

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

Arçelik Anonim Şirketi

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



Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyük dere
Cad. Orjin Plaza No: 27 Kat 2-3-4
Daire: 54-57-59 34485
Sarıyer / İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

Review Report on the Interim Financial Information

To the Board of Directors of Arçelik A.Ş.

Introduction

We have reviewed the consolidated statement of financial position and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the six-months-period then ended and other explanatory notes ("interim condensed consolidated financial information") of Arçelik A.Ş. (the Company) and its subsidiaries (together will be referred to as the "Group") as of June 30, 2016. The management of the Company is responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim condensed consolidated financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular SMMM
Engagement Partner

July 29, 2016
Istanbul, Turkey

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

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

		Reviewed	Audited
	Notes	June 30, 2016	December 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,467,275	2,167,627
Trade receivables			
-Due from related parties	27	31,550	8,950
-Trade receivables, third parties	8	4,995,907	4,781,575
Derivative instruments	7	10,520	16,293
Inventories	9	2,311,029	2,140,057
Prepaid expenses	16	111,404	74,944
Current income tax assets	17	13,062	27,014
Other current assets	19	167,937	179,678
Subtotal		10,108,684	9,396,138
Non-current assets or disposal groups classified as held for sale		8,646	10,114
Total current assets		10,117,330	9,406,252
Non-current assets:			
Financial investments			
-Financial assets available-for-sale	5	2,628	539,176
Trade receivables			
-Trade receivables, third parties	8	12,697	13,205
Derivate instruments	7	127,976	144,742
Associates	11	208,643	209,881
Property, plant and equipment	12	2,131,098	2,055,675
Intangible assets			
-Goodwill		167,177	163,450
-Other intangible assets	13	1,037,478	1,007,480
Deferred tax assets	25	270,477	198,647
Total non-current assets		3,958,174	4,332,256
Total assets		14,075,504	13,738,508

These condensed interim consolidated financial statements as at and for the period ended June 30, 2016, have been approved for issue by the Board of Directors on July 29, 2016.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

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

		Reviewed	Audited
	Notes	June 30, 2016	December 31, 2015
LIABILITIES			
Current liabilities:			
Financial liabilities	6	1,569,612	1,035,741
Short term portion of long term financial liabilities	6	508,484	1,149,001
Trade payables			
-Due to related parties	27	394,635	413,983
-Trade payables, third parties	8	2,011,360	1,676,411
Derivative instruments	7	3,521	3,263
Employee benefit obligations	18	183,047	156,910
Other payables			
-Due to related parties	27	13,513	12,982
-Other payables, third parties	10	147,373	155,537
Current income tax liabilities	25	13,739	13,062
Provisions			
-Other provisions	15	378,411	334,536
Other current liabilities	19	315,844	284,871
Total current liabilities		5,539,539	5,236,297
Non-current liabilities			
Financial liabilities	6	3,077,735	3,268,907
Other payables			
-Due to related parties	27	53,237	60,674
Provisions			
-Provision for employee benefits		203,865	192,470
-Other provisions	15	133,694	126,052
Deferred tax liabilities	25	154,290	149,635
Other non-current liabilities		30,674	28,636
Total non-current liabilities		3,653,495	3,826,374
Total liabilities		9,193,034	9,062,671

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

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

	Notes	Reviewed June 30, 2016	Audited December 31, 2015
EQUITY			
Paid-in capital	20	675,728	675,728
Adjustment to share capital	20	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Actuarial gain/loss arising from defined benefit plans		(67,203)	(57,615)
-Increases/ decreases on revaluation of non-current assets		76,388	75,747
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		373,693	324,618
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(262,387)	(259,170)
-Gains/ losses on cash flow hedges		(4,557)	1,413
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		2,081	374,201
Balancing account for merger capital	20	14,507	14,507
Restricted reserves	20	329,872	307,051
Retained earnings		2,446,010	1,839,690
Net income for the period		807,710	891,141
Attributable to:			
Equity holders of the parent		4,861,542	4,657,011
Non-controlling interest		20,928	18,826
Total equity		4,882,470	4,675,837
Total liabilities and equity		14,075,504	13,738,508
Commitments, contingent assets and liabilities	14		

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

ARÇELİK ANONİM ŞİRKETİ

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

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

	Notes	Reviewed		April 1- June 30, 2016	April 1- June 30, 2015
		January 1- June 30, 2016	January 1- June 30, 2015		
Net sales	3	7,487,005	6,221,853	3,959,556	3,355,093
Cost of sales		(4,940,273)	(4,268,356)	(2,606,889)	(2,273,297)
Gross profit	3	2,546,732	1,953,497	1,352,667	1,081,796
General administrative expenses		(362,955)	(283,905)	(173,168)	(150,900)
Marketing expenses		(1,522,724)	(1,202,010)	(830,625)	(659,357)
Research and development expenses		(73,906)	(58,402)	(39,134)	(29,072)
Other income from operating activities	21	171,637	272,195	81,330	134,780
Other expenses from operating activities	21	(157,424)	(115,086)	(80,286)	(32,972)
Operating profit		601,360	566,289	310,784	344,275
Income from investment activities	22	415,982	14,060	415,021	989
Expenses from investment activities	22	(685)	(352)	(159)	(285)
Income from associates (net)	11	19,177	16,320	12,510	10,160
Operating income before financial income/(expense)		1,035,834	596,317	738,156	355,139
Financial income	23	255,178	349,911	97,431	95,567
Financial expenses	24	(480,902)	(644,621)	(179,933)	(270,811)
Profit from continuing operations before tax		810,110	301,607	655,654	179,895
Tax income/(expense), continuing operations					
- Taxes on income	25	(49,095)	(16,839)	(29,711)	(12,686)
- Deferred tax income	25	48,645	182,850	27,112	159,142
Net income		809,660	467,618	653,055	326,351
Attributable to:					
Non-controlling interest		1,950	(192)	1,046	73
Equity holders of the parent		807,710	467,810	652,009	326,278
Earnings per share (kurus)	26	1.195	0.692	0.965	0.483
Diluted earnings per share (kurus)	26	1.195	0.692	0.965	0.483

