar (“AUD”)/ New Zealand Dollar (“NZD”)	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar (“SRD”)	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan (“CYN”)	100.00	100.00	100.00	100.00
Beko Deutschland	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Espana	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira (“EGP”)	100.00	100.00	100.00	100.00
Beko France	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar (“USD”)	100.00	100.00	100.00	100.00
Beko 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 ⁽¹⁾	US Dollar (“USD”)	100.00	100.00	-	-
CoVii	Euro (“EUR”)	51.00	51.00	51.00	51.00
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	Swazi 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
Vietbeko	Vietnamese Dong (“VND”)	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Raupach ⁽²⁾	-	-	-	100.00	100.00

⁽¹⁾ Founded as a sales company in January 2016.

⁽²⁾ Raupach merged with Beko Deutschland as of June 2016.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the nine month period ended September 30, 2016 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2016 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

NOTE 3 - SEGMENT REPORTING

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

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

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

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	8,339,165	1,632,728	1,598,350	11,570,243
Gross profit	3,038,562	442,171	427,018	3,907,751
Depreciation and amortization	258,631	50,146	13,424	322,201
Capital expenditures	359,844	69,881	14,727	444,452

- b) Operational segments which have been prepared in accordance with the reportable segments for the nine-month period ended September 30, 2015 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	7,383,923	1,316,524	1,398,692	10,099,139
Gross profit	2,554,749	276,160	382,697	3,213,606
Depreciation and amortization	225,168	44,643	11,141	280,952
Capital expenditures	357,337	56,227	10,880	424,444

- c) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between July 1 – September 30, 2016 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	3,129,528	527,933	425,777	4,083,238
Gross profit	1,079,350	151,303	130,366	1,361,019
Depreciation and amortization	89,880	16,933	4,250	111,063
Capital expenditures	121,404	25,109	4,892	151,405

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

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

NOTE 3 - SEGMENT REPORTING (Continued)

- d) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between July 1 – September 30, 2015 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,946,583	464,996	465,707	3,877,286
Gross profit	1,037,654	100,544	121,911	1,260,109
Depreciation and amortization	76,934	14,989	3,605	95,528
Capital expenditures	167,495	24,197	4,388	196,080

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

January 1 – September 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,849,460	5,080,204	768,632	871,947	11,570,243

January 1 – September 30, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,191,365	4,461,039	812,883	633,852	10,099,139

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

July 1 – September 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,669,236	1,848,263	280,547	285,192	4,083,238

July 1 – September 30, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,541,986	1,808,214	308,892	218,194	3,877,286

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015
Cash in hand	1,004	451
Cash at banks		
- demand deposits	213,594	210,540
- time deposits	2,421,624	1,872,026
Cheques and notes	42,665	55,456
Other	42,380	27,680
Cash and cash equivalents in cash flow statement	2,721,267	2,166,153
Interest income accruals	862	1,474
	2,722,129	2,167,627

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

Up to 30 days	2,595,363	2,130,848
30-90 days	126,766	36,779
	2,722,129	2,167,627

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

USD	0.5	1.2
EUR	0.9	0.6
AUD	1.1	0.5
BWP	1.0	1.0
CZK	0.0	0.0
CNY	1.2	2.3
ZAR	5.3	5.2
HKD	0.0	-
GBP	0.0	0.3
SEK	0.0	-
CHF	0.0	0.1
EGP	7.3	4.5
NAD	5.0	5.0
NOK	1.0	0.1
RON	0.6	1.3
RUB	8.2	10.4
THB	0.6	0.8
UAH	-	8.5
VND	1.0	1.0
NZD	1.2	3.0

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	September 30, 2016		December 31, 2015	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	-	-	3.98	537,684
Tat Gıda Sanayi A.Ş.	0.34	2,740	0.34	1,413
Other		79		79
		2,819		539,176

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

	2016	2015
As of January 1	539,176	698,488
Change in fair value	1,327	(59,743)
Sale of financial asset (Note 27)	(537,684)	-
As of September 30	2,819	638,745

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	September 30, 2016	December 31, 2015
Short-term bank borrowings	1,345,369	995,638
Payables from factoring activities(*)	53,813	39,628
Other	298	475
Total short-term financial liabilities	1,399,480	1,035,741
Short-term portion of long-term bank borrowings and interest accruals	931,479	1,119,002
Interest accruals of long-term bond issued (**)	38,908	29,999
Total short-term portion of long-term financial liabilities	970,387	1,149,001

(*) Factoring liabilities are amounting to TRY 33,455 denominated in EUR (2015: TRY 18,902), TRY 18,792 denominated in GBP (2015: TRY 18,708) and TRY 1,566 denominated in USD (2015: TRY 2,018) and interest rates are between 0.55%-0.70% for EUR (2015: 0.65%-1%) , 1.4% for USD (2015: 1.5%) and 1.63% for GBP (2015: 1.59%).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

(**) Long term bonds issued:

2014:

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

2013:

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

As of September 30, 2016, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.7	1,046,029,983	1,046,030
EUR	0.8	73,129,957	245,775
CNY	4.4	110,013,292	49,150
USD	1.2	1,473,404	4,414
			1,345,369

As of December 31, 2015, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	10.6	639,551,321	639,551
EUR	0.7	96,414,061	306,365
CNY	4.4	110,000,000	49,000
SEK	1.3	2,090,757	722
			995,638

b) Long-term financial liabilities

	September 30, 2016	December 31, 2015
Long-term bank borrowings	187,044	722,634
Long-term bonds issued	2,655,919	2,545,989
Other	114	284
	2,843,077	3,268,907

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of September 30, 2016, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	11.9	669,016,194	669,016
EUR	2.6	78,468,148	263,716
ZAR	9.9	750,000,000	163,395
RUB	8.9	475,000,000	22,396
			1,118,523
Short-term portion of long-term loans and interest accruals			(931,479)
			187,044

As of December 31, 2015, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.8	1,381,151,557	1,381,152
EUR	2.6	89,098,357	283,119
ZAR	9.1	750,000,000	141,548
RUB	8.7	904,255,822	35,817
			1,841,636
Short-term portion of long-term loans and interest accruals			(1,119,002)
			722,634

As of September 30, 2016, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	509,384,007	1,526,064
EUR	4.0	347,763,690	1,168,763
			2,694,827
Interest accruals of long-term bonds issued			(38,908)
			2,655,919

As of December 31, 2015, 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	502,551,654	1,461,219
EUR	4.0	350,820,921	1,114,769
			2,575,988
Interest accruals of long-term bonds issued			(29,999)
			2,545,989

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	September 30, 2016	December 31, 2015
2017	37,676	581,408
2018	74,684	70,613
2019	74,684	70,613
2021	1,176,280	1,112,160
2023	1,497,950	1,453,800
	2,861,274	3,288,594

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

	September 30, 2016	December 31, 2015
Up to 3 months	1,536,334	1,301,147
3 - 12 months	719,861	934,766
1-5 years	1,363,324	581,086
Over 5 years	1,497,950	2,565,960
	5,117,469	5,382,959

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.

