

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

Arçelik Anonim Şirketi

January 1-March 31, 2015 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2015

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

		Unaudited	Audited
	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,644,892	1,621,221
Trade receivables			
-Due from related parties	28	37,666	22,371
-Trade receivables, third parties	8	4,268,483	4,411,527
Derivative instruments	7	9,004	7,783
Inventories	9	2,122,859	2,124,946
Prepaid expenses	17	95,248	68,741
Current income tax assets	18	41,696	57,988
Other current assets	20	139,206	145,365
Subtotal		8,359,054	8,459,942
Assets held for sale		12,132	11,815
Total current assets		8,371,186	8,471,757
Non-current assets:			
Financial investments	5	698,488	698,488
Trade receivables			
-Trade receivables, third parties	8	22,971	24,423
Derivate instruments	7	132,878	17,803
Associates	11	185,596	195,311
Investment properties	12	5,920	5,929
Property, plant and equipment	13	1,862,359	1,812,746
Intangible assets			
-Goodwill		181,609	169,195
-Other intangible assets	14	958,543	922,000
Deferred tax assets	26	78,547	77,353
Total non-current assets		4,126,911	3,923,248
Total assets		12,498,097	12,395,005

These condensed interim consolidated financial statements as at and for the period ended March 31, 2015, have been approved for issue by the Board of Directors on April 22, 2015 and signed on its behalf by Polat Şen, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2015

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

		Unaudited	Audited
	Notes	March 31, 2015	December 31, 2014
LIABILITIES			
Current liabilities:			
Financial liabilities	6	963,706	719,862
Short term portion of long term financial liabilities	6	1,018,237	1,082,761
Trade payables			
-Due to related parties	28	159,282	203,022
-Trade payables, third parties	8	1,387,617	1,578,420
Derivative instruments	7	7,774	3,811
Employee benefit obligations	19	97,849	163,623
Other payables			
-Due to related parties	28	361,405	10,003
-Other payables, third parties	10	115,131	114,915
Current income tax liabilities	26	3,258	18,154
Provisions			
-Other provisions	16	283,834	263,992
Other current liabilities	20	271,256	272,240
Total current liabilities		4,669,349	4,430,803
Non-current liabilities			
Financial liabilities	6	2,943,471	2,964,986
Other payables			
-Due to related parties	28	62,145	57,823
Provisions			
-Provision for employee benefits		176,918	174,896
-Other provisions	16	94,093	93,775
Deferred tax liabilities	26	229,498	245,422
Other non-current liabilities		28,841	28,602
Total non-current liabilities		3,534,966	3,565,504
Total liabilities		8,204,315	7,996,307

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2015

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

		Unaudited	Audited
	Notes	March 31, 2015	December 31, 2014
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
-Actuarial gain/loss arising from defined benefit plans		(46,601)	(44,552)
-Non-current assets revaluation fund		67,482	67,241
Other comprehensive income/expense to be reclassified to profit or loss			
-Financial assets revaluation fund		525,549	525,549
-Foreign currency hedge of net investments in foreign operations		(217,566)	(216,342)
-Cash flow hedges		(1,469)	412
-Currency translation differences		285,337	178,569
Contribution to shareholders' equity related to merger	21	14,507	14,507
Restricted reserves	21	307,051	275,430
Retained earnings		2,027,762	1,792,299
Net income for the period		141,532	617,084
Attributable to:			
Equity holders of the parent		4,249,012	4,355,625
Non-controlling interest		44,770	43,073
Total equity		4,293,782	4,398,698
Total liabilities and equity		12,498,097	12,395,005
Commitments, contingent assets and liabilities	15		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2015

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

	Notes	Unaudited	
		January 1- March 31, 2015	January 1- March 31, 2014
Net sales	3	2,866,760	2,802,266
Cost of sales		(1,995,059)	(1,910,467)
Gross profit		871,701	891,799
General administrative expenses		(133,005)	(121,529)
Marketing, selling and distribution expenses		(542,653)	(534,171)
Research and development expenses		(29,330)	(25,427)
Other income from operating activities	22	137,415	76,988
Other expenses from operating activities	22	(82,114)	(47,464)
Operating profit		222,014	240,196
Income from investment activities	23	13,071	13,389
Expenses from investment activities	23	(67)	(898)
Income from associates	11	6,160	5,791
Operating income before financial income/(expense)		241,178	258,478
Financial income	24	254,344	106,054
Financial expenses	25	(373,810)	(203,909)
Profit before tax		121,712	160,623
Tax income/(expense)			
- Taxes on income	26	(4,153)	(28,056)
- Deferred tax income	26	23,708	1,938
Net income for the period		141,267	134,505
Attributable to:			
Non-controlling interest		(265)	3,344
Equity holders of the parent		141,532	131,161
Earnings per share (kurus)	27	0.209	0.194

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2015

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

	Unaudited	
	January 1- March 31, 2015	January 1- March 31, 2014
Net income for the period	141,267	134,505
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss	(2,049)	(3,205)
Actuarial gain/ loss arising from defined benefit plans	(2,639)	(4,006)
Tax effect	528	801
	(2,111)	(3,205)
Share of other comprehensive income of associates	62	-
Items to be reclassified to profit or loss	105,866	(1,675)
Foreign currency hedge of net investments in foreign operations	(1,530)	(34,934)
Tax effect	306	6,987
	(1,224)	(27,947)
Share of other comprehensive income of associates	(1,881)	(517)
Currency translation differences	108,971	26,789
Other comprehensive income/(expense) (net of tax)	103,817	(4,880)
Total comprehensive income	245,084	129,625
Attributable to:		
Non-controlling interest	1,697	5,204
Equity holders of the parent	243,387	124,421

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2015**

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

				Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					Total equity	
	Paid-in capital	Adjustment to share capital	Shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Non-current assets revaluation fund	Hedge funds	Financial assets revaluation fund	Currency translation differences	Restricted reserves	Accumulated income for profit the period	Net profit of the parent	Equity holders of the parent	Non-controlling interest		
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
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	141,532	141,532	(265)	141,267
<i>Other comprehensive income</i>															
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(1,224)	-	-	-	-	-	(1,224)	-	(1,224)
Share of other comprehensive income of associates	-	-	-	-	62	-	(1,881)	-	-	-	-	-	(1,819)	-	(1,819)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(2,111)	-	-	-	-	-	-	-	(2,111)	-	(2,111)
Currency translation differences	-	-	-	-	-	241	-	-	106,768	-	-	-	107,009	1,962	108,971
Total other comprehensive income	-	-	-	-	(2,049)	241	(3,105)	-	106,768	-	-	-	101,855	1,962	103,817
Total comprehensive income	-	-	-	-	(2,049)	241	(3,105)	-	106,768	-	-	141,532	243,387	1,697	245,084
Transfers	-	-	-	-	-	-	-	-	-	31,621	585,463	(617,084)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
As of March 31, 2015	675,728	468,811	889	14,507	(46,601)	67,482	(219,035)	525,549	285,337	307,051	2,027,762	141,532	4,249,012	44,770	4,293,782

