

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

Arçelik Anonim Şirketi

January 1-March 31, 2016 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016

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

	Notes	Unaudited	Audited
		March 31, 2016	December 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,491,432	2,167,627
Trade receivables			
-Due from related parties	27	26,235	8,950
-Trade receivables, third parties	8	4,464,759	4,781,575
Derivative instruments	7	6,826	16,293
Inventories	9	2,254,721	2,140,057
Prepaid expenses	16	102,276	74,944
Current income tax assets	17	24,762	27,014
Other current assets	19	165,535	179,678
Subtotal		9,536,546	9,396,138
Assets held for sale		9,877	10,114
Total current assets		9,546,423	9,406,252
Non-current assets:			
Financial investments	5	539,176	539,176
Trade receivables			
-Trade receivables, third parties	8	6,916	13,205
Derivate instruments	7	69,541	144,742
Associates	11	200,599	209,881
Property, plant and equipment	12	2,091,429	2,055,675
Intangible assets			
-Goodwill		164,445	163,450
-Other intangible assets	13	1,028,551	1,007,480
Deferred tax assets	25	220,844	198,647
Total non-current assets		4,321,501	4,332,256
Total assets		13,867,924	13,738,508

These condensed interim consolidated financial statements as at and for the period ended March 31, 2016, have been approved for issue by the Board of Directors on April 22, 2016.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016

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

		Unaudited	Audited
	Notes	March 31, 2016	December 31, 2015
LIABILITIES			
Current liabilities:			
Financial liabilities	6	1,182,896	1,035,741
Short term portion of long term financial liabilities	6	1,324,773	1,149,001
Trade payables			
-Due to related parties	27	253,019	413,983
-Trade payables, third parties	8	1,705,454	1,676,411
Derivative instruments	7	14,671	3,263
Employee benefit obligations	18	143,274	156,910
Other payables			
-Due to related parties	27	274,907	12,982
-Other payables, third parties	10	132,422	155,537
Current income tax liabilities	25	8,682	13,062
Provisions			
-Other provisions	15	334,843	334,536
Other current liabilities	19	247,715	284,871
Total current liabilities		5,622,656	5,236,297
Non-current liabilities			
Financial liabilities	6	3,084,176	3,268,907
Other payables			
-Due to related parties	27	55,719	60,674
Provisions			
-Provision for employee benefits		194,053	192,470
-Other provisions	15	132,600	126,052
Deferred tax liabilities	25	153,055	149,635
Other non-current liabilities		29,471	28,636
Total non-current liabilities		3,649,074	3,826,374
Total liabilities		9,271,730	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 MARCH 31, 2016

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

		Unaudited	Audited
	Notes	March 31, 2016	December 31, 2015
EQUITY			
Paid-in capital	20	675,728	675,728
Adjustment to share capital	20	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
-Actuarial gain/loss arising from defined benefit plans		(60,300)	(57,615)
-Non-current assets revaluation fund		76,476	75,747
Other comprehensive income/expense to be reclassified to profit or loss			
-Financial assets revaluation fund		374,201	374,201
-Foreign currency hedge of net investments in foreign operations		(262,831)	(259,170)
-Cash flow hedges		(246)	1,413
-Currency translation differences		357,162	324,618
Contribution to shareholders' equity related to merger	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		155,701	891,141
Attributable to:			
Equity holders of the parent		4,575,980	4,657,011
Non-controlling interest		20,214	18,826
Total equity		4,596,194	4,675,837
Total liabilities and equity		13,867,924	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 MARCH 31, 2016

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

	Notes	Unaudited	
		January 1- March 31, 2016	January 1- March 31, 2015
Net sales	3	3,527,449	2,866,760
Cost of sales	3	(2,333,384)	(1,995,059)
Gross profit		1,194,065	871,701
General administrative expenses		(189,787)	(133,005)
Marketing, selling and distribution expenses		(692,099)	(542,653)
Research and development expenses		(34,772)	(29,330)
Other income from operating activities	21	90,307	137,415
Other expenses from operating activities	21	(77,138)	(82,114)
Operating profit		290,576	222,014
Income from investment activities	22	961	13,071
Expenses from investment activities	22	(526)	(67)
Income from associates	11	6,667	6,160
Operating income before financial income/(expense)		297,678	241,178
Financial income	23	157,747	254,344
Financial expenses	24	(300,969)	(373,810)
Profit before tax		154,456	121,712
Tax income/(expense)			
- Taxes on income	25	(19,384)	(4,153)
- Deferred tax income	25	21,533	23,708
Net income for the period		156,605	141,267
Attributable to:			
Non-controlling interest		904	(265)
Equity holders of the parent		155,701	141,532
Earnings per share (kurus)	26	0.230	0.209