	September 30, 2016		December 31, 2015	
	Contract amount	Fair value assets /(liabilities)	Contract amount	Fair value assets /(liabilities)
<i>Held for trading:</i>				
<i>Short-term derivative instruments</i>				
Forward transactions	1,222,555	1,596 (4,871)	739,561	1,807 (259)
Foreign currency swap contracts	2,142,740	2,051 (2,997)	2,126,087	14,486 (3,004)
	3,365,295	3,647 (7,868)	2,865,648	16,293 (3,263)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	2,031,558	117,680	-	1,960,174	144,742	-
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April, 2013.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2016	December 31, 2015
Short-term trade receivables:		
Trade receivables	3,560,745	2,840,338
Notes receivables	1,579,037	1,794,339
Cheques receivables	281,092	271,172
Short-term trade receivables (gross)	5,420,874	4,905,849
Provision for doubtful receivables	(129,263)	(110,601)
Unearned credit finance income	(31,731)	(13,673)
Short-term trade receivables (net)	5,259,880	4,781,575

As of September 30, 2016, the Group has offsetted TRY 484,320 (December 31, 2015: TRY 382,302) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

Movements in the provision for doubtful receivables for the nine-month periods ended September 30 are as follows:

	2016	2015
As of January 1	110,601	97,019
Current year additions (Note 21)	19,340	11,791
Provisions no longer required (Note 21)	(1,358)	(1,369)
Write-offs (*)	(1,494)	(899)
Acquisitions	-	7
Currency translation differences	2,174	5,200
As of September 30	129,263	111,749

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

	September 30, 2016	December 31, 2015
Long-term trade receivables	12,839	13,205
Short-term trade payables:		
Trade payables	2,004,039	1,597,265
Debt accruals	142,005	93,743
Unearned credit finance charges	(13,340)	(14,597)
	2,132,704	1,676,411

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NOTE 9 - INVENTORIES

	September 30, 2016	December 31, 2015
Raw materials and supplies	964,149	946,661
Work in progress	93,985	83,611
Finished goods	1,136,774	925,878
Trade goods	278,954	250,979
Inventories (gross)	2,473,862	2,207,129
Provision for impairment on inventories	(72,343)	(67,072)
Inventories (net)	2,401,519	2,140,057

There are no inventories pledged as security for liabilities (December 31, 2015: None).

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

	September 30, 2016	December 31, 2015
Raw materials and supplies	59,044	54,784
Finished goods	11,289	10,723
Trade goods	2,010	1,565
	72,343	67,072

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

	2016	2015
As of January 1	67,072	57,958
Current year additions (Note 21)	9,086	1,637
Realized due to sales of inventory	(4,429)	(1,925)
Currency translation differences	614	2,631
As of September 30	72,343	60,301

NOTE 10 - OTHER PAYABLES

	September 30, 2016	December 31, 2015
Taxes and duties payable	186,722	142,777
Dividend payables to shareholders	5,453	3,935
Deposits and guarantees received	4,861	4,558
Other	28,733	4,267
	225,769	155,537

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - ASSOCIATES

	September 30, 2016		December 31, 2015	
	%	TRY	%	TRY
Arçelik - LG	45.0	111,206	45.0	98,875
Koç Finansman	47.0	88,774	47.0	89,851
Ram Dış Ticaret	33.5	10,744	33.5	13,107
Tanı Pazarlama	32.0	7,679	32.0	8,048
		218,403		209,881

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

	2016	2015
As of January 1	209,881	195,311
Shares of income/loss of associates	27,937	19,840
Shares of other comprehensive income/loss of associates	(6,995)	(3,406)
Gross profit elimination on inventory	330	287
Dividends received	(12,750)	(11,410)
As of September 30	218,403	200,622

Shares of income/loss from associates:

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Koç Finansman	15,323	10,794	5,448	3,971
Arçelik – LG	12,001	7,312	2,349	(1,420)
Ram Dış Ticaret	984	1,322	986	985
Tanı Pazarlama	(371)	412	(23)	(16)
	27,937	19,840	8,760	3,520

Aggregated summary figures of the financial statements of associates:

	September 30, 2016	December 31, 2015
Total assets	4,064,417	3,810,042
Total liabilities	3,572,343	3,334,872

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Net sales	1,563,217	1,473,155	477,053	499,758
Net income for the period	61,782	45,086	24,303	10,234

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2016	2015
As of January 1		
Cost	5,090,900	4,603,877
Accumulated depreciation	(3,035,225)	(2,791,131)
Net carrying value	2,055,675	1,812,746
Net carrying value at the beginning of the period	2,055,675	1,812,746
Acquisitions	-	228
Additions	321,186	321,825
Disposals	(5,387)	(9,061)
Currency translation differences	72,466	100,838
Depreciation for the period	(233,271)	(208,522)
Net carrying value at the end of the period	2,210,669	2,018,054
As of September 30		
Cost	5,472,172	5,056,320
Accumulated depreciation	(3,261,503)	(3,038,266)
Net carrying value	2,210,669	2,018,054

There is no mortgage on property, plant and equipment as of September 30, 2016 (December 31, 2015: None).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – OTHER INTANGIBLE ASSET

	2016	2015
As of January 1		
Cost	1,506,857	1,318,647
Accumulated amortization	(499,377)	(396,647)
Net carrying value	1,007,480	922,000
Net carrying value at the beginning of the period	1,007,480	922,000
Acquisitions	-	660
Additions	123,266	102,619
Disposals	(574)	(22)
Currency translation differences	44,924	84,713
Amortization for the period	(88,930)	(72,323)
Net carrying value at the end of the period	1,086,166	1,037,647
As of September 30		
Cost	1,675,990	1,514,537
Accumulated amortization	(589,824)	(476,890)
Net carrying value	1,086,166	1,037,647

Net carrying value of the development costs as of September 30, 2016 is TRY 412,059 (December 31, 2015: TRY 380,417) and capitalized development costs excluding amount of borrowing cost in the period is TRY 105,830 (January 1 – September 30, 2015: TRY 90,608).