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

ARÇELİK ANONİM ŞİRKETİ

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

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

	Reviewed		April 1- June 30, 2016	April 1- June 30, 2015
	January 1- June 30, 2016	January 1- June 30, 2015		
Net income	809,660	467,618	653,055	326,351
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss	(11,999)	(12,135)	(8,630)	(9,558)
Actuarial gain/ loss arising from defined benefit plans	(12,054)	(12,106)	(8,634)	(9,467)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	55	(29)	4	(91)
Other comprehensive income not to be reclassified to profit or loss, tax effect	2,411	2,421	1,727	1,893
Actuarial gain/ loss arising from defined benefit plans, tax effect	2,411	2,421	1,727	1,893
Other comprehensive income to be reclassified to profit or loss	41,013	105,183	13,491	(377)
Currency translation differences	49,868	190,615	16,111	81,644
Other comprehensive income related with hedges of net investments in foreign operations	(4,020)	(24,225)	555	(22,695)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	1,136	(59,743)	1,136	(59,743)
Share of other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss	(5,971)	(1,464)	(4,311)	417
Other comprehensive income to be reclassified to profit or loss, tax effect	747	7,832	(168)	7,526
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	804	4,845	(111)	4,539
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	(57)	2,987	(57)	2,987
Other comprehensive income/ (loss) (net of tax)	32,172	103,301	6,420	(516)
Total comprehensive income	841,832	570,919	659,475	325,835
Attributable to:				
Non-controlling interest	2,102	4,897	714	3,200
Equity holders of the parent	839,730	566,022	658,761	322,635

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

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

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss				Retained earnings				Total equity
	Adjustment Paid-in to share capital	Share premium /discount capital	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement	Gains/ losses on hedge	Gains/ losses on revaluation and reclassification	Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	controlling interest			
													Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets	
Balance at January 1, 2016	675,728	468,811	889	14,507	(57,615)	75,747	(257,757)	374,201	324,618	307,051	1,839,690	891,141	4,657,011	18,826	4,675,837
Transfers	-	-	-	-	-	-	-	-	-	22,821	868,320	(891,141)	-	-	-
Total comprehensive income	-	-	-	-	(9,588)	641	(9,187)	1,079	49,075	-	-	807,710	839,730	2,102	841,832
Net income	-	-	-	-	-	-	-	-	-	-	-	807,710	807,710	1,950	809,660
Other comprehensive income	-	-	-	-	(9,588)	641	(9,187)	1,079	49,075	-	-	-	32,020	152	32,172
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(262,000)	-	(262,000)	-	(262,000)
Increase/ decrease through other changes in equity (Note 20)	-	-	-	-	-	-	-	(373,199)	-	-	-	-	(373,199)	-	(373,199)
As of June 30, 2016	675,728	468,811	889	14,507	(67,203)	76,388	(266,944)	2,081	373,693	329,872	2,446,010	807,710	4,861,542	20,928	4,882,470

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

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

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss		Other accumulated comprehensive income and expense to be reclassified to profit or loss				Retained earnings				
	Adjustment Paid-in capital	Share to share capital	Share premium /discount	Balancing account for merger capital	Gains/ losses on revaluation and remeasurement		Gains/ losses on hedge	Gains/ losses on revaluation and reclassification	Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	Non-controlling interest	Total equity
					Actuarial gain/loss arising from defined benefit plans	Increases/ decreases on revaluation of non-current assets									
Balance at January 1, 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
Transfers	-	-	-	-	-	-	-	-	-	31,621	585,463	(617,084)	-	-	-
Total comprehensive income	-	-	-	-	(9,714)	3,848	(20,844)	(56,756)	181,678	-	-	467,810	566,022	4,897	570,919
Net income	-	-	-	-	-	-	-	-	-	-	-	467,810	467,810	(192)	467,618
Other comprehensive income	-	-	-	-	(9,714)	3,848	(20,844)	(56,756)	181,678	-	-	-	98,212	5,089	103,301
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(249,852)	-	(249,852)	(32,204)	(282,056)
Subsidiary acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	175	175
Dividends paid (Note 20)	-	-	-	-	-	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
As of June 30, 2015	675,728	468,811	889	14,507	(54,266)	71,089	(236,774)	468,793	360,247	307,051	1,777,910	467,810	4,321,795	15,941	4,337,736

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED JUNE 30, 2016

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

	Notes	Reviewed	
		January 1- June 30, 2016	January 1- June 30, 2015
Cash flows from operating activities:			
Net income from continued operations:		809,660	467,618
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Adjustments for tax expense (income)	25	450	(166,011)
Adjustments for depreciation and amortisation expense		207,460	182,046
Adjustments for impairment loss	29	25,349	6,805
Adjustments for provisions	29	139,481	98,091
Adjustments for interest income	24	222,339	176,622
Adjustments for interest expense	23	(14,486)	(12,825)
Adjustments for undistributed profits of investments accounted for using equity method	11	(19,177)	(16,320)
Adjustments for fair value (gains) losses on derivative financial instruments	23, 24	8,717	(78,722)
Adjustments for unrealised foreign exchange losses (gains)	23, 24	4,139	205,110
Other adjustments to reconcile profit (loss)	23, 24	5,015	4,525
Adjustments for income arised from government grants	21	(89,423)	(45,200)
Adjustments for dividend (income) expenses	22	(59)	(12,865)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	22	(413,739)	-
Adjustments for losses (gains) on disposal of non-current assets	22	(1,499)	(843)
Net cash flow from operating activities before changes in operating assets and liabilities		884,227	808,031
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(244,725)	(377,605)
Adjustments for decrease (increase) in inventories		(176,589)	(266,872)
Decrease (increase) in prepaid expenses		(36,460)	(48,827)
Adjustments for increase (decrease) in trade payables		315,601	99,414
Increase (decrease) in employee benefit liabilities		(31,710)	(50,534)
Adjustments for increase (decrease) in other operating payables		1,571	4,563
Increase (decrease) in government grants and assistance		62,577	40,284
Other adjustments for other increase (decrease) in working capital		10,305	77,299
Income taxes refund (paid)		(18,476)	(20,208)
Cash flows from operating activities		766,321	265,545
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses		-	(1,327)
Purchase of property, plant, equipment and intangible assets		(289,312)	(220,558)
Proceeds from sales of property, plant, equipment and intangible assets		4,208	9,767
Dividends received		12,809	24,275
Cash receipts from sales of equity or debt instruments of other entities	27	558,582	-
Cash flows from investing activities		286,287	(187,843)
Financing activities:			
Proceeds from borrowings		922,466	2,166,753
Repayments of borrowings		(1,246,689)	(2,132,905)
Dividends paid		(262,000)	(350,000)
Payments from changes in ownership interests in subsidiaries that do not result in loss of control	27	-	(282,056)
Interest paid		(208,225)	(160,836)
Interest received		15,108	13,169
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		14,080	8,247
Other inflows (outflows) of cash	23, 24	(5,015)	(4,525)
Cash flows from financing activities		(770,275)	(742,153)
Net increase/(decrease) in cash and cash equivalents before currency translation differences		282,333	(664,451)
Effect of currency translation differences		17,937	96,136
Net increase/(decrease) in cash and cash equivalents		300,270	(568,315)
Cash and cash equivalents at January 1	4	2,166,153	1,620,523
Cash and cash equivalents at June 30	4	2,466,423	1,052,208

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

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

The average number of personnel employed by categories in the Group for the period ended June 30, 2016 is 4,649 white - collar (1 January- 30 June 2015: 4,385) and 20,367 (1 January- 30 June 2015: 21,055) blue – collar totalling to 25,016 (1 January- 30 June 2015: 25,440).