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2015**

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

	Contributed Capital				Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss			Restricted reserves	Retained earnings		Non-Equity holders of the parent	Non-controlling interest	Total equity
	Paid-in capital	Adjustment to share capital	Share premium	shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Non-current assets revaluation fund	Hedge funds	Financial assets revaluation fund	Currency translation differences		Accumulated income for profit the period	Net			
Balance at January 1, 2014	675,728	468,811	889	14,507	(6,891)	70,002	(210,355)	374,201	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	131,161	131,161	3,344	134,505
<i>Other comprehensive income</i>															
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(27,947)	-	-	-	-	-	(27,947)	-	(27,947)
Share of other comprehensive income of associates	-	-	-	-	-	-	(517)	-	-	-	-	-	(517)	-	(517)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(3,205)	-	-	-	-	-	-	-	(3,205)	-	(3,205)
Currency translation differences	-	-	-	-	-	1,685	-	-	23,244	-	-	-	24,929	1,860	26,789
Total other comprehensive income	-	-	-	-	(3,205)	1,685	(28,464)	-	23,244	-	-	-	(6,740)	1,860	(4,880)
Total comprehensive income	-	-	-	-	(3,205)	1,685	(28,464)	-	23,244	-	-	131,161	124,421	5,204	129,625
Transfers	-	-	-	-	-	-	-	-	-	26,621	571,224	(597,845)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	38	-	38	(38)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	-	(300,000)
As of March 31, 2014	675,728	468,811	889	14,507	(10,096)	71,687	(238,819)	374,201	331,510	275,430	1,792,300	131,161	3,887,309	81,072	3,968,381

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED MARCH 31, 2015

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

	Notes	Unaudited	
		January 1- March 31, 2015	January 1- March 31, 2014
Operating activities:			
Net income from continued operations		141,267	134,505
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Taxes expense	26	(19,555)	26,118
Depreciation and amortization		88,943	84,219
Changes in provisions	30	50	40,806
Interest expenses	25	83,547	71,706
Interest income	24	(6,078)	(6,177)
Income from associates (net)	11	(6,160)	(5,791)
(Income)/loss from derivative instruments (net)	24, 25	(116,783)	4,802
Foreign exchange (gains)/losses (net)	24, 25	156,730	24,654
Other financial (income)/ expense (net)	24, 25	2,050	2,870
Income from claims and incentives	22	(20,569)	(3,626)
Dividend income from financial investments	23	(12,865)	(12,944)
(Profit)/loss from sales of property plant and equipment (net)	23	(139)	453
Net cash flow from operating activities before changes in operating assets and liabilities		290,438	361,595
Changes in operating assets and liabilities (net):			
Trade payables and due to related parties		(234,543)	(165,341)
Other non-current liabilities		(3,483)	12,900
Other current assets and liabilities		(37,947)	(74,698)
Inventories		3,660	(32,558)
Trade receivables and due from related parties		126,032	45,982
Payments of employee termination benefit obligation		(8,301)	(9,872)
Cash provided from incentives		19,701	3,851
Corporate and income taxes paid		(6,304)	(17,488)
Cash flows from operating activities		149,253	124,371
Investing activities:			
Acquisition of tangible and intangible assets		(116,368)	(79,732)
Cash provided from sales of tangible and intangible assets		8,960	564
Dividends received	11	11,410	14,100
Cash flows from investing activities		(95,998)	(65,068)
Financing activities:			
Proceeds from bank borrowings		805,161	772,760
Repayment of bank borrowings		(826,041)	(494,895)
Interest paid		(55,525)	(55,660)
Interest received		6,176	6,091
Derivative instruments		4,450	580
Other financial income/ expense (net)	24, 25	(2,050)	(2,870)
Cash flows from financing activities		(67,829)	226,006
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		(14,574)	285,309
Currency translation differences (net)		38,342	1,329
Net increase/(decrease) in cash and cash equivalents		23,768	286,638
Cash and cash equivalents at January 1	4	1,620,523	1,265,726
Cash and cash equivalents at March 31	4	1,644,291	1,552,364

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

(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 fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 21).

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1986. As of March 31, 2015, the publicly listed shares are 25.15% of the total shares (December 31, 2014: 25.19%).

The average number of personnel employed by categories in the Group for the period ended March 31, 2015 is 4,358 white - collar (1 January- 31 March 2014: 4,164) and 20,512 (1 January- 31 March 2014: 19,127) blue – collar totalling to 24,870 (1 January- 31 March 2014: 23,291).

<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 Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”) *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) *	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Ltd. (“Defy Trust”)	Republic of South Africa	Investment	Real Estate
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
Kindoc Park (Proprietary) Ltd. (“Defy Kindoc”)	Republic of South Africa	Investment	Real Estate
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Ceased operations as of reporting date:			
Archin Limited (“Archin”)	Hong Kong, China	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Defy (Swaziland) (Proprietary) Ltd. (“Defy Swaziland”)	Swaziland	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Grundig Slovakia s.r.o (“Grundig Slovakia”)	Slovakia	-	-
Raupach Wollert GmbH (“Raupach”)	Germany	-	-

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

(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 Capital Markets Board of Turkey 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 31 March 2015, 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, 2014.

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 March 31, 2015 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2015 have no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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

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

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after January 1, 2015. First phase of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. The amendments will not have an impact on the financial position or performance of the Group.

Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under IFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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

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

TAS 1: Disclosure Initiative (Amendments to TAS 1)

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 are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact 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 to TFRS 10, TFRS 12 and TAS 28, to address the following issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to TAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the first time the amendments to TFRS 10 are applied, the quantitative information required TAS 8 need only be presented for the annual period immediately preceding the date of initial application. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements – 2012–2014 Cycle

Annual improvements issued for the effective standards “Annual Improvements to TFRS’s” are presented below. The amendments are effective as of January 1, 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 Financial Instruments: Disclosures

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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

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

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by 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 consolidated financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adopted/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.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the January 1, 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of January 1, 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. 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). IFRS 15 is effective for reporting periods beginning on or after January 1, 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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

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

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 1 January 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 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the TAS/IFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the “currency translation difference” under the shareholders’ equity.

Consolidation principles

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2014, include the accounts of the parent company, Arçelik, and its Subsidiaries.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

(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 March 31, 2015 and December 31, 2014 (%) and their functional currencies:

	Functional currency	March 31, 2015		December 31, 2014	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96.72	96.72	96.72	96.72
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/ New Zealand Dollar	100.00	100.00	100.00	100.00
Beko Balkans ⁽¹⁾	Serbian Dinar	100.00	100.00	-	-
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty/ Czech Koruna	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Thailand ⁽²⁾	Thai Baht	100.00	100.00	100.00	100.00
Beko UK ⁽³⁾	British Pound/ Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/ Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc	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
Blomberg Werke ⁽⁴⁾	-	-	-	100.00	100.00
Defy Swaziland	-	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
Grundig Slovakia	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

⁽¹⁾ Founded as a sales company in February 2015.

⁽²⁾ Founded as a production and sales company in December 2014 and planned to start production by the end of 2015.

⁽³⁾ Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. Arçelik A.Ş. has the power over the activities; rights to variable returns based on the performance; and the ability to use power to affect the amount of the returns from the Subsidiary.

⁽⁴⁾ Merged with Beko Deutschland.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

(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.