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2016

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

	Unaudited	
	January 1- March 31, 2016	January 1- March 31, 2015
Net income for the period	156,605	141,267
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss	(2,685)	(2,049)
Actuarial gain/ loss arising from defined benefit plans	(3,420)	(2,639)
Tax effect	684	528
	(2,736)	(2,111)
Share of other comprehensive income of associates	51	62
Items to be reclassified to profit or loss	28,437	105,866
Foreign currency hedge of net investments in foreign operations	(4,575)	(1,530)
Tax effect	915	306
	(3,660)	(1,224)
Share of other comprehensive income of associates	(1,660)	(1,881)
Currency translation differences	33,757	108,971
Other comprehensive income (net of tax)	25,752	103,817
Total comprehensive income	182,357	245,084
Attributable to:		
Non-controlling interest	1,388	1,697
Equity holders of the parent	180,969	243,387

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

ARÇELİK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2016**

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

					Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					
	Paid-in capital	Adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Non-current assets revaluation fund	Hedge funds	Financial assets revaluation fund	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2016	675,728	468,811	889	14,507	(57,615)	75,747	(257,757)	374,201	324,618	307,051	1,839,690	891,141	4,657,011	18,826	4,675,837
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	155,701	155,701	904	156,605
<i>Other comprehensive income</i>															
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(3,660)	-	-	-	-	-	(3,660)	-	(3,660)
Share of other comprehensive income of associates	-	-	-	-	51	-	(1,660)	-	-	-	-	-	(1,609)	-	(1,609)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(2,736)	-	-	-	-	-	-	-	(2,736)	-	(2,736)
Currency translation differences	-	-	-	-	-	729	-	-	32,544	-	-	-	33,273	484	33,757
Total other comprehensive income	-	-	-	-	(2,685)	729	(5,320)	-	32,544	-	-	-	25,268	484	25,752
Total comprehensive income	-	-	-	-	(2,685)	729	(5,320)	-	32,544	-	-	155,701	180,969	1,388	182,357
Transfers	-	-	-	-	-	-	-	-	-	22,821	868,320	(891,141)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(262,000)	-	(262,000)	-	(262,000)
As of March 31, 2016	675,728	468,811	889	14,507	(60,300)	76,476	(263,077)	374,201	357,162	329,872	2,446,010	155,701	4,575,980	20,214	4,596,194

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

ARÇELİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2016**

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

	Contribution to				Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings		Non-		Total equity	
	Paid-in capital	Adjustment to share capital	Share premium	shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Non-current assets revaluation fund	Hedge funds	Financial assets revaluation fund	Currency translation differences	Restricted reserves	Net Accumulated income for profit the period	Equity holders of the parent	controlling interest		
Balance at January 1, 2015	675,728	468,811	889	14,507	(44,552)	67,241	(215,930)	525,549	178,569	275,430	1,792,299	617,084	4,355,625	43,073	4,398,698
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	141,532	141,532	(265)	141,267
<i>Other comprehensive income</i>															
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(1,224)	-	-	-	-	-	(1,224)	-	(1,224)
Share of other comprehensive income of associates	-	-	-	-	62	-	(1,881)	-	-	-	-	-	(1,819)	-	(1,819)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(2,111)	-	-	-	-	-	-	-	(2,111)	-	(2,111)
Currency translation differences	-	-	-	-	-	241	-	-	106,768	-	-	-	107,009	1,962	108,971
Total other comprehensive income	-	-	-	-	(2,049)	241	(3,105)	-	106,768	-	-	-	101,855	1,962	103,817
Total comprehensive income	-	-	-	-	(2,049)	241	(3,105)	-	106,768	-	-	141,532	243,387	1,697	245,084
Transfers	-	-	-	-	-	-	-	-	-	31,621	585,463	(617,084)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
As of March 31, 2015	675,728	468,811	889	14,507	(46,601)	67,482	(219,035)	525,549	285,337	307,051	2,027,762	141,532	4,249,012	44,770	4,293,782