<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			
Arducth B.V. (“Arducth”)	Netherlands	Investment	Holding
Arducth B.V. Taiwan (“Arducth Taiwan”) *	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) *	Australia, New Zealand	Sales	Consumer Durables
Beko Appliances Malaysia Sdn Bhd. (“Beko Malaysia”)	Malaysia	Sales	Consumer Durables
Beko Balkans D.O.O (“Beko Balkans”)	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (“Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (“Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”) *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) *	Poland, Czechia	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Beko US INC. (“Beko US”)	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. (“CoVii”)	Portugal	R&D	Software
Defy Appliances (Proprietary) Ltd. (“Defy”)	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. (“Defy Swaziland”)	Swaziland	Sales	Consumer Durables
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”)	Netherlands	Investment	Holding
Grundig Intermedia GmbH (“Grundig Intermedia”) (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics
Vietbeko Limited Liability Company (“Vietbeko”)	Vietnam	Sales	Consumer Durables
Ceased operations as of reporting date:			
Archin Limited (“Archin”)	Hong Kong, China	-	-
Beko Cesko (“Beko Cesko”)	Czechia	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as of and for the period ended June 30, 2016 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2016 have no impact on the consolidated financial statements of the Group.

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

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

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

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

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

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

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

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

TAS 1: Disclosure Initiative (Amendments to TAS 1)

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

Annual Improvements to TFRSs - 2012-2014 Cycle

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

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

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

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

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

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

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

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

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

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.

Annual Improvements – 2011–2013 Cycle

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 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers (Amendments)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

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

(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 January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

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

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

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

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

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

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

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

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

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

	Functional currency	June 30, 2016		December 31, 2015	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei (“RON”)	96.72	96.72	96.72	96.72
Ardutch	Euro (“EUR”)	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar (“TWD”)	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar (“AUD”)/ New Zealand Dollar (“NZD”)	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar (“SRD”)	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan (“CYN”)	100.00	100.00	100.00	100.00
Beko Deutschland	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Espana	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira (“EGP”)	100.00	100.00	100.00	100.00
Beko France	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar (“USD”)	100.00	100.00	100.00	100.00
Beko Italy	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Malaysia	Malaysian Ringgit (“MYR”)	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty (“PLN”)/Czech Koruna (“CZK”)	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble (“RUB”)	100.00	100.00	100.00	100.00
Beko Slovakia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan (“CNY”)	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht (“THB”)	100.00	100.00	100.00	100.00
Beko UK	British Pound (“GBP”)/ Euro (“EUR”)	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna (“UAH”)	100.00	100.00	100.00	100.00
Beko US ⁽¹⁾	US Dollar (“USD”)	100.00	100.00	-	-
CoVii	Euro (“EUR”)	51.00	51.00	51.00	51.00
Defy	South African Rand (“ZAR”)	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula (“BWP”)	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar (“NAD”)	100.00	100.00	100.00	100.00
Defy Swaziland	Swazi Lilangeni (“SZL”)	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro (“EUR”)	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro (“EUR”)	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro (“EUR”)/ Croatian Kuna (“HRK”)	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone (“NOK”)	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona (“SEK”)	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc (“CHF”)	100.00	100.00	100.00	100.00
Vietbeko	Vietnamese Dong (“VND”)	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Raupach ⁽²⁾	-	-	-	100.00	100.00

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

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

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

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 3 - SEGMENT REPORTING

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

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

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

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	5,209,637	1,104,795	1,172,573	7,487,005
Gross profit	1,959,212	290,868	296,652	2,546,732
Depreciation and amortization	168,751	33,213	9,174	211,138
Capital expenditures	238,440	44,772	9,835	293,047

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	4,437,340	851,528	932,985	6,221,853
Gross profit	1,517,095	175,616	260,786	1,953,497
Depreciation and amortization	148,234	29,654	7,536	185,424
Capital expenditures	189,842	32,030	6,493	228,365

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,747,069	528,667	683,820	3,959,556
Gross profit	1,069,807	119,437	163,423	1,352,667
Depreciation and amortization	89,291	17,542	5,091	111,924
Capital expenditures	119,572	22,798	5,332	147,702

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,406,370	421,937	526,786	3,355,093
Gross profit	845,695	84,103	151,998	1,081,796
Depreciation and amortization	76,006	14,924	3,874	94,804
Capital expenditures	87,784	17,989	3,778	109,551

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

January 1 – June 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	3,180,224	3,231,940	488,086	586,755	7,487,005

January 1 – June 30, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	2,649,379	2,652,825	503,991	415,658	6,221,853

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

April 1 – June 30, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,723,823	1,661,587	259,103	315,043	3,959,556

April 1 – June 30, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,471,489	1,386,363	286,617	210,624	3,355,093

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015
Cash in hand	418	451
Cash at banks		
- demand deposits	207,620	210,540
- time deposits	2,185,108	1,872,026
Cheques and notes	45,465	55,456
Other	27,812	27,680
Cash and cash equivalents in cash flow statement	2,466,423	2,166,153
Interest income accruals	852	1,474
	2,467,275	2,167,627

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

Up to 30 days	2,355,933	2,130,848
30-90 days	111,342	36,779
	2,467,275	2,167,627

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

USD	0.6	1.2
EUR	0.8	0.6
AUD	0.5	0.5
BWP	1.0	1.0
CZK	0.0	0.0
CNY	1.2	2.3
ZAR	5.3	5.2
HKD	0.0	-
GBP	0.3	0.3
SEK	0.0	-
CHF	0.1	0.1
MYR	2.4	-
EGP	6.3	4.5
NAD	5.0	5.0
NOK	0.0	0.1
RON	0.7	1.3
RUB	9.4	10.4
THB	0.1	0.8
UAH	-	8.5
VND	1.0	1.0
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

	June 30, 2016		December 31, 2015	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	-	-	3.98	537,684
Tat Gıda Sanayi A.Ş.	0.34	2,549	0.34	1,413
Other		79		79
		2,628		539,176

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

	2016	2015
As of January 1	539,176	698,488
Change in fair value	1,136	(59,743)
Sale of financial asset (Note 27)	(537,684)	-
As of June 30	2,628	638,745