For the period ended March 31, 2014, cash provided from incentives amounting to TRY 3,851 which was reported under cash flows from investing activities, is reclassified to cash flows from operating activities in consolidated cash flow statements. Foreign exchange gains/losses amounting to TRY 22,755 and other financial expenses amounting to TRY 2,870 which was reported under cash flows from operating activities is reclassified to cash flows from financing activities and currency translation differences amounting to TRY (12,448) and TRY (13,177) respectively. Dividend income from financial investments amounting to TRY 12,944 which was reported under cash flows from investing activities is reclassified to cash flows from operating activities.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the three month period ended March 31, 2015 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended March 31, 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2014. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

(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 three-month period ended March 31, 2015 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,030,970	429,591	406,199	2,866,760
Gross profit	671,400	91,513	108,788	871,701
Depreciation and amortization	72,228	14,730	3,662	90,620
Capital expenditures	93,637	18,369	6,808	118,814

- b) Operational segments which have been prepared in accordance with the reportable segments for the three-month period ended March 31, 2014 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	1,948,131	452,057	402,078	2,802,266
Gross profit	659,394	110,919	121,486	891,799
Depreciation and amortization	70,499	11,954	3,210	85,663
Capital expenditures	65,434	14,268	1,718	81,420

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

January 1 – March 31, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,178,069	1,178,536	214,617	295,538	2,866,760
January 1 – March 31, 2014	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,028,591	1,222,256	217,787	333,632	2,802,266

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2015

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NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014
Cash in hand	506	331
Cash at banks		
- demand deposits	275,259	212,473
- time deposits	1,311,618	1,335,556
Cheques and notes	51,147	67,688
Other	5,761	4,475
Cash and cash equivalents in cash flow statement	1,644,291	1,620,523
Interest income accruals	601	698
	1,644,892	1,621,221

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

Up to 30 days	1,597,527	1,426,870
30-90 days	47,365	194,351
	1,644,892	1,621,221

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

USD	0.0	1.5
EUR	1.3	1.6
AUD	0.5	0.5
CZK	0.0	0.0
CNY	1.2	1.2
ZAR	5.2	5.2
GBP	0.3	0.3
CHF	0.1	0.1
EGP	4.8	4.6
NAD	5.0	5.0
NOK	0.4	0.4
PLN	-	1.5
RON	1.6	2.8
RUB	16.5	11.8
NZD	3.0	3.0

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

Available-for-sale investments

	<u>March 31, 2015</u>		<u>December 31, 2014</u>	
	<u>%</u>	<u>TRY</u>	<u>%</u>	<u>TRY</u>
Koç Finansal Hizmetler A.Ş.	3.98	696,996	3.98	696,996
Other		1,492		1,492
		698,488		698,488

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Short-term bank borrowings	963,124	719,267
Other	582	595
Total short-term financial liabilities	963,706	719,862
Short-term portion of long-term bank borrowings and interest accruals	965,250	1,057,375
Interest accruals of long-term bond issued (*)	52,987	25,386
Total short-term portion of long-term financial liabilities	1,018,237	1,082,761

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

2014:

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

2013:

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

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

<u>Currency</u>	<u>Effective interest rate per annum (%)</u>	<u>Original currency</u>	<u>TRY equivalent</u>
TRY	9.0	609,628,363	609,628
EUR	0.9	107,591,243	304,580
CNY	5.6	110,187,458	46,078
SEK	1.9	5,782,774	1,747
RUB	16.8	24,416,263	1,091
			963,124

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2015

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2014, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.7	402,805,596	402,806
EUR	1.0	82,667,374	233,180
ZAR	7.6	250,000,000	49,997
CNY	5.6	82,127,556	30,534
SEK	1.3	9,297,654	2,750
			719,267

b) Long-term financial liabilities

	March 31, 2015	December 31, 2014
Long-term bank borrowings	669,378	840,800
Long-term bonds issued	2,273,589	2,123,584
Other	504	602
	2,943,471	2,964,986

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.2	864,455,222	864,455
EUR	2.4	200,707,362	568,182
ZAR	8.6	750,000,000	161,588
RUB	8.7	904,057,877	40,403
			1,634,628
Short-term portion of long-term loans and interest accruals			(965,250)
			669,378

As of December 31, 2014, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.0	1,117,519,701	1,117,520
EUR	2.4	210,684,056	594,277
ZAR	8.6	750,000,000	149,991
RUB	8.7	904,255,822	36,387
			1,898,175
Short-term portion of long-term loans and interest accruals			(1,057,375)
			840,800

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2015

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of March 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	508,156,643	1,326,390
EUR	4.0	353,310,047	1,000,186
			2,326,576
Interest accruals of long-term bonds issued			(52,987)
			2,273,589

As of December 31, 2014, 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	501,230,584	1,162,304
EUR	4.0	349,794,853	986,666
			2,148,970
Interest accruals of long-term bonds issued			(25,386)
			2,123,584

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

	March 31, 2015	December 31, 2014
2016	241,218	427,232
2017	302,343	288,203
2018	62,909	62,682
2019	62,909	62,682
2021	990,815	987,245
2023	1,305,100	1,159,450
	2,965,294	2,987,494

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

	March 31, 2015	December 31, 2014
Up to 3 months	1,720,761	2,259,040
3 - 12 months	583,538	51,788
1-5 years	272,863	286,945
Over 5 years	2,295,915	2,146,695
	4,873,077	4,744,468

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NOTE 7 - DERIVATIVE INSTRUMENTS

Valuation of outstanding derivative instruments which were transacted by the Group for foreign exchange risk management purposes are made through marketing to market value at the date of valuation and the fair value of these instruments are disclosed as asset or liability in the statement of financial position.

	March 31, 2015		December 31, 2014	
	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	1,091,584	7,011 (1,082)	423,290	2,780 (956)
Foreign currency swap contracts	1,482,760	1,993 (6,692)	1,206,428	5,003 (2,855)
	2,574,344	9,004 (7,774)	1,629,718	7,783 (3,811)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	1,775,532	132,878	-	1,631,796	17,803	-
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April, 2013.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	March 31, 2015	December 31, 2014
Short-term trade receivables:		
Trade receivables	2,797,796	2,635,678
Notes receivables	1,372,151	1,635,494
Cheques receivables	212,593	253,209
Short-term trade receivables (gross)	4,382,540	4,524,381
Provision for doubtful receivables	(99,349)	(97,019)
Unearned credit finance income	(14,708)	(15,835)
Short-term trade receivables (net)	4,268,483	4,411,527

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2015	2014
As of January 1	97,019	113,281
Current year additions (Note 22)	2,344	2,234
Provisions no longer required (Note 22)	(464)	(583)
Write-offs (*)	(375)	(16,916)
Currency translation differences	825	859
As of March 31	99,349	98,875

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

	March 31, 2015	December 31, 2014
Long-term trade receivables	22,971	24,423
Short-term trade payables:		
Trade payables	1,308,123	1,526,520
Debt accruals	88,655	61,882
Unearned credit finance charges	(9,161)	(9,982)
	1,387,617	1,578,420

NOTE 9 - INVENTORIES

	March 31, 2015	December 31, 2014
Raw materials and supplies	871,074	950,651
Work in progress	79,394	68,229
Finished goods	985,419	906,004
Trade goods	245,730	258,020
Inventories (gross)	2,181,617	2,182,904
Provision for impairment on inventories	(58,758)	(57,958)
Inventories (net)	2,122,859	2,124,946

There are no inventories pledged as security for liabilities (December 31, 2014: None).