As of September 30, 2016 total amount of borrowing costs capitalized in the period is TRY 56 (January 1- September 30, 2015: TRY 6,251).

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2016, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 469,566,204 (December 31, 2015: USD 274,539,501). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	September 30, 2016	December 31, 2015
Up to 1 year	23,531	27,360
1-5 years	40,152	40,921
Over 5 years	4,592	6,959
Operating lease commitments	68,275	75,240

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of September 30, 2016 and December 31, 2015 are as follows:

September 30, 2016	Purchase commitments	Sales Commitments
TRY	277,451	405,017
USD	1,550,054	77,025
EUR	553,879	1,258,311
AUD	12,599	88,726
CZK	-	25,159
CNY	31,300	120,346
DKK	-	20,262
ZAR	-	169,575
GBP	5,836	345,012
CHF	124,915	-
CAD	-	4,570
NOK	20,416	-
PLN	-	68,771
ROL	202,936	-
RUB	5,131	16,974
NZD	-	12,588
	2,784,517	2,612,336

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

December 31, 2015	Purchase commitments	Sales commitments
TRY	60,104	231,511
USD	1,445,742	185,995
EUR	619,234	992,191
AUD	9,287	74,039
CZK	-	22,650
CNY	15,995	66,769
DKK	-	12,755
ZAR	-	157,228
GBP	30,105	413,498
SEK	47,599	29,703
CHF	88,656	-
CAD	-	4,189
NOK	-	7,290
PLN	-	63,762
ROL	170,190	-
RUB	9,631	44,759
RSD	-	13,442
NZD	-	9,498
	2,496,543	2,329,279

	September 30, 2016	December 31, 2015
Collaterals obtained	2,950,485	2,831,414

Collaterals/ pledges/ mortgages/ bill of guarantees (“CPMB”) position of the Group as of September 30, 2016 and December 31, 2015 are as follows:

CPMB’s given by the Company	September 30, 2016	December 31, 2015
A. CPMB’s given for Company’s own legal personality	875,046	598,529
B. CPMB’s given on behalf of fully consolidated companies	45,400	43,112
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	920,446	641,641

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

TRY equivalents of CPMB's as of September 30, 2016 and December 31, 2015 are as follows on original currency basis are as follows:

CPMB's given by the Company	September 30, 2016	December 31, 2015
USD	815,992	522,553
TRY	51,414	50,081
EUR	47,610	45,015
Other currencies	5,430	23,992
	920,446	641,641

NOTE 15 – OTHER PROVISIONS

	September 30, 2016	December 31, 2015
Other current provisions		
Warranty provision	197,558	178,460
Assembly provision	73,513	64,693
Provision for transportation cost	30,441	18,654
Provision for lawsuit risks	12,333	8,980
Provision for returns	8,912	9,522
Other	78,261	54,227
	401,018	334,536
Other non-current provisions		
Warranty provision	135,614	124,817
Other	1,129	1,235
	136,743	126,052

NOTE 16 – PREPAID EXPENSES

	September 30, 2016	December 31, 2015
Short-term prepaid expenses	107,896	57,786
Advances given for fixed assets	13,278	13,083
Advances given for inventories	11,749	4,075
	132,923	74,944

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NOTE 17 – CURRENT INCOME TAX ASSETS

	September 30, 2016	December 31, 2015
Prepaid taxes and funds	34,783	27,014

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2016	December 31, 2015
Accruals for bonuses and premiums	68,887	13,696
Social security payables	65,727	69,458
Payables to personnel	64,487	73,756
	199,101	156,910

NOTE 19 - OTHER ASSETS AND LIABILITIES

	September 30, 2016	December 31, 2015
Other current assets:		
Income accruals	85,054	9,927
Taxes and funds deductible	42,370	83,348
Value added tax and private consumption tax receivable	33,937	76,753
Other	18,563	9,650
	179,924	179,678

Other current liabilities:

Accruals for customer premiums	385,533	247,938
Advances received	25,802	30,091
Other	4,258	6,842
	415,593	284,871

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NOTE 20 - EQUITY

Paid-in capital

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

	September 30, 2016	December 31, 2015
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	September 30, 2016		December 31, 2015	
	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/IFRS promulgated by the POA. “Adjustment to share capital” has no use other than being transferred to paid-in share capital.

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

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NOTE 20 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets

Revaluation fund related to sales of Group’s available for sale financial asset Koç Finansal Hizmetler A.Ş.net off tax amounting to TRY 373,199 booked under shareholders’ equity is classified to statement of profit or loss.

Restricted reserves

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

The details of these restricted reserves are as follows:

	September 30, 2016	December 31, 2015
General legal reserves	83,690	83,690
Other legal reserves	246,182	223,361
	329,872	307,051

Dividends paid

As agreed in the ordinary general meeting dated March 25, 2016, the decision to pay dividend as cash has been taken and the payment was made in April 2016 (previous year in April 2015). The dividend details are as follows: 38.8% (2015: 51.8%) corresponding to gross TRY 0.38773 (full) (2015:TRY 0.51796 (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; 32.9% (2015: 44.0%) corresponding to gross TRY 0.38773 (full) (2014: gross TRY 0.51796 (full)) and net TRY 0.32957 (full) (2015: net TRY 0.44027 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

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NOT 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Other income from operating activities:				
Income from claims and grants	141,598	62,010	52,175	16,810
Foreign exchange gains arising from trading activities	118,091	413,137	61,218	224,391
Credit finance income arising from trading activities	15,629	12,235	6,047	4,029
Reversals of provisions	2,980	1,062	1,238	377
Reversal of provisions for doubtful receivables (Note 8)	1,358	1,369	1,165	153
Other	21,099	36,346	7,275	8,204
	300,755	526,159	129,118	253,964
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(91,385)	(143,423)	6,223	(68,079)
Provision expense for doubtful receivables (Note 8)	(19,340)	(11,791)	(1,417)	(5,787)
Cash discounts expenses	(17,014)	(17,205)	(5,095)	(6,269)
Credit finance charges arising from trading activities	(12,738)	(1,259)	(4,416)	(571)
Provision expense for inventory impairment (Note 9)	(9,086)	(1,637)	(1,660)	(836)
Other	(35,124)	(30,648)	(20,898)	(9,335)
	(184,687)	(205,963)	(27,263)	(90,877)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Income from investment activities:				
Income from sales of financial investment (*)	413,739	-	-	-
Income from sales of property plant and equipment	3,889	2,733	1,705	1,538
Dividends received from financial investments	59	12,865	-	-
	417,687	15,598	1,705	1,538
Expenses from investment activities:				
Loss from sales of property plant and equipment	(751)	(461)	(66)	(109)
	(751)	(461)	(66)	(109)