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	June 30, 2016	December 31, 2015
Short-term bank borrowings	1,519,935	995,638
Payables from factoring activities(*)	49,332	39,628
Other	345	475
Total short-term financial liabilities	1,569,612	1,035,741
Short-term portion of long-term bank borrowings and interest accruals	456,493	1,119,002
Interest accruals of long-term bond issued (**)	51,991	29,999
Total short-term portion of long-term financial liabilities	508,484	1,149,001

(*) Factoring liabilities are amounting to TRY 29,167 denominated in EUR (2015: TRY 18,902), TRY 17,628 denominated in GBP (2015: TRY 18,708) and TRY 2,537 denominated in USD (2015: TRY 2,018) and interest rates are between 0.55%-0.70% for EUR (2015: 0.65%-1%) , 1.4% for USD (2015: 1.5%) and 1.25% for GBP (2015: 1.59%).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

(**) Long term bonds issued:

2014:

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

2013:

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

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.7	1,249,950,617	1,249,951
EUR	0.5	69,342,278	222,200
CNY	4.4	110,398,750	47,784
			1,519,935

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

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

b) Long-term financial liabilities

	June 30, 2016	December 31, 2015
Long-term bank borrowings	528,340	722,634
Long-term bonds issued	2,549,244	2,545,989
Other	151	284
	3,077,735	3,268,907

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.5	568,733,000	568,733
EUR	2.6	77,954,440	249,797
ZAR	9.7	750,000,000	145,005
RUB	8.9	475,000,000	21,298
			984,833
Short-term portion of long-term loans and interest accruals			(456,493)
			528,340

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

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

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	502,875,344	1,455,121
EUR	4.0	357,668,882	1,146,114
			2,601,235
Interest accruals of long-term bonds issued			(51,991)
			2,549,244

As of December 31, 2015, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	502,551,654	1,461,219
EUR	4.0	350,820,921	1,114,769
			2,575,988
Interest accruals of long-term bonds issued			(29,999)
			2,545,989

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	June 30, 2016	December 31, 2015
2017	385,922	581,408
2018	71,209	70,613
2019	71,209	70,613
2021	1,121,540	1,112,160
2023	1,446,800	1,453,800
	3,096,680	3,288,594

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

	June 30, 2016	December 31, 2015
Up to 3 months	710,339	1,301,147
3 - 12 months	1,253,671	934,766
1-5 years	528,340	581,086
Over 5 years	2,568,340	2,565,960
	5,060,690	5,382,959

NOTE 7 - DERIVATIVE INSTRUMENTS

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

	June 30, 2016		December 31, 2015	
	Contract amount	Fair value assets /(liabilities)	Contract amount	Fair value assets /(liabilities)
<i>Held for trading:</i>				
<i>Short-term derivative instruments</i>				
Forward transactions	1,332,443	8,458 (2,975)	739,561	1,807 (259)
Foreign currency swap contracts	1,182,659	2,062 (546)	2,126,087	14,486 (3,004)
	2,515,102	10,520 (3,521)	2,865,648	16,293 (3,263)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	1,936,501	127,976	-	1,960,174	144,742	-
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in 2013 in US Dollars against the major foreign currencies that sales and collections are performed in, the Company entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million in April, 2013.

ARÇELİK ANONİM ŞİRKETİ

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

	June 30, 2016	December 31, 2015
Short-term trade receivables:		
Trade receivables	3,314,378	2,840,338
Notes receivables	1,554,458	1,794,339
Cheques receivables	277,450	271,172
Short-term trade receivables (gross)	5,146,286	4,905,849
Provision for doubtful receivables	(127,237)	(110,601)
Unearned credit finance income	(23,142)	(13,673)
Short-term trade receivables (net)	4,995,907	4,781,575

As of June 30, 2016, the Group has offsetted TRY 443,987 (December 31, 2015: TRY 382,302) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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

	2016	2015
As of January 1	110,601	97,019
Current year additions (Note 21)	17,923	6,004
Provisions no longer required (Note 21)	(193)	(1,216)
Write-offs (*)	(1,176)	(756)
Acquisitions	-	7
Currency translation differences	82	2,250
As of June 30	127,237	103,308

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

	June 30, 2016	December 31, 2015
Long-term trade receivables	12,697	13,205
Short-term trade payables:		
Trade payables	1,902,345	1,597,265
Debt accruals	122,737	93,743
Unearned credit finance charges	(13,722)	(14,597)
	2,011,360	1,676,411

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - INVENTORIES

	June 30, 2016	December 31, 2015
Raw materials and supplies	899,666	946,661
Work in progress	86,430	83,611
Finished goods	1,155,110	925,878
Trade goods	240,748	250,979
Inventories (gross)	2,381,954	2,207,129
Provision for impairment on inventories	(70,925)	(67,072)
Inventories (net)	2,311,029	2,140,057

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

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

	June 30, 2016	December 31, 2015
Raw materials and supplies	58,775	54,784
Finished goods	10,126	10,723
Trade goods	2,024	1,565
	70,925	67,072

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

	2016	2015
As of January 1	67,072	57,958
Current year additions (Note 21)	7,426	801
Realized due to sales of inventory	(3,513)	(631)
Currency translation differences	(60)	1,182
As of June 30	70,925	59,310

NOTE 10 - OTHER PAYABLES

	June 30, 2016	December 31, 2015
Taxes and duties payable	115,064	142,777
Dividend payables to shareholders	4,580	4,558
Deposits and guarantees received	4,091	3,935
Other	23,638	4,267
	147,373	155,537

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

	June 30, 2016		December 31, 2015	
	%	TRY	%	TRY
Arçelik - LG	45.0	106,778	45.0	98,875
Koç Finansman	47.0	84,391	47.0	89,851
Ram Dış Ticaret	33.5	9,773	33.5	13,107
Tanı Pazarlama	32.0	7,701	32.0	8,048
		208,643		209,881

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

	2016	2015
As of January 1	209,881	195,311
Shares of income/loss of associates	19,177	16,320
Shares of other comprehensive income/loss of associates	(5,916)	(1,493)
Gross profit elimination on inventory	(1,749)	(636)
Dividends received	(12,750)	(11,410)
As of June 30	208,643	198,092

Shares of income/loss from associates:

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Koç Finansman	9,875	6,823	5,441	3,455
Arçelik – LG	9,652	8,732	6,846	6,023
Ram Dış Ticaret	(2)	337	279	328
Tanı Pazarlama	(348)	428	(56)	354
	19,177	16,320	12,510	10,160

Aggregated summary figures of the financial statements of associates:

	June 30, 2016	December 31, 2015
Total assets	3,936,828	3,810,042
Total liabilities	3,466,749	3,334,872