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NOTE 9 – INVENTORIES (Continued)

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

	March 31, 2015	December 31, 2014
Raw materials and supplies	47,485	47,210
Finished goods	8,630	8,344
Trade goods	2,643	2,404
	58,758	57,958

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

	2015	2014
As of January 1	57,958	60,187
Current year additions	400	686
Realized due to sales of inventory	(273)	(798)
Currency translation differences	673	389
As of March 31	58,758	60,464

NOTE 10 - OTHER PAYABLES

	March 31, 2015	December 31, 2014
Taxes and duties payable	103,166	102,613
Dividend payables to shareholders	4,210	4,155
Deposits and guarantees received	3,278	5,385
Other	4,477	2,762
	115,131	114,915

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NOTE 11 - ASSOCIATES

	March 31, 2015		December 31, 2014	
	%	TRY	%	TRY
Koç Finansman	47.0	76,297	47.0	84,279
Arçelik - LG	45.0	91,731	45.0	91,568
Ram Dış Ticaret	33.5	10,367	33.5	12,338
Tanı Pazarlama	32.0	7,201	32.0	7,126
		185,596		195,311

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

	2015	2014
As of January 1	195,311	192,404
Shares of income/loss of associates	6,160	5,791
Shares of other comprehensive income/loss of associates	(1,819)	(517)
Gross profit elimination on inventory	(2,646)	(4,208)
Dividends received	(11,410)	(14,100)
As of March 31	185,596	179,370

Shares of income/loss from associates:

	January 1- March 31, 2015	January 1- March 31, 2014
Koç Finansman	3,368	5,290
Arçelik - LG	2,709	(182)
Ram Dış Ticaret	9	673
Tanı Pazarlama	74	10
	6,160	5,791

Aggregated summary figures of the financial statements of associates:

	March 31, 2015	December 31, 2014
Total assets	3,132,791	2,973,065
Total liabilities	2,713,162	2,531,164
	January 1- March 31, 2015	January 1- March 31, 2014
Net sales	419,286	375,144
Profit/loss for the period (net)	7,564	3,533

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NOTE 12 - INVESTMENT PROPERTIES

	2015	2014
As of January 1		
Cost	14,966	15,651
Accumulated depreciation	(9,037)	(9,305)
Net carrying value	5,929	6,346
Net carrying value at the beginning of the period	5,929	6,346
Currency translation differences	24	169
Depreciation for the period	(33)	(36)
Net carrying value at the end of the period	5,920	6,479
As of March 31		
Cost	15,027	16,069
Accumulated depreciation	(9,107)	(9,590)
Net carrying value	5,920	6,479

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2015	2014
As of January 1		
Cost	4,603,877	4,466,236
Accumulated depreciation	(2,791,131)	(2,629,447)
Net carrying value	1,812,746	1,836,789
Net carrying value at the beginning of the period	1,812,746	1,836,789
Additions	87,284	50,830
Disposals	(8,821)	(1,017)
Currency translation differences	38,680	(4,091)
Depreciation for the period	(67,530)	(65,356)
Net carrying value at the end of the period	1,862,359	1,817,155
As of March 31		
Cost	4,728,733	4,505,030
Accumulated depreciation	(2,866,374)	(2,687,875)
Net carrying value	1,862,359	1,817,155

There is no mortgage on property, plant and equipment as of March 31, 2015 (December 31, 2014: None).

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NOTE 14 – OTHER INTANGIBLE ASSETS

	2015	2014
As of January 1		
Cost	1,318,647	1,199,395
Accumulated amortization	(396,647)	(313,127)
Net carrying value	922,000	886,268
Net carrying value at the beginning of the period	922,000	886,268
Additions	31,530	30,590
Currency translation differences	28,070	9,806
Amortization for the period	(23,057)	(20,271)
Net carrying value at the end of the period	958,543	906,393
As of March 31		
Cost	1,378,833	1,240,663
Accumulated amortization	(420,290)	(334,270)
Net carrying value	958,543	906,393

Net carrying value of the development costs as of March 31, 2015 is TRY 335,085 (December 31, 2014: TRY 325,896) and capitalized development costs in the period is TRY 28,504 (January 1 – March 31, 2014: TRY 25,678).

As of March 31, 2015 total amount of borrowing costs capitalized in the period is TRY 769 (March 31, 2014: TRY 244).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2015, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 776,022,907 (December 31, 2014: USD 177,667,707). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	March 31, 2015	December 31, 2014
Up to 1 year	23,016	22,068
1-5 years	36,374	35,054
Over 5 years	12,559	12,501
Operating lease commitments	71,949	69,623

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of March 31, 2015 and December 31, 2014 are as follows:

March 31, 2015	Purchase commitments	Sales commitments
TRY	-	415,019
USD	1,336,237	78,292
EUR	583,150	879,966
AUD	-	57,517
CZK	756	13,921
DKK	-	13,246
ZAR	25,366	198,117
GBP	77,222	317,838
SEK	33,907	22,060
CHF	57,462	-
CAD	-	3,714
NOK	13,144	3,908
PLN	4,333	40,126
RON	120,232	-
RUB	-	54,343
	2,251,809	2,098,067

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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2014	Purchase commitments	Sales commitments
TRY	-	160,517
USD	1,065,730	42,429
EUR	387,762	783,601
AUD	-	64,240
CZK	-	18,528
ZAR	-	85,589
GBP	-	291,848
SEK	16,861	36,971
CHF	56,139	-
NOK	11,286	4,983
PLN	-	53,041
RON	114,747	-
RUB	7,968	59,274
	1,660,493	1,601,021

	March 31, 2015	December 31, 2014
Collaterals obtained	2,590,739	2,594,287

Collaterals/ pledges/ mortgages ("CPM") position of the Group as of March 31, 2015 and December 31, 2014 are as follows:

CPM's given by the Company	March 31, 2015	December 31, 2014
A. CPM's given for Company's own legal personality	546,631	591,335
B. CPM's given on behalf of fully consolidated companies	186,211	163,593
C. CPM's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	732,842	754,928

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

TRY equivalents of collaterals, pledges and mortgages give as of March 31, 2015 and December 31, 2014 are as follows on original currency basis are as follows:

CPM's given by the Company	March 31, 2015	December 31, 2014
USD	540,232	568,176
EUR	124,410	123,909
TRY	48,343	43,772
Other currencies	19,857	19,071
	732,842	754,928

NOTE 16 – OTHER PROVISIONS

	March 31, 2015	December 31, 2014
Other current provisions		
Warranty provision	146,783	145,034
Assembly provision	54,567	47,369
Provision for transportation cost	14,718	14,688
Provision for lawsuit risks	8,392	8,256
Provision for returns	8,211	8,471
Other	51,163	40,174
	283,834	263,992
Other non-current provisions		
Warranty provision	92,865	92,339
Other	1,228	1,436
	94,093	93,775

NOTE 17 – PREPAID EXPENSES

	March 31, 2015	December 31, 2014
Prepaid expenses	72,937	50,708
Advances given for fixed assets	13,605	10,049
Advances given for inventories	8,706	7,984
	95,248	68,741

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NOTE 18 – CURRENT INCOME TAX ASSETS

	March 31, 2015	December 31, 2014
Prepaid taxes and funds	41,696	57,988

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	March 31, 2015	December 31, 2014
Social security payables	43,680	65,871
Payables to personnel	37,944	60,532
Accruals for bonuses and premiums	16,225	37,220
	97,849	163,623

NOTE 20 - OTHER ASSETS AND LIABILITIES

	March 31, 2015	December 31, 2014
Other current assets:		
Value Added Tax and Private Consumption		
Tax receivable	87,419	75,589
Taxes and funds deductible	18,445	55,756
Income accruals	18,010	4,874
Other	15,332	9,146
	139,206	145,365
Other current liabilities:		
Accruals for customer premiums	237,659	236,423
Advances received	30,288	30,345
Other	3,309	5,472
	271,256	272,240