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED MARCH 31, 2016

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

	Notes	Unaudited	
		January 1- March 31, 2016	January 1- March 31, 2015
Operating activities:			
Net income from continued operations		156,605	141,267
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Taxes expense	25	(2,149)	(19,555)
Depreciation and amortization		97,416	88,943
Changes in provisions	29	15,711	50
Interest expenses	24	105,482	83,547
Interest income	23	(7,048)	(6,078)
Income from associates (net)	11	(6,667)	(6,160)
(Income)/loss from derivative instruments (net)	23, 24	68,798	(116,783)
Foreign exchange (gains)/losses (net)	23, 24	(26,535)	156,730
Other financial (income)/ expense (net)	23, 24	2,525	2,050
Income from claims and incentives	21	(46,639)	(20,569)
Dividend income from financial investments	22	-	(12,865)
(Gain)/loss from sales of tangible and intangible assets (net)	22	(435)	(139)
Net cash flow from operating activities before changes in operating assets and liabilities		357,064	290,438
Changes in operating assets and liabilities (net):			
Trade payables and due to related parties		(131,921)	(234,543)
Other non-current liabilities		(1,892)	(3,483)
Other current assets and liabilities		(65,022)	(37,947)
Inventories		(114,354)	3,660
Trade receivables and due from related parties		312,900	126,032
Payments of employee termination benefit obligation		(14,091)	(8,301)
Cash provided from incentives		19,401	19,701
Corporate and income taxes paid		(10,914)	(6,304)
Cash flows from operating activities		351,171	149,253
Investing activities:			
Acquisition of tangible and intangible assets		(143,491)	(116,368)
Cash provided from sales of tangible and intangible assets		1,580	8,960
Dividends received	11	12,750	11,410
Cash flows from investing activities		(129,161)	(95,998)
Financing activities:			
Proceeds from bank borrowings		919,379	805,161
Repayment of bank borrowings		(788,926)	(826,041)
Interest paid		(78,519)	(55,525)
Interest received		7,008	6,176
Derivative instruments		27,278	4,450
Other financial income/ expense (net)	23, 24	(2,525)	(2,050)
Cash flows from financing activities		83,695	(67,829)
Net increase/(decrease) in cash and cash equivalents before currency translation differences			
		305,705	(14,574)
Currency translation differences (net)		18,060	38,342
Net increase/(decrease) in cash and cash equivalents		323,765	23,768
Cash and cash equivalents at January 1	4	2,166,153	1,620,523
Cash and cash equivalents at March 31	4	2,489,918	1,644,291

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 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 March 31, 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 March 31, 2016 is 4,592 white - collar (1 January- 31 March 2015: 4,358) and 20,543 (1 January- 31 March 2015: 20,512) blue – collar totalling to 25,135 (1 January- 31 March 2015: 24,870).

<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
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”) *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) *	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Thai Co. (“Beko Thailand”)	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Beko US INC. (“Beko US”)	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. (“CoVii”)	Portugal	R&D	Software
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”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Raupach Wollert GmbH (“Raupach”)	Germany	-	-

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

ARÇELİK ANONİM ŞİRKETİ

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

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

In April 2015, 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)

In February 2015, 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)

In February 2015, 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)

In February 2015, 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.

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

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, 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

As amended in December 2012 and February 2015, 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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**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 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.

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

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.