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Net sales	1,086,164	973,397	580,674	554,111
Net income for the period	37,479	34,852	27,092	27,289

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2016	2015
As of January 1		
Cost	5,090,900	4,603,877
Accumulated depreciation	(3,035,225)	(2,791,131)
Net carrying value	2,055,675	1,812,746
Net carrying value at the beginning of the period	2,055,675	1,812,746
Acquisitions	-	228
Additions	209,620	158,221
Disposals	(2,709)	(8,924)
Currency translation differences	20,896	63,215
Depreciation for the period	(152,384)	(137,381)
Net carrying value at the end of the period	2,131,098	1,888,105
As of June 30		
Cost	5,296,271	4,830,635
Accumulated depreciation	(3,165,173)	(2,942,530)
Net carrying value	2,131,098	1,888,105

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

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

	2016	2015
As of January 1		
Cost	1,506,857	1,318,647
Accumulated amortization	(499,377)	(396,647)
Net carrying value	1,007,480	922,000
Net carrying value at the beginning of the period	1,007,480	922,000
Acquisitions	-	660
Additions	83,427	70,144
Currency translation differences	5,325	47,318
Amortization for the period	(58,754)	(47,974)
Net carrying value at the end of the period	1,037,478	992,148
As of June 30		
Cost	1,595,547	1,439,868
Accumulated amortization	(558,069)	(447,720)
Net carrying value	1,037,478	992,148

Net carrying value of the development costs as of June 30, 2016 is TRY 401,368 (December 31, 2015: TRY 380,417) and capitalized development costs excluding amount of borrowing cost in the period is TRY 69,985 (January 1 – June 30, 2015: TRY 60,839).

As of June 30, 2016 total amount of borrowing costs capitalized in the period is TRY 56 (June 30, 2015: TRY 4,429).

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

As of June 30, 2016, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 544,249,944 (December 31, 2015: USD 274,539,501). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	June 30, 2016	December 31, 2015
Up to 1 year	23,579	27,360
1-5 years	36,724	40,921
Over 5 years	4,566	6,959
Operating lease commitments	64,869	75,240

Derivative instruments contracts commitments

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

June 30, 2016	Purchase commitments	Sales commitments
TRY	216,309	224,777
USD	1,397,851	124,295
EUR	358,984	1,057,055
AUD	11,782	80,333
CZK	2,721	15,627
CNY	20,066	93,275
DKK	-	15,057
ZAR	4,664	112,790
GBP	-	305,445
CHF	98,751	-
CAD	-	6,445
NOK	15,000	-
PLN	4,646	44,254
ROL	168,996	-
RUB	16,277	36,993
RSD	-	7,331
NZD	-	11,879
	2,316,047	2,135,556

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

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

	June 30, 2016	December 31, 2015
Collaterals obtained	2,963,496	2,831,414

Collaterals/ pledges/ mortgages ("CPM") position of the Group as of June 30, 2016 and December 31, 2015 are as follows:

CPM's given by the Company	June 30, 2016	December 31, 2015
A. CPM's given for Company's own legal personality	1,085,580	598,529
B. CPM's given on behalf of fully consolidated companies	43,380	43,112
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	1,128,960	641,641

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

TRY equivalents of collaterals, pledges and mortgages give as of June 30, 2016 and December 31, 2015 are as follows on original currency basis are as follows:

CPM's given by the Company	June 30, 2016	December 31, 2015
USD	1,026,852	522,553
TRY	49,758	50,081
EUR	45,395	45,015
Other currencies	6,955	23,992
	1,128,960	641,641

NOTE 15 – OTHER PROVISIONS

	June 30, 2016	December 31, 2015
Other current provisions		
Warranty provision	185,259	178,460
Assembly provision	84,705	64,693
Provision for transportation cost	34,600	18,654
Provision for lawsuit risks	12,274	8,980
Provision for returns	8,593	9,522
Other	52,980	54,227
	378,411	334,536
Other non-current provisions		
Warranty provision	132,610	124,817
Other	1,084	1,235
	133,694	126,052

NOTE 16 – PREPAID EXPENSES

	June 30, 2016	December 31, 2015
Short-term prepaid expenses	92,695	57,786
Advances given for fixed assets	13,313	13,083
Advances given for inventories	5,396	4,075
	111,404	74,944

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NOTE 17 – CURRENT INCOME TAX ASSETS

	June 30, 2016	December 31, 2015
Prepaid taxes and funds	13,062	27,014

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	June 30, 2016	December 31, 2015
Social security payables	81,915	69,458
Payables to personnel	53,394	73,756
Accruals for bonuses and premiums	47,738	13,696
	183,047	156,910

NOTE 19 - OTHER ASSETS AND LIABILITIES

	June 30, 2016	December 31, 2015
Other current assets:		
Value added tax and private consumption tax receivable	80,999	76,753
Taxes and funds deductible	39,190	83,348
Income accruals	31,234	9,927
Other	16,514	9,650
	167,937	179,678
Other current liabilities:		
Accruals for customer premiums	284,460	247,938
Advances received	26,175	30,091
Other	5,209	6,842
	315,844	284,871

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 - EQUITY

Paid-in capital

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

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

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

The shareholding structure of the Company is as follows:

	June 30, 2016		December 31, 2015	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
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	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

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

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

Restricted reserves

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

The details of these restricted reserves are as follows:

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

Dividends paid

As agreed in the ordinary general meeting dated March 25, 2016, the decision to pay dividend as cash has been taken and the payment was made in April 2016 (previous year in April 2015). The dividend details are as follows: 38.8% (2015: 51.8%) corresponding to gross TRY 0.38773 (full) (2015:TRY 0.51796 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 32.9% (2015: 44.0%) corresponding to gross TRY 0.38773 (full) (2014: gross TRY 0.51796 (full)) and net TRY 0.32957 (full) (2015: net TRY 0.44027 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

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NOT 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Other income from operating activities:				
Income from claims and grants	89,423	45,200	42,784	24,631
Foreign exchange gains arising from trading activities	56,873	188,746	23,183	84,254
Credit finance income arising from trading activities	9,582	8,206	5,052	5,710
Reversals of provisions	1,742	685	524	138
Reversal of provisions for doubtful receivables (Note 8)	193	1,216	46	752
Other	13,824	28,142	9,741	19,295
	171,637	272,195	81,330	134,780
Other expenses from operating activities:				
Foreign exchange losses arising from trading activities	(97,608)	(75,344)	(34,630)	(15,787)
Provision expense for doubtful receivables (Note 8)	(17,923)	(6,004)	(17,273)	(3,660)
Cash discounts expenses	(11,919)	(10,936)	(5,850)	(6,333)
Credit finance charges arising from trading activities	(8,322)	(688)	(6,955)	547
Provision expense for inventory impairment (Note 9)	(7,426)	(801)	(6,146)	(401)
Other	(14,226)	(21,313)	(9,432)	(7,338)
	(157,424)	(115,086)	(80,286)	(32,972)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Income from investment activities:				
Income from sales of financial investment (*)	413,739	-	413,739	-
Income from sales of property plant and equipment	2,184	1,195	1,223	989
Dividends received from financial investments	59	12,865	59	-
	415,982	14,060	415,021	989
Expenses from investment activities:				
Loss from sales of property plant and equipment	(685)	(352)	(159)	(285)
	(685)	(352)	(159)	(285)