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NOTE 21 - EQUITY

Paid-in capital

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

	March 31, 2015	December 31, 2014
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	March 31, 2015		December 31, 2014	
	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
Semahat S. Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M. Koç	2.44	16,474	2.44	16,474
Mustafa V. Koç	0.91	6,177	0.91	6,177
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	0.13	893
Other	25.15	169,960	25.19	170,204
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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NOTE 21 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	March 31, 2015	December 31, 2014
General legal reserves	83,690	83,690
Other legal reserves	223,361	191,740
	307,051	275,430

As agreed in the ordinary general meeting dated March 23, 2015, the decision to pay dividend as cash has been taken and the payment was made in April 2015 (previous year in April 2014). The dividend details are as follows: 51.8% (2014: 44.4%) corresponding to gross TRY 0.51796 (full) (2014: TRY 0.44396 (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; 44.0% (2014: 37.7%) corresponding to gross TRY 0.51796 (full) (2014: gross TRY 0.44396 (full)) and net TRY 0.44027 (full) (2014: net TRY 0.37737 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

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NOT 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- March 31, 2015	January 1- March 31, 2014
Other income from operating activities:		
Foreign exchange gains arising from trading activities	104,492	66,468
Income from claims and grants	20,569	3,626
Credit finance income arising from trading activities	2,496	2,652
Reversals of provisions	547	536
Reversal of provisions for doubtful receivables	464	583
Other	8,847	3,123
	137,415	76,988
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(59,557)	(32,873)
Cash discounts expenses	(4,603)	(3,750)
Provision expense for doubtful receivables	(2,344)	(2,234)
Credit finance charges arising from trading activities	(1,235)	(1,800)
Other	(14,375)	(6,807)
	(82,114)	(47,464)

NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- March 31, 2015	January 1- March 31, 2014
Income from investment activities:		
Dividends received from financial investments	12,865	12,944
Profit from sales of property plant and equipment	206	445
	13,071	13,389
Expenses from investment activities:		
Loss from sales of property plant and equipment	(67)	(898)
	(67)	(898)

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NOTE 24- FINANCIAL INCOME

	January 1- March 31, 2015	January 1- March 31, 2014
Gains on derivative instruments	153,859	33,697
Foreign exchange gains (*)	94,376	66,175
Interest income	6,078	6,177
Other	31	5
	254,344	106,054

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

NOTE 25 - FINANCIAL EXPENSES

	January 1- March 31, 2015	January 1- March 31, 2014
Foreign exchange losses (*)	(251,106)	(90,829)
Interest expenses	(83,547)	(71,706)
Losses on derivative instruments	(37,076)	(38,499)
Other	(2,081)	(2,875)
	(373,810)	(203,909)

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

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NOTE 26 - TAX ASSETS AND LIABILITIES

	March 31, 2015	December 31, 2014
Corporation and income taxes	3,861	78,248
Prepaid tax	(603)	(60,094)
Tax liabilities (net)	3,258	18,154
Deferred tax assets	78,547	77,353
Deferred tax liabilities	(229,498)	(245,422)
Deferred tax liabilities, (net)	(150,951)	(168,069)

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, 2014: 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 March 31 is as follows:

	January 1- March 31, 2015	January 1- March 31, 2014
Tax expenses		
- Current period tax expense	(4,153)	(28,056)
- Deferred tax	23,708	1,938
Tax income/(expenses) (net)	19,555	(26,118)

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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Property, plant and equipment and intangible assets	1,481,567	1,417,777	(312,758)	(299,720)
Available-for-sale investments	553,209	553,209	(27,659)	(27,659)
Derivative instruments	134,878	19,471	(26,950)	(3,882)
Unearned credit finance income/expense (net)	39,303	38,932	(7,861)	(7,786)
Unused tax advantages (*)	(919,777)	(409,035)	113,629	63,664
Provision for warranty, assembly and transportation expenses	(210,353)	(193,785)	43,372	40,053
Provision for employment termination benefits	(160,054)	(158,974)	32,031	31,795
Provision for impairment on inventories	(52,337)	(50,774)	10,441	10,148
Accrual for licenses	(8,204)	(1,915)	1,641	383
Provision for doubtful receivables	(5,939)	(4,889)	1,249	1,182
Other	(90,615)	(101,092)	21,914	23,753
Deferred tax liabilities (net)			(150,951)	(168,069)

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of March 31, 2015 the tax advantage of TRY 75,503 (December 31, 2014: TRY 23,959) 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 and five year projections approved by the Company management are taken into consideration in the determination of related amount.

	2015	2014
Balance as of January 1	(168,069)	(154,856)
Deferred tax expense recognized in statement of profit or loss	23,708	1,938
Deferred tax income recognized directly in the shareholders' equity	528	801
Currency translation differences	(7,118)	(3,415)
Balance as of March 31	(150,951)	(155,532)

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NOTE 27 - EARNINGS PER SHARE

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

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

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

	January 1- March 31, 2015	January 1- March 31, 2014
Net income	141,532	131,161
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.209	0.194
Dividends distributed to the equity holders of the parent	350,000	300,000
Gross dividend distributed per share (kurus) (*)	0.518	0.444

(*) 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 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	March 31, 2015	December 31, 2014
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri		
Pazarlama A.Ş. ⁽¹⁾	24,398	9,534
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	6,127	7,362
Ark İnşaat A.Ş. ⁽³⁾	3,802	1,216
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	3,113	1,709
Other	226	2,550
	37,666	22,371

(b) Due to related parties:

Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	73,627	68,701
Ram Dış Ticaret ⁽²⁾	42,243	48,259
Arçelik-LG ⁽²⁾	18,928	60,754
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	9,302	5,006
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽³⁾	7,956	365
Koç Üniversitesi ⁽¹⁾	3,055	861
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	1,585	5,771
Koç Holding A.Ş.	1,159	5,880
Other	1,427	7,425
	159,282	203,022

	March 31, 2015	December 31, 2014
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	11,405	10,003
Dividend payables to shareholders	350,000	-
	361,405	10,003

Other payables to related parties – Non Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	62,145	57,823
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(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of March 31, 2015. (December 31, 2014: TRY 81,040).

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

⁽³⁾ The Company which is controlled by Koç family members

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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

	March 31, 2015	December 31, 2014
Other payables to related parties (gross)		
Up to 1 year	14,992	13,321
1 to 5 years	59,333	52,769
Over 5 years	11,159	13,217
	85,484	79,307
Future finance charges on other liabilities	(11,934)	(11,481)
Present value of other payables to related parties (net)	73,550	67,826

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

	March 31, 2015	December 31, 2014
Up to 1 year	11,405	10,003
1 to 5 years	51,268	45,021
Over 5 years	10,877	12,802
	73,550	67,826

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	638,965	738,976
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	24,957	19,114
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(e) Derivative instruments

	Contract amount	Fair value	
March 31, 2015		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	990,775	1,113	(2,492)
December 31, 2014		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	428,405	3	(395)

(1) Koç Holding group companies

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- March 31, 2015	January 1- March 31, 2014
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt		
Ürünleri Pazarlama A.Ş.	14,441	18,417
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,794	4,253
Yapı ve Kredi Bankası A.Ş.	3,239	3,284
Arçelik-LG	902	803
Zer Merkezi Hizmetler ve Ticaret A.Ş.	228	409
Other	1,129	114
	23,733	27,280
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	118,306	92,936
Arçelik-LG	38,455	38,435
Ram Dış Ticaret	29,052	32,686
Bilkom Bilişim Hizmetleri A.Ş.	24,809	-
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽²⁾	21,337	22,103
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	18,725	8,234
Setur Servis Turistik A.Ş. ⁽¹⁾	6,583	3,058
Koç Holding A.Ş.	3,122	3,319
Other	11,743	12,080
	272,132	212,851

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

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

⁽¹⁾ Koç Holding group companies

⁽²⁾ The amount is composed of accrued premiums in the interim periods 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended March 31, 2015 amounts to TRY 12,836 (January 1- March 31, 2014: TRY 1,800). Compensation includes only short-term benefits.