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

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NOTE 23- FINANCIAL INCOME

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Foreign exchange gains (*)	248,555	379,841	113,365	177,372
Gains on derivative instruments	123,900	273,707	18,597	139,152
Interest income	22,524	17,824	8,038	4,999
Other	295	291	96	229
	395,274	671,663	140,096	321,752

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Interest expenses	(327,026)	(286,749)	(104,687)	(110,127)
Foreign exchange losses (*)	(297,588)	(838,565)	(158,259)	(430,986)
Losses on derivative instruments	(152,676)	(81,436)	(38,656)	(25,603)
Other	(8,381)	(5,194)	(3,167)	(607)
	(785,671)	(1,211,944)	(304,769)	(567,323)

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

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NOTE 25 - TAX ASSETS AND LIABILITIES

	September 30, 2016	December 31, 2015
Corporation and income taxes	78,814	99,123
Prepaid tax	(55,246)	(86,061)
Tax liabilities (net)	23,568	13,062
Deferred tax assets	282,742	198,647
Deferred tax liabilities	(162,000)	(149,635)
Deferred tax assets, net	120,742	49,012

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

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

Income tax expense for the years ended September 30 is as follows:

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Tax income/ (expense)				
- Current period tax expense	(82,584)	(48,542)	(33,489)	(31,703)
- Deferred tax income	62,988	187,202	14,343	4,352
Tax income/ (expense), net	(19,596)	138,660	(19,146)	(27,351)

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Property, plant and equipment and intangible assets	1,616,385	1,538,662	(346,183)	(328,536)
Derivative instruments	115,256	145,296	(23,039)	(29,057)
Unearned credit finance income/expense (net)	35,033	49,288	(7,007)	(9,858)
Available-for-sale investments	2,382	393,896	(119)	(19,694)
Unused tax advantages (*)	(3,187,198)	(2,679,899)	346,056	289,226
Provision for warranty, assembly and transportation expenses	(330,609)	(282,602)	68,130	58,459
Provision for employment termination benefits	(181,482)	(169,396)	36,296	33,879
Provision for impairment on inventories	(66,085)	(58,662)	13,340	11,799
Provision for doubtful receivables	(9,372)	(2,275)	2,740	436
Other	(71,348)	(184,727)	30,528	42,358
Deferred tax assets, net			120,742	49,012

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of September 30, 2016 the tax advantage of TRY 302,330 (December 31, 2015: TRY 254,274) in which the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment, from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

Movements in deferred tax asset / (liabilities) for the nine-month periods ended September 30 are as follows:

	2016	2015
Balance as of January 1	49,012	(168,069)
Deferred tax income recognized in statement of profit or loss	62,988	187,202
Deferred tax effect on sales of financial investment	19,642	-
Deferred tax income recognized directly in the shareholders' equity	2,748	6,615
Currency translation differences	(13,648)	(12,837)
Balance as of September 30	120,742	12,911

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NOTE 26 - EARNINGS PER SHARE

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

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

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

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
Net income	1,070,531	680,170	262,821	212,360
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	1.584	1.007	0.389	0.314
Diluted earnings per share (kurus) (*)	1.584	1.007	0.389	0.314
Dividends distributed to the equity holders of the parent	262,000	350,000	-	-
Gross dividend distributed per share (kurus) (*)	0.388	0.518	-	-

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

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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	September 30, 2016	December 31, 2015
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	10,137	1,191
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	3,066	1,223
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	-	6,343
Other	1,720	193
	14,923	8,950

(b) Due to related parties:

Current:

Arçelik-LG ⁽²⁾	167,232	213,400
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	137,933	110,971
Ram Dış Ticaret ⁽²⁾	38,724	45,020
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	8,024	3,144
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	3,544	11,098
Koç Holding A.Ş. ⁽³⁾	1,919	15,999
Other	4,449	14,351
	361,825	413,983

	September 30, 2016	December 31, 2015
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	13,823	12,982
Other	348	-
	14,171	12,982

Other payables to related parties – Non Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	50,449	59,359
Other	1,043	1,315
	51,492	60,674

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of September 30, 2016. (December 31, 2015: TRY 81,040).

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

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	September 30, 2016	December 31, 2015
Other payables to related parties (gross)		
Up to 1 year	17,245	16,477
1 to 5 years	56,196	67,411
	73,441	83,888
Future finance charges on other liabilities	(7,778)	(10,232)
Present value of other payables to related parties (net)	65,663	73,656

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

	September 30, 2016	December 31, 2015
Up to 1 year	14,171	12,982
1 to 5 years	51,492	60,674
	65,663	73,656

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries ⁽¹⁾	926,245	519,044
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	22,396	18,815
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(e) Derivative instruments

	Contract amount	Fair value	
September 30, 2016		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	924,870	1,232	(883)
December 31, 2015		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	816,151	293	(914)

(1) Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
(a) Sales of goods and services:				
Akpa Dayanıklı Tüketim LPG ve				
Akaryakıt Ürünleri Pazarlama A.Ş.	17,241	25,649	-	3,001
Koçtaş Yapı Marketleri Ticaret A.Ş.	15,325	9,636	5,118	2,650
Yapı ve Kredi Bankası A.Ş.	13,443	9,801	3,742	2,459
Arçelik-LG	4,449	2,669	1,938	1,134
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,842	1,556	1,680	797
Other	2,441	1,981	1,403	543
	55,741	51,292	13,881	10,584

(b) Other sales:

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

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
(c) Purchases of goods and services:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	553,826	445,300	279,227	111,940
Arçelik-LG	372,727	275,035	131,528	86,290
Ram Dış Ticaret	103,805	107,914	55,013	19,869
Bilkom Bilişim Hizmetleri A.Ş.	95,991	63,302	53,887	16,698
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	48,035	53,108	20,759	9,539
Koç Holding A.Ş. (**)	27,949	23,494	11,433	17,427
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽¹⁾ (*)	25,521	43,430	526	499
Setur Servis Turistik A.Ş. ⁽¹⁾	19,406	16,118	9,921	3,006
Other	42,285	37,880	16,376	10,342
	1,289,545	1,065,581	578,670	275,610

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

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

(*) The amount is composed of accrued premiums in the period ending September 30, 2016 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş. which is operating as insurance agency.