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

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NOTE 23- FINANCIAL INCOME

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Foreign exchange gains (*)	135,190	202,469	37,547	108,093
Gains on derivative instruments	105,303	134,555	52,362	(19,304)
Interest income	14,486	12,825	7,438	6,747
Other	199	62	84	31
	255,178	349,911	97,431	95,567

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Interest expenses	(222,339)	(176,622)	(116,857)	(93,075)
Foreign exchange losses (*)	(139,329)	(407,579)	(68,221)	(156,473)
Losses on derivative instruments	(114,020)	(55,833)	7,719	(18,757)
Other	(5,214)	(4,587)	(2,574)	(2,506)
	(480,902)	(644,621)	(179,933)	(270,811)

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

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

	June 30, 2016	December 31, 2015
Corporation and income taxes	47,879	99,123
Prepaid tax	(34,140)	(86,061)
Tax liabilities (net)	13,739	13,062
Deferred tax assets	270,477	198,647
Deferred tax liabilities	(154,290)	(149,635)
Deferred tax assets, net	116,187	49,012

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

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

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

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Tax income/ (expense)				
- Current period tax expense	(49,095)	(16,839)	(29,711)	(12,686)
- Deferred tax income	48,645	182,850	27,112	159,142
Tax income, net	(450)	166,011	(2,599)	146,456

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 JUNE 30, 2016

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Property, plant and equipment and intangible assets	1,565,261	1,538,662	(329,731)	(328,536)
Derivative instruments	137,131	145,296	(27,429)	(29,057)
Unearned credit finance income/expense (net)	36,881	49,288	(7,376)	(9,858)
Available-for-sale investments	2,190	393,896	(110)	(19,694)
Unused tax advantages (*)	(2,973,896)	(2,679,899)	321,495	289,226
Provision for warranty, assembly and transportation expenses	(340,000)	(282,602)	69,963	58,459
Provision for employment termination benefits	(175,480)	(169,396)	35,096	33,879
Provision for impairment on inventories	(65,379)	(58,662)	13,169	11,799
Provision for doubtful receivables	(15,571)	(2,275)	3,910	436
Other	(164,228)	(184,727)	37,200	42,358
Deferred tax assets, net			116,187	49,012

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of June 30, 2016 the tax advantage of TRY 283,440 (December 31, 2015: TRY 254,274) in which the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment, from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

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

	2016	2015
Balance as of January 1	49,012	(168,069)
Deferred tax income recognized in statement of profit or loss	48,645	182,850
Deferred tax effect on sales of financial investment	19,642	-
Deferred tax income recognized directly in the shareholders' equity	2,354	5,408
Currency translation differences	(3,466)	(8,031)
Balance as of June 30	116,187	12,158

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NOTE 26 - EARNINGS PER SHARE

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

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

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

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Net income	807,710	467,810	652,009	326,278
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	1.195	0.692	0.965	0.483
Diluted earnings per share (kurus) (*)	1.195	0.692	0.965	0.483
Dividends distributed to the equity holders of the parent	262,000	350,000	-	-
Gross dividend distributed per share (kurus) (*)	0.388	0.518	-	-

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

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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2016	December 31, 2015
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri		
Pazarlama A.Ş. ⁽¹⁾	19,381	6,343
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	8,725	1,191
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	2,621	1,223
Other	823	193
	31,550	8,950

(b) Due to related parties:

Current:

Arçelik-LG ⁽²⁾	194,092	213,400
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	139,536	110,971
Ram Dış Ticaret ⁽²⁾	43,726	45,020
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	6,145	3,144
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	5,638	11,098
Koç Holding A.Ş. ⁽³⁾	1,596	15,999
Other	3,902	14,351
	394,635	413,983

	June 30, 2016	December 31, 2015
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	13,205	12,982
Other	308	-
	13,513	12,982

Other payables to related parties – Non Current:

Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	52,312	59,359
Other	925	1,315
	53,237	60,674

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

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

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

	June 30, 2016	December 31, 2015
Other payables to related parties (gross)		
Up to 1 year	16,663	16,477
1 to 5 years	58,486	67,411
	75,149	83,888
Future finance charges on other liabilities	(8,399)	(10,232)
Present value of other payables to related parties (net)	66,750	73,656

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

	June 30, 2016	December 31, 2015
Up to 1 year	13,513	12,982
1 to 5 years	53,237	60,674
	66,750	73,656

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries ⁽¹⁾	796,682	519,044
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	21,299	18,815
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(e) Derivative instruments

	Contract amount	Fair value	
June 30, 2016		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	674,693	564	(444)
December 31, 2015		assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	816,151	293	(914)

(1) Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
(a) Sales of goods and services:				
Akpa Dayanıklı Tüketim LPG ve				
Akaryakıt Ürünleri Pazarlama A.Ş.	18,344	22,648	5,501	8,207
Koçtaş Yapı Marketleri Ticaret A.Ş.	10,207	6,986	6,313	3,192
Yapı ve Kredi Bankası A.Ş.	9,701	7,342	5,638	4,103
Arçelik-LG	2,511	1,535	1,620	633
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,162	759	470	531
Other	1,038	1,438	90	309
	42,963	40,708	19,632	16,975

(b) Other sales:

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

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(c) Purchases of goods and services:	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
Zer Merkezi Hizmetler ve Ticaret A.Ş.	274,599	333,360	120,753	215,054
Arçelik-LG	241,199	188,745	161,776	150,290
Ram Dış Ticaret	48,792	88,045	10,681	58,993
Bilkom Bilişim Hizmetleri A.Ş.	42,104	46,604	7,235	21,795
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	27,276	43,569	5,076	24,844
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽¹⁾ (*)	24,995	42,931	1,103	21,594
Koç Holding A.Ş. (**)	16,516	6,067	11,434	2,945
Setur Servis Turistik A.Ş. ⁽¹⁾	9,485	13,112	3,992	6,529
Other	26,320	27,538	14,222	15,795
	711,286	789,971	336,272	517,839