(d) Other transactions

	January 1- March 31, 2015	January 1- March 31, 2014
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	4,234	3,057
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,977	1,052

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Interest Rate Risk

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2015

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of March 31, 2015 and December 31, 2014 are as follows:

	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
March 31, 2015				
Maximum exposed credit risk as of reporting date ⁽¹⁾	37,666	4,291,454	1,587,478	141,882
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,283,540)	-	-
A. Net book value of financial asset either are not due or not impaired	37,666	3,941,878	1,587,478	141,882
-Secured portion by guarantees, etc.	-	(3,028,354)	-	-
B. Financial assets with renegotiated conditions	-	17,192	-	-
- Secured portion by guarantees, etc.	-	(14,986)	-	-
C. Net book value of overdue but not impaired financial assets	-	295,369	-	-
- Secured portion by guarantees, etc.	-	(203,185)	-	-
D. Net book value of the impaired assets	-	37,015	-	-
- Overdue (Gross book value)	-	136,364	-	-
- Impairment (-)	-	(99,349)	-	-
- Secured portion of the net value by guarantees, etc.	-	(37,015)	-	-
	Trade receivables			
	Related parties	Third parties	Bank deposits	Derivative instruments
December 31, 2014				
Maximum exposed credit risk as of reporting date ⁽¹⁾	22,371	4,435,950	1,548,727	25,586
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,509,767)	-	-
A. Net book value of financial asset either are not due or not impaired	22,371	4,028,144	1,548,727	25,586
-Secured portion by guarantees, etc.	-	(3,177,039)	-	-
B. Financial assets with renegotiated conditions	-	52,113	-	-
- Secured portion by guarantees, etc.	-	(44,882)	-	-
C. Net book value of overdue but not impaired financial assets	-	319,701	-	-
- Secured portion by guarantees, etc.	-	(251,854)	-	-
D. Net book value of the impaired assets	-	35,992	-	-
- Overdue (Gross book value)	-	133,011	-	-
- Impairment (-)	-	(97,019)	-	-
- Secured portion of the net value by guarantees, etc.	-	(35,992)	-	-

(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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

	March 31, 2015	December 31, 2014
Group 1	11,476	5,828
Group 2	3,808,471	3,926,722
Group 3	176,789	170,078
	3,996,736	4,102,628

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

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

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

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

	March 31, 2015	December 31, 2014
Up to 1 month	131,657	123,183
1-3 months	91,935	136,199
3-12 months	52,482	46,274
1-5 years	19,295	14,045
	295,369	319,701

Foreign exchange risk

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

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

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

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

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

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NOTE 29 - 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 March 31, 2015 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2014: EUR 150,000,000).

Foreign currency position

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

	March 31, 2015	December 31, 2014
Assets	2,878,276	3,257,933
Liabilities	(3,595,133)	(3,633,544)
Net position of financial statement	(716,857)	(375,611)
Net position of derivative instruments	694,957	398,562
Foreign currency position (net)	(21,900)	22,951

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
Trade receivables	336,536	141,783	67,648	1,239,265	63,250	127,998	14,894	68,058	631,106	34,681	25,299	-	-	1,041	1,923,593
Monetary financial assets	275,371	12,729	436	-	(1)	-	-	10,737	1	720	507	276	-	-	819,528
Other	14,778	35,697	37	-	-	-	-	-	-	-	-	-	-	-	135,155
Total assets	626,685	190,209	68,121	1,239,265	63,249	127,998	14,894	78,795	631,107	35,401	25,806	276	-	1,041	2,878,276
Current liabilities															
Trade payables	91,667	124,512	678	-	-	-	22	60,725	8,547	-	3,786	-	11,246	-	615,136
Financial liabilities	89,295	12,361	-	-	-	-	-	-	-	-	-	-	-	-	285,050
Other monetary financial liabilities	12	8,470	-	-	-	-	-	-	-	-	-	-	-	-	22,142
Non-Current liabilities															
Financial liabilities	465,058	495,796	-	-	-	-	-	-	-	-	-	-	-	-	2,610,660
Other monetary financial liabilities	-	23,808	-	-	-	-	-	-	-	-	-	-	-	-	62,145
Total liabilities	646,032	664,947	678	-	-	-	22	60,725	8,547	-	3,786	-	11,246	-	3,595,133
Net Position of Financial Statement	(19,347)	(474,738)	67,443	1,239,265	63,249	127,998	14,872	18,070	622,560	35,401	22,020	276	(11,246)	1,041	(716,857)
Off-balance sheet derivative assets (*)	307,343	511,929	20,000	-	6,263	7,334	-	68,010	-	-	-	-	-	-	2,309,156
Off-balance sheet derivative liabilities (*)	(310,843)	(29,995)	(82,318)	(1,216,000)	(58,000)	(135,000)	(12,000)	(73,000)	(600,000)	(35,000)	(28,750)	-	-	(1,800)	(1,614,199)
Net position of off-balance sheet items	(3,500)	481,934	(62,318)	(1,216,000)	(51,737)	(127,666)	(12,000)	(4,990)	(600,000)	(35,000)	(28,750)	-	-	(1,800)	694,957
Net asset/(liability) position of foreign currency	(22,847)	7,197	5,125	23,265	11,512	332	2,872	13,080	22,560	401	(6,730)	276	(11,246)	(759)	(21,900)
Net asset/(liability) position of foreign currency monetary items	(34,125)	(510,435)	67,406	1,239,265	63,249	127,998	14,872	18,070	622,560	35,401	22,020	276	(11,246)	1,041	(852,012)
Fair value of financial instruments used for foreign exchange edge															134,108
Hedged amount of foreign currency assets	310,843	29,995	82,318	1,216,000	58,000	135,000	12,000	73,000	600,000	35,000	28,750	-	-	1,800	1,614,199
Hedged amount of foreign currency liabilities	157,343	511,929	20,000	-	6,263	7,334	-	68,010	-	-	-	-	-	-	1,884,521

(*) 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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