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

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
(d) Other purchases:				
Temel Ticaret ve Yatırım A.Ş. (***) ⁽²⁾	-	282,056	-	-

(***) The Group purchased Beko UK’s 50% shares from Temel Ticaret ve Yatırım A.Ş. at June 29, 2015 for TRY 282,056.

⁽¹⁾ Koç Holding group companies

⁽²⁾ Koç Holding shareholder

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(e) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the period ended September 30, 2016 amounts to TRY 25,210 (January 1- September 30, 2015: TRY 18,238). TRY 17,500 (January 1- September 30, 2015: TRY 4,000) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(f) Other transactions

	January 1- September 30, 2016	January 1- September 30, 2015	July 1- September 30, 2016	July 1- September 30, 2015
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	10,244	9,803	4,247	1,601
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,481	9,762	548	2,560

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed with inter balance sheet methods by maintaining a balance in terms of amount and maturity between interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

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

Details of credit and receivable risk as of September 30, 2016 and December 31, 2015 are as follows:

	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
September 30, 2016				
Maximum exposed credit risk as of reporting date ⁽¹⁾	14,923	5,272,719	2,636,080	121,327
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,790,903)	-	-
A. Net book value of financial asset either are not due or not impaired	14,923	4,797,643	2,636,080	121,327
-Secured portion by guarantees, etc.	-	(3,408,393)	-	-
B. Financial assets with renegotiated conditions	-	77,935	-	-
- Secured portion by guarantees, etc.	-	(69,062)	-	-
C. Net book value of overdue but not impaired financial assets	-	348,063	-	-
- Secured portion by guarantees, etc.	-	(264,370)	-	-
D. Net book value of the impaired assets	-	49,078	-	-
- Overdue (Gross book value)	-	178,341	-	-
- Impairment (-)	-	(129,263)	-	-
- Secured portion of the net value by guarantees, etc.	-	(49,078)	-	-
	Trade receivables			
	Related parties	Third parties	Bank deposits	Derivative instruments
December 31, 2015				
Maximum exposed credit risk as of reporting date ⁽¹⁾	8,950	4,794,780	2,084,040	161,035
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,592,264)	-	-
A. Net book value of financial asset either are not due or not impaired	8,950	4,345,094	2,084,040	161,035
-Secured portion by guarantees, etc.	-	(3,222,520)	-	-
B. Financial assets with renegotiated conditions	-	51,233	-	-
- Secured portion by guarantees, etc.	-	(43,077)	-	-
C. Net book value of overdue but not impaired financial assets	-	354,592	-	-
- Secured portion by guarantees, etc.	-	(282,806)	-	-
D. Net book value of the impaired assets	-	43,861	-	-
- Overdue (Gross book value)	-	154,462	-	-
- Impairment (-)	-	(110,601)	-	-
- Secured portion of the net value by guarantees, etc.	-	(43,861)	-	-

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

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

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

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

	September 30, 2016	December 31, 2015
Group 1	78,195	7,392
Group 2	4,673,189	4,324,138
Group 3	139,117	73,747
	4,890,501	4,405,277

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

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

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

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

	September 30, 2016	December 31, 2015
0-1 month	192,401	116,510
1-3 months	91,727	165,005
3-12 months	34,627	38,950
1-5 years	29,308	34,127
	348,063	354,592

Foreign exchange risk

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

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries' functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized.

Foreign exchange risk is followed based on functional currency of each subsidiary. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of September 30, 2016 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2015: EUR 150,000,000).

Foreign currency position

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

	September 30, 2016	December 31, 2015
Assets	3,930,994	3,408,875
Liabilities	(4,232,036)	(3,892,464)
Net position of financial statement	(301,042)	(483,589)
Net position of derivative instruments	485,359	503,552
Foreign currency position (net)	184,317	19,963

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

Currencies, other than the functional currencies of the Company and its’ subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands (‘000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of September 30, 2016 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	TRY Equivalent
Current Assets																		
Trade receivables	420,878	158,715	87,466	235,325	88,979	175,095	-	31	358,450	49,016	35,595	307	-	1,863	-	135,346	-	2,579,845
Monetary financial assets	333,837	18,510	7	22,475	-	18	-	433	-	15,674	1,155	5	-	-	-	1	-	1,188,368
Other	16,491	35,176	35	-	-	-	-	-	-	-	20	-	-	-	-	-	588	162,799
Total Assets	771,206	212,401	87,508	257,800	88,979	175,113	-	464	358,450	64,690	36,770	312	-	1,863	-	135,347	588	3,931,012
Current Liabilities																		
Trade payables	193,620	166,073	1,313	-	-	-	53	-	10,213	296	8,031	148	48,301	-	52	-	602	1,177,744
Financial liabilities	24,396	14,356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	124,999
Other monetary liabilities	748	5,105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,808
Non-Current Liabilities																		
Financial liabilities	405,589	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,861,054
Other monetary liabilities	-	16,839	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,449
Total Liabilities	624,353	702,373	1,313	-	-	-	53	-	10,213	296	8,031	148	48,301	-	52	-	602	4,232,054
Net Position of Financial Statement	146,853	(489,972)	86,195	257,800	88,979	175,113	(53)	464	348,237	64,394	28,739	164	(48,301)	1,863	(52)	135,347	(14)	(301,042)
Off-balance sheet																		
derivative assets (*)	286,900	517,392	1,500	-	-	-	-	-	-	-	5,500	-	-	-	-	-	-	2,532,703
Off-balance sheet																		
derivative liabilities (*)	(374,408)	(25,710)	(88,672)	(360,000)	(88,000)	(202,000)	-	-	(358,456)	(45,000)	(38,000)	-	-	(2,000)	-	(148,000)	-	(2,047,344)
Net position of																		
off-balance sheet items	(87,508)	491,682	(87,172)	(360,000)	(88,000)	(202,000)	-	-	(358,456)	(45,000)	(32,500)	-	-	(2,000)	-	(148,000)	-	485,359
Net Asset/(Liability) Position of Foreign Currency	59,345	1,710	(977)	(102,200)	979	(26,887)	(53)	464	(10,219)	19,394	(3,761)	164	(48,301)	(137)	(52)	(12,653)	(14)	184,317
Net Asset/(Liability) Position of Foreign																		
Currency Monetary Items	130,362	(525,148)	86,160	257,800	88,979	175,113	(53)	464	348,237	64,394	28,719	164	(48,301)	1,863	(52)	135,347	(602)	(463,841)
Fair Value of Financial Instruments Used																		
for Foreign Exchange Hedge																		113,459
Hedged Amount of Foreign Currency Assets	374,408	25,710	88,672	360,000	88,000	202,000	-	-	358,456	45,000	38,000	-	-	2,000	-	148,000	-	2,047,344
Hedged Amount of Foreign Currency																		
Liabilities	136,900	517,392	1,500	-	-	-	-	-	-	-	5,500	-	-	-	-	-	-	2,028,583