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

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

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

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

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

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

⁽¹⁾ Koç Holding group companies

⁽²⁾ Koç Holding shareholder

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(e) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the period ended June 30, 2016 amounts to TRY 22,461 (January 1- June 30, 2015: TRY 15,945). TRY 17,500 (January 1- June 30, 2015: TRY 4,000) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(f) Other transactions

	January 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2016	April 1- June 30, 2015
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	5,997	8,202	3,562	3,968
<i>Interest expense:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	933	7,202	461	4,225

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

Interest Rate Risk

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

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

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

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

June 30, 2016	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	31,550	5,008,604	2,393,580	138,496
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,598,279)	-	-
A. Net book value of financial asset either are not due or not impaired	31,550	4,665,591	2,393,580	138,496
-Secured portion by guarantees, etc.	-	(3,322,054)	-	-
B. Financial assets with renegotiated conditions	-	60,587	-	-
- Secured portion by guarantees, etc.	-	(55,892)	-	-
C. Net book value of overdue but not impaired financial assets	-	236,330	-	-
- Secured portion by guarantees, etc.	-	(174,236)	-	-
D. Net book value of the impaired assets	-	46,096	-	-
- Overdue (Gross book value)	-	173,333	-	-
- Impairment (-)	-	(127,237)	-	-
- Secured portion of the net value by guarantees, etc.	-	(46,097)	-	-
December 31, 2015	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	8,950	4,794,780	2,084,040	161,035
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,592,264)	-	-
A. Net book value of financial asset either are not due or not impaired	8,950	4,345,094	2,084,040	161,035
-Secured portion by guarantees, etc.	-	(3,222,520)	-	-
B. Financial assets with renegotiated conditions	-	51,233	-	-
- Secured portion by guarantees, etc.	-	(43,077)	-	-
C. Net book value of overdue but not impaired financial assets	-	354,592	-	-
- Secured portion by guarantees, etc.	-	(282,806)	-	-
D. Net book value of the impaired assets	-	43,861	-	-
- Overdue (Gross book value)	-	154,462	-	-
- Impairment (-)	-	(110,601)	-	-
- Secured portion of the net value by guarantees, etc.	-	(43,861)	-	-

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

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

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

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

	June 30, 2016	December 31, 2015
Group 1	16,373	7,392
Group 2	4,635,029	4,324,138
Group 3	106,326	73,747
	4,757,728	4,405,277

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

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

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

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

	June 30, 2016	December 31, 2015
0-1 month	63,710	116,510
1-3 months	116,955	165,005
3-12 months	27,717	38,950
1-5 years	27,948	34,127
	236,330	354,592

Foreign exchange risk

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

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

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

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

Foreign currency position

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

	June 30, 2016	December 31, 2015
Assets	3,529,163	3,408,875
Liabilities	(3,969,082)	(3,892,464)
Net position of financial statement	(439,919)	(483,589)
Net position of derivative instruments	387,704	503,552
Foreign currency position (net)	(52,215)	19,963

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

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

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	TRY Equivalent
Current Assets																		
Trade receivables	389,649	176,125	77,450	875,922	62,978	133,366	-	-	350,510	46,520	35,561	922	-	2,744	-	98,364	-	2,373,169
Monetary financial assets	299,958	25,080	3	-	-	18	-	1,539	-	1,015	99	4	-	-	-	-	-	1,034,948
Other	8,894	31,973	3	-	-	-	-	-	-	-	8	-	-	-	-	-	-	121,046
Total Assets	698,501	233,178	77,456	875,922	62,978	133,384	-	1,539	350,510	47,535	35,668	926	-	2,744	-	98,364	-	3,529,163
Current Liabilities																		
Trade payables	178,304	149,763	1,065	-	-	-	288	101	7,736	265	6,170	148	20,371	-	-	-	30	1,024,756
Financial liabilities	34,079	6,952	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,319
Other monetary liabilities	557	4,999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,250
Non-Current Liabilities																		
Financial liabilities	405,603	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,746,514
Other monetary liabilities	-	18,055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,243
Total Liabilities	618,543	679,769	1,065	-	-	-	288	101	7,736	265	6,170	148	20,371	-	-	-	30	3,969,082
Net Position of Financial Statement	79,958	(446,591)	76,391	875,922	62,978	133,384	(288)	1,438	342,774	47,270	29,498	778	(20,371)	2,744	-	98,364	(30)	(439,919)
Off-balance sheet																		
derivative assets (*)	237,112	483,084	-	-	6,404	22,984	-	-	-	-	5,500	-	-	-	-	-	-	2,176,802
Off-balance sheet																		
derivative liabilities (*)	(329,876)	(42,955)	(78,947)	(825,000)	(61,000)	(132,000)	-	-	(350,000)	(35,000)	(37,500)	-	-	(2,900)	-	(83,000)	-	(1,789,098)
Net position of																		
off-balance sheet items	(92,764)	440,129	(78,947)	(825,000)	(54,596)	(109,016)	-	-	(350,000)	(35,000)	(32,000)	-	-	(2,900)	-	(83,000)	-	387,704
Net Asset/(Liability) Position of Foreign Currency	(12,806)	(6,462)	(2,556)	50,922	8,382	24,368	(288)	1,438	(7,226)	12,270	(2,502)	778	(20,371)	(156)	-	15,364	(30)	(52,215)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	71,064	(478,564)	76,388	875,922	62,978	133,384	(288)	1,438	342,774	47,270	29,490	778	(20,371)	2,744	-	98,364	(30)	(560,965)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																		134,975
Hedged Amount of Foreign Currency Assets	329,876	42,955	78,947	825,000	61,000	132,000	-	-	350,000	35,000	37,500	-	-	2,900	-	83,000	-	1,789,098
Hedged Amount of Foreign Currency Liabilities	87,112	483,084	-	-	6,404	22,984	-	-	-	-	5,500	-	-	-	-	-	-	1,696,142