March 31, 2015	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	(28,438)	44,300	1,977	23,265	11,512	332	2,894	(2,060)	-	-	(2,986)	-	(10,382)	(759)	44,356
Against EUR	-	2,459	-	-	-	-	-	-	31,107	-	-	-	-	-	13,121
Against RUB	4	394	-	-	-	-	-	-	-	-	-	-	-	-	1,039
Against PLN	1,175	10	-	-	-	-	-	-	-	-	-	-	-	-	3,352
Against GBP	411	2	-	-	-	-	-	-	-	-	-	-	-	-	1,168
Against RON	711	1,439	(1,017)	-	-	-	-	-	-	-	-	-	(864)	-	1,823
Against CZK	(2,282)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,460)
Against NOK	(1,162)	(77)	-	-	-	-	-	15,140	-	401	-	-	-	-	1,236
Against SEK	(478)	(16)	-	-	-	-	(22)	-	-	-	-	-	-	-	(1,402)
Against CNY	2,348	(11,210)	4,165	-	-	-	-	-	-	-	-	-	-	-	(6,532)
Against ZAR	1,878	2,166	-	-	-	-	-	-	-	-	-	-	-	-	10,970
Against AUD	495	(184)	-	-	-	-	-	-	-	-	-	276	-	-	1,463
Against EGP	13	(21,545)	-	-	-	-	-	-	-	-	-	-	-	-	(56,200)
Against UAH	(114)	(11,671)	-	-	-	-	-	-	-	-	-	-	-	-	(30,787)
Against CHF	1,473	1,129	-	-	-	-	-	-	-	-	-	-	-	-	7,117
Against BWP	-	-	-	-	-	-	-	-	(8,547)	-	-	-	-	-	(1,842)
Against NZD	-	-	-	-	-	-	-	-	-	-	(3,744)	-	-	-	(7,490)
Against USD	100	-	-	-	-	-	-	-	-	-	-	-	-	-	283
Against RSD	1,025	-	-	-	-	-	-	-	-	-	-	-	-	-	2,902
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)
	(22,847)	7,196	5,125	23,265	11,512	332	2,872	13,080	22,560	401	(6,730)	276	(11,246)	(759)	(21,900)

ARÇELİK ANONİM ŞİRKETİ

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

NOTE 29 - 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, 2014 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
Trade receivables	364,245	131,977	87,255	1,388,861	94,891	182,413	19,494	120,510	369,286	26,358	31,140	-	-	1,584	1,971,374
Monetary financial assets	283,501	26,901	1,392	3	(1)	-	-	2,820	1	6,004	147	542	-	-	871,426
Other	40,928	128,384	536	-	-	-	-	1	-	-	-	-	2,467	-	415,133
Total assets	688,674	287,262	89,183	1,388,864	94,890	182,413	19,494	123,331	369,287	32,362	31,287	542	2,467	1,584	3,257,933
Current liabilities															
Trade payables	101,257	211,702	1,617	-	-	-	10	66,392	12,725	-	3,519	-	14,710	-	811,466
Financial liabilities	35,951	10,228	-	-	-	-	-	-	-	-	-	-	-	-	125,125
Other monetary financial liabilities	41	4,427	-	-	-	-	-	-	-	-	-	-	-	-	10,382
Non-Current liabilities															
Financial liabilities	524,911	495,119	-	-	-	-	-	-	-	-	-	-	-	-	2,628,747
Other monetary financial liabilities	-	24,936	-	-	-	-	-	-	-	-	-	-	-	-	57,824
Total liabilities	662,160	746,412	1,617	-	-	-	10	66,392	12,725	-	3,519	-	14,710	-	3,633,544
Net Position of Financial Statement	26,514	(459,150)	87,566	1,388,864	94,890	182,413	19,484	56,939	356,562	32,362	27,768	542	(12,243)	1,584	(375,611)
Off-balance sheet derivative assets (*)	262,660	459,584	-	-	-	-	-	57,008	-	-	-	-	-	-	1,823,475
Off-balance sheet derivative liabilities (*)	(277,804)	(18,297)	(81,157)	(1,473,000)	(81,000)	(182,000)	(16,000)	(125,000)	(350,000)	-	(34,000)	-	-	-	(1,424,913)
Net position of off-balance sheet items	(15,144)	441,287	(81,157)	(1,473,000)	(81,000)	(182,000)	(16,000)	(67,992)	(350,000)	-	(34,000)	-	-	-	398,562
Net asset/(liability) position of foreign currency	11,370	(17,863)	6,409	(84,136)	13,890	413	3,484	(11,053)	6,562	32,362	(6,232)	542	(12,243)	1,584	22,951
Net asset/(liability) position of foreign currency monetary items	(14,414)	(587,534)	87,030	1,388,864	94,890	182,413	19,484	56,938	356,562	32,362	27,768	542	(14,710)	1,584	(790,744)
Fair value of financial instruments used for foreign exchange edge															21,775
Hedged amount of foreign currency assets	277,804	18,297	81,157	1,473,000	81,000	182,000	16,000	125,000	350,000	-	34,000	-	-	-	1,424,913
Hedged amount of foreign currency liabilities	112,660	459,584	-	-	-	-	-	57,008	-	-	-	-	-	-	1,400,370

(*) 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2015

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2014	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	7,183	21,189	(327)	(84,136)	13,890	413	3,494	(4,490)	-	-	(2,769)	-	(11,375)	1,584	71,439
Against EUR	-	7,101	-	-	-	-	-	-	19,287	-	-	-	-	-	20,325
Against RUB	1,990	4,038	-	-	-	-	-	-	-	-	-	-	-	-	14,977
Against PLN	(61)	17	-	-	-	-	-	-	-	-	-	-	-	-	(133)
Against GBP	(266)	58	-	-	-	-	-	-	-	-	-	-	-	-	(616)
Against RON	(346)	521	1,552	-	-	-	-	-	-	(71)	-	-	(868)	-	5,769
Against CZK	(2,356)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,646)
Against NOK	(418)	(62)	-	-	-	-	-	(6,563)	-	32,433	-	-	-	-	9,007
Against SEK	6,025	(11)	-	-	-	-	(10)	-	-	-	-	-	-	-	16,966
Against CNY	1,464	(11,012)	5,184	-	-	-	-	-	-	-	-	-	-	-	(2,764)
Against ZAR	(2,569)	(9,931)	-	-	-	-	-	-	-	-	-	-	-	-	(30,275)
Against AUD	(125)	(182)	-	-	-	-	-	-	-	-	-	542	-	-	210
Against EGP	4	(20,054)	-	-	-	-	-	-	-	-	-	-	-	-	(46,492)
Against UAH	(117)	(10,575)	-	-	-	-	-	-	-	-	-	-	-	-	(24,852)
Against CHF	909	1,040	-	-	-	-	-	-	-	-	-	-	-	-	4,976
Against BWP	-	-	-	-	-	-	-	-	(12,725)	-	-	-	-	-	(2,546)
Against NZD	-	-	-	-	-	-	-	-	-	-	(3,463)	-	-	-	(6,543)
Other	53	-	-	-	-	-	-	-	-	-	-	-	-	-	149
	11,370	(17,863)	6,409	(84,136)	13,890	413	3,484	(11,053)	6,562	32,362	(6,232)	542	(12,243)	1,584	22,951

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2015

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of March 31, 2015 and December 31, 2014, 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.