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

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

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

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

September 30, 2016	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	TRY equivalent
Against TRY	60,804	39,441	(75)	(102,200)	979	(26,905)	-	-	-	(60)	(3,779)	-	(47,511)	(137)	(52)	(12,653)	(14)	298,715
Against EUR	-	(527)	-	-	-	-	-	-	(6)	-	-	-	-	-	-	-	-	(1,580)
Against RUB	2,911	2,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,823
Against PLN	204	8	-	-	-	18	-	-	-	-	-	-	-	-	-	-	-	712
Against GBP	(284)	96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(666)
Against RON	(1,196)	(486)	(137)	-	-	-	-	-	-	-	-	-	(790)	-	-	-	-	(6,032)
Against CZK	(178)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(598)
Against NOK	(2,623)	(80)	-	-	-	-	-	464	-	19,454	-	-	-	-	-	-	-	(133)
Against SEK	5,918	(38)	-	-	-	-	(53)	-	-	-	-	-	-	-	-	-	-	19,755
Against CNY	33	187	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	784
Against ZAR	517	3,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,841
Against AUD	(37)	381	-	-	-	-	-	-	-	-	-	164	-	-	-	-	-	1,374
Against EGP	2	(38,200)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(117,525)
Against UAH	(2,505)	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,395)
Against CHF	844	670	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,844
Against BWP	-	-	-	-	-	-	-	-	(10,213)	-	-	-	-	-	-	-	-	(2,226)
Against NZD	(253)	(7)	-	-	-	-	-	-	-	-	18	-	-	-	-	-	-	(830)
Against USD	234	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	786
Against RSD	(5,041)	(140)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,361)
Against HUF	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20)
Against THB	1	(1,250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,742)
Against MYR	-	(2,310)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,921)
	59,345	1,710	(977)	(102,200)	979	(26,887)	(53)	464	(10,219)	19,394	(3,761)	164	(48,301)	(137)	(52)	(12,653)	(14)	184,317

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2015 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	CAD	THB	CNY	CHF	TRY Equivalent
Current Assets																	
Trade receivables	397,859	153,391	99,841	1,088,041	84,794	220,846	24,807	101,767	674,127	41,963	33,871	-	1,249	-	13,341	-	2,540,959
Monetary financial assets	184,376	41,625	89	10	-	21	-	4,246	-	8,302	5	4	-	175	-	-	712,316
Other	13,216	38,887	121	-	-	-	-	-	-	-	8	-	-	-	-	-	155,600
Total Assets	595,451	233,903	100,051	1,088,051	84,794	220,867	24,807	106,013	674,127	50,265	33,884	4	1,249	175	13,341	-	3,408,875
Current Liabilities																	
Trade payables	133,365	148,153	1,853	-	-	-	199	165,883	18,228	-	4,542	-	-	128	-	175	933,449
Financial liabilities	27,891	6,666	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,008
Other monetary liabilities	13	4,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,561
Non-Current Liabilities																	
Financial liabilities	416,757	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,778,087
Other monetary liabilities	-	20,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,359
Total Liabilities	578,026	679,884	1,853	-	-	-	199	165,883	18,228	-	4,542	-	-	128	-	175	3,892,464
Net Position of Financial Statement	17,425	(445,981)	98,198	1,088,051	84,794	220,867	24,608	(59,870)	655,899	50,265	29,342	4	1,249	47	13,341	(175)	(483,589)
Off-balance sheet																	
derivative assets (*)	298,370	497,228	7,000	-	-	-	-	137,818	-	-	4,390	-	-	-	-	-	2,480,832
Off-balance sheet																	
derivative liabilities (*)	(312,245)	(63,969)	(96,147)	(1,130,000)	(85,000)	(192,500)	(22,000)	(86,000)	(670,000)	(30,000)	(35,000)	-	(2,000)	-	-	-	(1,977,280)
Net position of																	
off-balance sheet items	(13,875)	433,260	(89,147)	(1,130,000)	(85,000)	(192,500)	(22,000)	51,818	(670,000)	(30,000)	(30,610)	-	(2,000)	-	-	-	503,552
Net Asset/(Liability) Position of Foreign Currency	3,550	(12,722)	9,051	(41,949)	(206)	28,367	2,608	(8,053)	(14,101)	20,265	(1,268)	4	(751)	47	13,341	(175)	19,963
Net Asset/(Liability) Position of Foreign Currency Monetary Items	4,209	(484,868)	98,077	1,088,051	84,794	220,867	24,608	(59,870)	655,899	50,265	29,334	4	1,249	47	13,341	(175)	(639,189)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																	157,772
Hedged Amount of Foreign Currency Assets	312,245	63,969	96,147	1,130,000	85,000	192,500	22,000	86,000	670,000	30,000	35,000	-	2,000	-	-	-	1,977,280
Hedged Amount of Foreign Currency Liabilities	148,370	497,228	7,000	-	-	-	-	137,818	-	-	4,390	-	-	-	-	-	2,004,192