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

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

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

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

June 30, 2016	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	TRY equivalent	
Against TRY	(9,029)	36,274	(1,962)	50,922	8,382	24,350	-	-	-	(59)	(2,005)	-	(19,548)	(156)	-	15,364	(30)	81,033	
Against EUR	-	404	-	-	-	-	-	-	510	-	-	-	-	-	-	-	-	-	1,268
Against RUB	364	1,840	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,490
Against PLN	(591)	20	-	-	-	18	-	-	-	-	-	-	-	-	-	-	-	-	(1,834)
Against GBP	89	325	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,225
Against RON	(2,975)	(6,015)	16	-	-	-	-	-	-	-	-	-	(823)	-	-	-	-	-	(26,898)
Against CZK	(459)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,471)
Against NOK	(2,881)	(80)	-	-	-	-	-	1,438	-	12,329	-	-	-	-	-	-	-	-	(3,672)
Against SEK	4,536	(38)	-	-	-	-	(288)	-	-	-	-	-	-	-	-	-	-	-	14,327
Against CNY	38	2,776	184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,867
Against ZAR	(1,334)	(1,167)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,652)
Against AUD	(516)	317	-	-	-	-	-	-	-	-	-	778	-	-	-	-	-	-	869
Against EGP	7	(39,026)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(115,976)
Against UAH	(2,718)	(182)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,237)
Against CHF	4,633	673	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,793
Against BWP	-	-	-	-	-	-	-	-	(7,736)	-	-	-	-	-	-	-	-	-	(1,497)
Against NZD	(173)	(7)	-	-	-	-	-	-	-	-	(497)	-	-	-	-	-	-	-	(1,639)
Against USD	219	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	702
Against RSD	(1,783)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,713)
Against HUF	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)
Against THB	(227)	(51)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(875)
Against MYR	-	(2,525)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,306)
	(12,806)	(6,462)	(2,556)	50,922	8,382	24,368	(288)	1,438	(7,226)	12,270	(2,502)	778	(20,371)	(156)	-	15,364	(30)	(52,215)	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

June 30, 2016	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(129,227)	129,227	(126,938)	126,938
Secured portion from USD risk	127,356	(127,356)	127,356	(127,356)
USD Net effect	(1,871)	1,871	418	(418)
EUR net asset/liability	73,689	(73,689)	76,243	(76,243)
Secured portion from EUR risk	(77,791)	77,791	(29,725)	29,725
EUR Net effect	(4,102)	4,102	46,518	(46,518)
GBP net asset/liability	29,556	(29,556)	33,253	(33,253)
Secured portion from GBP risk	(30,545)	30,545	(30,545)	30,545
GBP Net effect	(989)	989	2,708	(2,708)
RUB net asset/liability	3,928	(3,928)	28,869	(28,869)
Secured portion from RUB risk	(3,699)	3,699	(3,699)	3,699
RUB Net effect	229	(229)	25,170	(25,170)
RON net asset/liability	-	-	63,784	(63,784)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	63,784	(63,784)
PLN net asset/liability	4,569	(4,569)	8,737	(8,737)
Secured portion from PLN risk	(3,961)	3,961	(3,961)	3,961
PLN Net effect	608	(608)	4,776	(4,776)
CZK net asset/liability	1,579	(1,579)	3,829	(3,829)
Secured portion from CZK risk	(1,291)	1,291	(1,291)	1,291
CZK Net effect	288	(288)	2,538	(2,538)
NOK net asset/liability	(10)	10	295	(295)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(10)	10	295	(295)
SEK net asset/liability	49	(49)	3,208	(3,208)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	49	(49)	3,208	(3,208)
NZD net asset/liability	160	(160)	160	(160)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	160	(160)	160	(160)
ZAR net asset/liability	6,627	(6,627)	49,729	(49,729)
Secured portion from ZAR risk	(6,767)	6,767	(6,767)	6,767
ZAR Net effect	(140)	140	42,962	(42,962)
AUD net asset/liability	6,319	(6,319)	5,911	(5,911)
Secured portion from AUD risk	(6,855)	6,855	(6,855)	6,855
AUD Net effect	(536)	536	(944)	944
DKK net asset/liability	2,034	(2,034)	2,034	(2,034)
Secured portion from DKK risk	(1,506)	1,506	(1,506)	1,506
DKK Net effect	528	(528)	528	(528)
JPY net asset/liability	(57)	57	(57)	57
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(57)	57	(57)	57
CAD net asset/liability	610	(610)	610	(610)
Secured portion from CAD risk	(645)	645	(645)	645
CAD Net effect	(35)	35	(35)	35
THB net asset/liability	-	-	24,388	(24,388)
Secured portion from THB risk	-	-	-	-
THB Net effect	-	-	24,388	(24,388)
EGP net asset/liability	-	-	(2,186)	2,186
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(2,186)	2,186
UAH net asset/liability	-	-	443	(443)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	443	(443)
CNY net asset/liability	4,257	(4,257)	10,686	(10,686)
Secured portion from CNY risk	(3,592)	3,592	(3,592)	3,592
CNY Net effect	665	(665)	7,094	(7,094)
CHF net asset/liability	(9)	9	21,583	(21,583)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(9)	9	21,583	(21,583)
BWP net asset/liability	-	-	77	(77)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	77	(77)
RSD net asset/liability	-	-	785	(785)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	785	(785)
MYR net asset/liability	-	-	818	(818)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	818	(818)
VND net asset/liability	-	-	778	(778)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	778	(778)
	(5,222)	5,222	245,809	(245,809)

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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 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

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

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

	June 30, 2016		June 30, 2015	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	464,425,542	1,512,212	467,429,326	1,335,026
USD	179,695,502	521,558	152,228,891	393,087
GBP	119,615,647	499,122	111,424,354	437,095
Other		243,976		246,737
Total exports		2,776,868		2,411,945
EUR	166,258,184	540,931	177,165,812	509,025
USD	374,053,629	1,091,262	428,053,137	1,087,279
GBP	342,275	1,449	547,401	2,097
Other		3,721		3,917
Total imports		1,637,363		1,602,318

Fair value of financial instruments

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

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

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

Financial assets

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

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

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

Financial liabilities

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

As of June 30, 2016 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,586,068 (December 31, 2015: TRY 4,417,908) (Note 6), and TRY 3,604,779 (December 31, 2014: TRY 4,437,055) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	138,496	-
Financial investments (Note 5)	2,549	-	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	3,521	-
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Fair value hierarchy table as of December 31, 2015 is as follows:

Financial assets carried at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative instruments (assets) (Note 7)	-	161,035	-
Financial investments (Note 5)	-	537,684	-

Financial liabilities carried at fair value in statement of financial position

Derivative instruments (liabilities) (Note 7)	-	3,263	-
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 29 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	June 30, 2016	June 30, 2015
Adjustments for provisions:		
Accrual for customer premiums	36,522	41,078
Provision for assembly and transportation cost	35,958	17,454
Accrual for bonuses and premiums	34,042	9,698
Provision for employment termination benefits	14,781	12,802
Warranty provision	14,592	13,178
Provision for vacation pay liability	5,112	3,283
Provision for legal claims	(597)	345
Return provisions	(929)	253
	139,481	98,091
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	June 30, 2016	June 30, 2015
Adjustments for impairment loss:		
Provision for doubtful receivables	17,923	6,004
Provision for impairment on inventories	7,426	801
	25,349	6,805

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

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

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