March 31, 2015	Gain/Loss		Other Comprehensive Income	
	appreciation by 10%	depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(123,916)	123,916	(123,585)	123,585
Secured portion from USD risk	125,795	(125,795)	125,795	(125,795)
USD Net effect	1,879	(1,879)	2,210	(2,210)
EUR net asset/liability	36,986	(36,986)	38,627	(38,627)
Secured portion from EUR risk	(43,455)	43,455	(991)	991
EUR Net effect	(6,469)	6,469	37,636	(37,636)
GBP net asset/liability	26,040	(26,040)	32,078	(32,078)
Secured portion from GBP risk	(24,062)	24,062	(24,062)	24,062
GBP Net effect	1,978	(1,978)	8,016	(8,016)
RUB net asset/liability	5,538	(5,538)	23,207	(23,207)
Secured portion from RUB risk	(5,434)	5,434	(5,434)	5,434
RUB Net effect	104	(104)	17,773	(17,773)
RON net asset/liability	-	-	44,451	(44,451)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	44,451	(44,451)
PLN net asset/liability	4,377	(4,377)	13,477	(13,477)
Secured portion from PLN risk	(3,579)	3,579	(3,579)	3,579
PLN Net effect	798	(798)	9,898	(9,898)
CZK net asset/liability	1,320	(1,320)	3,692	(3,692)
Secured portion from CZK risk	(1,316)	1,316	(1,316)	1,316
CZK Net effect	4	(4)	2,376	(2,376)
NOK net asset/liability	484	(484)	1,015	(1,015)
Secured portion from NOK risk	(391)	391	(391)	391
NOK Net effect	93	(93)	624	(624)
SEK net asset/liability	546	(546)	2,547	(2,547)
Secured portion from SEK risk	(151)	151	(151)	151
SEK Net effect	395	(395)	2,396	(2,396)
NZD net asset/liability	54	(54)	54	(54)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	54	(54)	54	(54)
ZAR net asset/liability	13,413	(13,413)	57,490	(57,490)
Secured portion from ZAR risk	(12,927)	12,927	(12,927)	12,927
ZAR Net effect	486	(486)	44,563	(44,563)
AUD net asset/liability	4,404	(4,404)	4,078	(4,078)
Secured portion from AUD risk	(5,752)	5,752	(5,752)	5,752
AUD Net effect	(1,348)	1,348	(1,674)	1,674
DKK net asset/liability	1,340	(1,340)	1,340	(1,340)
Secured portion from DKK risk	(1,324)	1,324	(1,324)	1,324
DKK Net effect	16	(16)	16	(16)
JPY net asset/liability	(24)	24	(24)	24
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(24)	24	(24)	24
CAD net asset/liability	215	(215)	215	(215)
Secured portion from CAD risk	(371)	371	(371)	371
CAD Net effect	(156)	156	(156)	156
EGP net asset/liability	-	-	(877)	877
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(877)	877
UAH net asset/liability	-	-	(1,204)	1,204
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(1,204)	1,204
CNY net asset/liability	-	-	8,805	(8,805)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	8,805	(8,805)
CHF net asset/liability	-	-	16,814	(16,814)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	16,814	(16,814)
BWP net asset/liability	-	-	(660)	660
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(660)	660
THB net asset/liability	-	-	7,798	(7,798)
Secured portion from BWP risk	-	-	-	-
THB Net effect	-	-	7,798	(7,798)
RSD net asset/liability	-	-	299	(299)
Secured portion from BWP risk	-	-	-	-
RSD Net effect	-	-	299	(299)
	(2,190)	2,190	199,134	(199,134)

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

December 31, 2014	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	(106,472)	106,472	(106,342)	106,342
Secured portion from USD risk	102,330	(102,330)	102,330	(102,330)
USD Net effect	(4,142)	4,142	(4,012)	4,012
EUR net asset/liability	49,789	(49,789)	49,225	(49,225)
Secured portion from EUR risk	(46,583)	46,583	(4,272)	4,272
EUR Net effect	3,206	(3,206)	44,953	(44,953)
GBP net asset/liability	31,490	(31,490)	37,328	(37,328)
Secured portion from GBP risk	(29,185)	29,185	(29,185)	29,185
GBP Net effect	2,305	(2,305)	8,143	(8,143)
RUB net asset/liability	5,589	(5,589)	20,519	(20,519)
Secured portion from RUB risk	(5,927)	5,927	(5,927)	5,927
RUB Net effect	(338)	338	14,592	(14,592)
RON net asset/liability	-	-	42,334	(42,334)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	42,334	(42,334)
PLN net asset/liability	6,215	(6,215)	14,616	(14,616)
Secured portion from PLN risk	(5,304)	5,304	(5,304)	5,304
PLN Net effect	911	(911)	9,312	(9,312)
CZK net asset/liability	1,857	(1,857)	4,027	(4,027)
Secured portion from CZK risk	(1,853)	1,853	(1,853)	1,853
CZK Net effect	4	(4)	2,174	(2,174)
NOK net asset/liability	607	(607)	1,340	(1,340)
Secured portion from NOK risk	(498)	498	(498)	498
NOK Net effect	109	(109)	842	(842)
SEK net asset/liability	1,684	(1,684)	3,490	(3,490)
Secured portion from SEK risk	(2,011)	2,011	(2,011)	2,011
SEK Net effect	(327)	327	1,479	(1,479)
NZD net asset/liability	98	(98)	98	(98)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	98	(98)	98	(98)
ZAR net asset/liability	7,131	(7,131)	47,747	(47,747)
Secured portion from ZAR risk	(7,000)	7,000	(7,000)	7,000
ZAR Net effect	131	(131)	40,747	(40,747)
AUD net asset/liability	5,245	(5,245)	4,803	(4,803)
Secured portion from AUD risk	(6,424)	6,424	(6,424)	6,424
AUD Net effect	(1,179)	1,179	(1,621)	1,621
DKK net asset/liability	1,224	(1,224)	1,224	(1,224)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	1,224	(1,224)	1,224	(1,224)
JPY net asset/liability	(23)	23	(24)	24
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(23)	23	(24)	24
CAD net asset/liability	316	(316)	316	(316)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	316	(316)	316	(316)
EGP net asset/liability	-	-	(604)	604
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(604)	604
UAH net asset/liability	-	-	(707)	707
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(707)	707
CNY net asset/liability	-	-	8,342	(8,342)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	8,342	(8,342)
CHF net asset/liability	-	-	14,112	(14,112)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	14,112	(14,112)
BWP net asset/liability	-	-	(437)	437
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(437)	437
	2,295	(2,295)	181,263	(181,263)

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

**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Import and exports performed to / from Turkey for the periods ended as of March 31, 2015 and 2014 are as follows:

	March 31, 2015		March 31, 2014	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	244,544,995	677,373	245,328,592	745,490
USD	68,303,174	168,838	93,074,577	206,292
GBP	53,692,537	199,972	55,628,540	204,050
Other		106,473		148,659
Total exports		1,152,656		1,304,491
EUR	79,172,673	219,744	77,244,801	233,133
USD	231,817,438	564,999	226,272,489	501,822
GBP	340,112	1,254	221,050	798
Other		2,909		5,528
Total imports		788,906		741,281

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of March 31, 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)	-	141,882	-
Financial investments (Note 5)	-	696,996	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	7,774	-

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

**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Fair value hierarchy table as of December 31, 2014 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)	-	25,586	-
Financial investments (Note 5)	-	696,996	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	3,811	-

NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

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

Details of “changes in provisions” line presented in the consolidated statements of cash flows are as follows:

	March 31, 2015	March 31, 2014
Changes in provisions:		
Provision for assembly and transportation cost	7,228	19,452
Provision for employment termination benefits	6,817	6,668
Provision for doubtful receivables	2,344	2,234
Warranty provision	2,275	1,959
Accrual for customer premiums	1,236	(3,446)
Provision for vacation pay liability	869	(34)
Provision for impairment on inventories	400	686
Provision for legal claims	136	27
Return provisions	(260)	183
Accrual for bonuses and premiums	(20,995)	13,077
	50	40,806