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

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

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

December 31, 2015	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	CAD	THB	CNY	CHF	TRY equivalent
Against TRY	8,468	29,139	9,187	(41,949)	(206)	28,346	2,808	15,683	-	-	(1,207)	-	(751)	175	13,341	(175)	160,330
Against EUR	-	666	-	-	-	-	-	-	4,127	-	-	-	-	-	-	-	2,715
Against RUB	2,068	(452)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,257
Against PLN	41	15	-	-	-	21	-	-	-	-	-	-	-	-	-	-	176
Against GBP	(68)	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(210)
Against RON	213	(1,281)	70	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,747)
Against CZK	477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,516
Against NOK	6,218	(80)	-	-	-	-	-	(23,735)	-	20,265	-	-	-	-	-	-	19,943
Against SEK	(4,710)	(38)	-	-	-	-	(191)	-	-	-	-	-	-	-	-	-	(15,139)
Against CNY	365	2,192	588	-	-	-	-	-	-	-	-	-	-	-	-	-	10,062
Against ZAR	(269)	(2,269)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,452)
Against AUD	(186)	365	-	-	-	-	-	-	-	-	-	4	-	-	-	-	478
Against EGP	(3)	(34,531)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	(103,827)
Against UAH	(4,969)	(5,954)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,101)
Against CHF	88	602	-	-	-	-	(9)	-	-	-	-	-	-	-	-	-	2,027
Against BWP	-	-	-	-	-	-	-	-	(18,228)	-	-	-	-	-	-	-	(3,441)
Against NZD	(333)	-	-	-	-	-	-	-	-	-	(61)	-	-	-	-	-	(1,187)
Against USD	184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	585
Against RSD	(1,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,431)
Against HUF	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)
Against THB	(2,319)	(804)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,707)
Against MYR	-	(294)	-	-	-	-	-	-	-	-	-	-	-	(74)	-	-	(861)
Against VND	-	-	-	-	-	-	-	-	-	-	-	-	-	(54)	-	-	(4)
	3,550	(12,722)	9,051	(41,949)	(206)	28,367	2,608	(8,053)	(14,101)	20,265	(1,268)	4	(751)	47	13,341	(175)	19,963

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

As of September 30, 2016 and December 31, 2015, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
September 30, 2016				
USD net asset/liability	(146,794)	146,794	(144,436)	144,436
Secured portion from USD risk	147,303	(147,303)	147,303	(147,303)
USD Net effect	509	(509)	2,867	(2,867)
EUR net asset/liability	99,767	(99,767)	107,439	(107,439)
Secured portion from EUR risk	(79,822)	79,822	(29,410)	29,410
EUR Net effect	19,945	(19,945)	78,029	(78,029)
GBP net asset/liability	33,538	(33,538)	38,329	(38,329)
Secured portion from GBP risk	(33,918)	33,918	(33,918)	33,918
GBP Net effect	(380)	380	4,411	(4,411)
RUB net asset/liability	1,216	(1,216)	29,332	(29,332)
Secured portion from RUB risk	(1,697)	1,697	(1,697)	1,697
RUB Net effect	(481)	481	27,635	(27,635)
RON net asset/liability	-	-	72,084	(72,084)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	72,084	(72,084)
PLN net asset/liability	6,954	(6,954)	11,945	(11,945)
Secured portion from PLN risk	(6,877)	6,877	(6,877)	6,877
PLN Net effect	77	(77)	5,068	(5,068)
CZK net asset/liability	2,181	(2,181)	4,692	(4,692)
Secured portion from CZK risk	(2,516)	2,516	(2,516)	2,516
CZK Net effect	(335)	335	2,176	(2,176)
NOK net asset/liability	(2)	2	123	(123)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(2)	2	123	(123)
SEK net asset/liability	16	(16)	3,536	(3,536)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	16	(16)	3,536	(3,536)
NZD net asset/liability	36	(36)	36	(36)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	36	(36)	36	(36)
ZAR net asset/liability	7,587	(7,587)	57,733	(57,733)
Secured portion from ZAR risk	(7,809)	7,809	(7,809)	7,809
ZAR Net effect	(222)	222	49,924	(49,924)
AUD net asset/liability	6,583	(6,583)	6,191	(6,191)
Secured portion from AUD risk	(7,445)	7,445	(7,445)	7,445
AUD Net effect	(862)	862	(1,254)	1,254
DKK net asset/liability	2,899	(2,899)	2,899	(2,899)
Secured portion from DKK risk	(2,026)	2,026	(2,026)	2,026
DKK Net effect	873	(873)	873	(873)
JPY net asset/liability	(142)	142	(142)	142
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(142)	142	(142)	142
CAD net asset/liability	426	(426)	426	(426)
Secured portion from CAD risk	(457)	457	(457)	457
CAD Net effect	(31)	31	(31)	31
THB net asset/liability	-	-	24,311	(24,311)
Secured portion from THB risk	-	-	-	-
THB Net effect	-	-	24,311	(24,311)
EGP net asset/liability	-	-	(2,364)	2,364
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(2,364)	2,364
UAH net asset/liability	-	-	448	(448)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	448	(448)
CNY net asset/liability	6,047	(6,047)	12,872	(12,872)
Secured portion from CNY risk	(6,612)	6,612	(6,612)	6,612
CNY Net effect	(565)	565	6,260	(6,260)
CHF net asset/liability	(4)	4	23,206	(23,206)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(4)	4	23,206	(23,206)
BWP net asset/liability	-	-	113	(113)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	113	(113)
RSD net asset/liability	-	-	1,119	(1,119)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	1,119	(1,119)
MYR net asset/liability	-	-	333	(333)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	333	(333)
VND net asset/liability	-	-	652	(652)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	652	(652)
	18,432	(18,432)	299,413	(299,413)

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

December 31, 2015	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(129,674)	129,673	(128,553)	128,553
Secured portion from USD risk	125,975	(125,975)	125,975	(125,975)
USD Net effect	(3,699)	3,698	(2,578)	2,578
EUR net asset/liability	53,201	(53,202)	55,402	(55,402)
Secured portion from EUR risk	(52,073)	52,073	(4,409)	4,409
EUR Net effect	1,128	(1,129)	50,993	(50,993)
GBP net asset/liability	42,232	(42,232)	46,370	(46,370)
Secured portion from GBP risk	(38,339)	38,339	(38,339)	38,339
GBP Net effect	3,893	(3,893)	8,031	(8,031)
RUB net asset/liability	4,310	(4,310)	24,503	(24,503)
Secured portion from RUB risk	(4,476)	4,476	(4,476)	4,476
RUB Net effect	(166)	166	20,027	(20,027)
RON net asset/liability	-	-	57,110	(57,110)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	57,110	(57,110)
PLN net asset/liability	6,360	(6,360)	10,165	(10,165)
Secured portion from PLN risk	(6,376)	6,376	(6,376)	6,376
PLN Net effect	(16)	16	3,789	(3,789)
CZK net asset/liability	2,599	(2,599)	4,464	(4,464)
Secured portion from CZK risk	(2,265)	2,265	(2,265)	2,265
CZK Net effect	334	(334)	2,199	(2,199)
NOK net asset/liability	815	(815)	1,332	(1,332)
Secured portion from NOK risk	(729)	729	(729)	729
NOK Net effect	86	(86)	603	(603)
SEK net asset/liability	(2,068)	2,068	952	(952)
Secured portion from SEK risk	1,790	(1,790)	1,790	(1,790)
SEK Net effect	(278)	278	2,742	(2,742)
NZD net asset/liability	1	(1)	1	(1)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	1	(1)	1	(1)
ZAR net asset/liability	12,379	(12,379)	53,752	(53,752)
Secured portion from ZAR risk	(12,645)	12,645	(12,645)	12,645
ZAR Net effect	(266)	266	41,107	(41,107)
AUD net asset/liability	6,207	(6,207)	5,993	(5,993)
Secured portion from AUD risk	(6,475)	6,475	(6,475)	6,475
AUD Net effect	(268)	268	(482)	482
DKK net asset/liability	2,137	(2,137)	2,137	(2,137)
Secured portion from DKK risk	(1,276)	1,276	(1,276)	1,276
DKK Net effect	861	(861)	861	(861)
CAD net asset/liability	262	(262)	262	(262)
Secured portion from CAD risk	(419)	419	(419)	419
CAD Net effect	(157)	157	(157)	157
THB net asset/liability	-	-	25,392	(25,392)
Secured portion from THB risk	-	-	-	-
THB Net effect	-	-	25,392	(25,392)
EGP net asset/liability	-	-	(1,380)	1,380
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(1,380)	1,380
UAH net asset/liability	-	-	(1,492)	1,492
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(1,492)	1,492
CNY net asset/liability	594	(594)	7,729	(7,729)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	594	(594)	7,729	(7,729)
CHF net asset/liability	(51)	51	19,927	(19,927)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(51)	51	19,927	(19,927)
BWP net asset/liability	-	-	254	(254)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	254	(254)
RSD net asset/liability	-	-	252	(252)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	252	(252)
MYR net asset/liability	-	-	983	(983)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	983	(983)
VND net asset/liability	-	-	870	(870)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	870	(870)
	1,996	(1,996)	236,781	(236,781)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

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

Import and exports performed to / from Turkey for the periods ended as of September 30, 2016 and 2015 are as follows:

	September 30, 2016		September 30, 2015	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	718,379,484	2,353,988	712,115,295	2,436,289
USD	249,630,766	729,377	236,059,168	718,399
GBP	188,594,286	767,273	178,752,394	824,209
Other		399,060		421,395
Total exports		4,249,698		4,400,292
EUR	261,337,755	855,240	277,105,441	824,125
USD	551,906,351	1,617,309	631,747,548	1,663,732
GBP	537,461	2,212	822,004	3,283
Other		10,400		5,109
Total imports		2,485,161		2,496,249

Fair value of financial instruments

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

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

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

Financial assets

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

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

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

Financial liabilities

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

As of September 30, 2016 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,813,350 (December 31, 2015: TRY 4,417,908) (Note 6), and TRY 3,831,809 (December 31, 2014: TRY 4,437,055) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

Fair value hierarchy table

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

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

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of September 30, 2016 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	121,327	-
Financial investments (Note 5)	2,740	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	7,868	-
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Fair value hierarchy table as of December 31, 2015 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)	-	161,035	-
Financial investments (Note 5)	-	537,684	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	3,263	-
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	September 30, 2016	September 30, 2015
Adjustments for provisions:		
Accrual for customer premiums	137,595	61,929
Accrual for bonuses and premiums	55,191	32,592
Warranty provision	29,895	46,673
Provision for employment termination benefits	25,235	21,108
Provision for assembly and transportation cost	20,607	12,700
Provision for vacation pay liability	7,258	7,747
Provision for legal claims	546	(2,695)
Return provisions	(610)	1,112
	275,717	181,166
	September 30, 2016	September 30, 2015
Adjustments for impairment loss:		
Provision for doubtful receivables	19,340	11,791
Provision for impairment on inventories	9,086	1,637
	28,426	13,428

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

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

With the purpose of acquiring the shares of manufacturing and sales companies operating in Pakistan under Dawlance brand, a series of Purchase Agreements as of 30 June 2016 have been signed by Arçelik's subsidiary Ardutch with Bashir Dawood, Mariyam Dawood and Regula Limited for acquiring the 100% shares of Pakistan based Dawlance Private Limited and United Refrigeration Industries Limited and 100% shares of British Virgin Islands based Pan Asia Private Equity Ltd which owns 100% of Dawlance Electronics Private Limited shares for a consideration of USD 258 million at the time of closing, but subject to a price adjustment mechanism. The transfer of shares is expected to take place until December 31, 2016 based on the satisfaction of conditions including the transfer of land and headquarter building to the purchased companies and the transfer of current shares of minority shareholders in the purchased companies which are not party to the share purchase agreement and all the regulatory approvals including the competition clearance. The price adjustment mechanism will take into account the differences between the USD 30 million net debt of the purchased companies based on the consolidated audited last month financial statements of the purchased companies prior to deal closing date.

Taking into account current conditions in the markets; to establish more effective and efficient structure, it is decided to carry out our company's domestic operations other than R&D and production activities through a separate legal entity, to transfer the whole of the assets and liabilities of "dealer management", "advertising and sponsorship activities," "inventory and stock management ", "logistics management ", "guarantee service management ", "installation and service" activities in the balance sheet without compromising the integrity of the business into Arçelik Pazarlama A.Ş. titled and be established corporation which is our company's 100% subsidiary with the partial demerger in Board of Directors meeting held on October 11, 2016. With regard to the partial demerger transaction, authorization was made to conduct a process with the bond holders for the modifications needed in the conditions of the Notes issued abroad related to demerger transaction and the first meeting date of the bond holders has been envisaged as November 4th, 2016. Additionally, The Company has applied to CMB for demerger transaction.

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