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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2016

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

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

	Functional currency	March 31, 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	-	100.00	100.00	100.00	100.00

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the three month period ended March 31, 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 March 31, 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.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING

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

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

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

- a) Operational segments which have been prepared in accordance with the reportable segments for the three-month period ended March 31, 2016 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,462,568	576,128	488,753	3,527,449
Gross profit	889,405	171,431	133,229	1,194,065
Depreciation and amortization	79,460	15,671	4,083	99,214
Capital expenditures	118,868	21,974	4,503	145,345

- b) Operational segments which have been prepared in accordance with the reportable segments for the three-month period ended March 31, 2015 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,030,970	429,591	406,199	2,866,760
Gross profit	671,400	91,513	108,788	871,701
Depreciation and amortization	72,228	14,730	3,662	90,620
Capital expenditures	102,058	14,041	2,715	118,814

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

January 1 – March 31, 2016	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,456,401	1,570,354	228,983	271,711	3,527,449
January 1 – March 31, 2015	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,177,890	1,266,462	217,374	205,034	2,866,760

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015
Cash in hand	389	451
Cash at banks		
- demand deposits	266,752	210,540
- time deposits	2,129,043	1,872,026
Cheques and notes	46,198	55,456
Other	47,536	27,680
Cash and cash equivalents in cash flow statement	2,489,918	2,166,153
Interest income accruals	1,514	1,474
	2,491,432	2,167,627

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

Up to 30 days	1,974,740	2,130,848
30-90 days	516,692	36,779
	2,491,432	2,167,627

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

USD	0.3	1.2
EUR	1.0	0.6
AUD	0.5	0.5
BWP	1.0	1.0
CZK	0.0	0.0
CNY	1.2	2.3
ZAR	5.2	5.2
GBP	0.3	0.3
CHF	0.1	0.1
MYR	2.4	-
EGP	5.4	4.5
NAD	5.0	5.0
NOK	0.3	0.1
RON	0.7	1.3
RUB	11.0	10.4
THB	0.8	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 FOR THE PERIOD ENDED MARCH 31, 2016

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NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	537,684	3.98	537,684
Other		1,492		1,492
		539,176		539,176

NOTE 6 - FINANCIAL LIABILITIES

a) **Short-term financial liabilities**

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Short-term bank borrowings	1,135,148	995,638
Payables from factoring activities(*)	47,358	39,628
Other	390	475
Total short-term financial liabilities	1,182,896	1,035,741
Short-term portion of long-term bank borrowings and interest accruals	1,266,540	1,119,002
Interest accruals of long-term bond issued (**)	58,233	29,999
Total short-term portion of long-term financial liabilities	1,324,773	1,149,001

(*) Factoring liabilities are amounting to TRY 27,390 denominated in EUR (2015: TRY 18,902), TRY 18,429 denominated in GBP (2015: TRY 18,708) and TRY 1,539 denominated in USD (2015: TRY 2,018) and interest rates are between 0.55%-1% for EUR (2015: 0.65%-1%) , 1.4% for USD (2015: 1.5%) and 1.58% for GBP (2015: 1.59%).

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

2014:

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

2013:

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

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

<u>Currency</u>	<u>Effective interest rate per annum (%)</u>	<u>Original currency</u>	<u>TRY equivalent</u>
TRY	11.4	869,755,913	869,756
EUR	0.5	67,757,793	217,373
CNY	4.4	110,412,042	48,019
			1,135,148

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	March 31, 2016	December 31, 2015
Long-term bank borrowings	564,309	722,634
Long-term bonds issued	2,519,654	2,545,989
Other	213	284
	3,084,176	3,268,907

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.8	1,380,866,687	1,380,867
EUR	2.6	89,689,070	287,732
ZAR	9.1	750,000,000	142,448
RUB	8.9	475,000,000	19,802
			1,830,849
Short-term portion of long-term loans and interest accruals			(1,266,540)
			564,309

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

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of March 31, 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	508,833,117	1,441,728
EUR	4.0	354,153,232	1,136,159
			2,577,887
Interest accruals of long-term bonds issued			(58,233)
			2,519,654

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

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

	March 31, 2016	December 31, 2015
2017	421,727	581,408
2018	71,291	70,613
2019	71,291	70,613
2021	1,122,835	1,112,160
2023	1,416,700	1,453,800
	3,103,844	3,288,594

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

	March 31, 2016	December 31, 2015
Up to 3 months	1,247,310	1,301,147
3 - 12 months	1,135,281	934,766
1-5 years	564,309	581,086
Over 5 years	2,539,535	2,565,960
	5,486,435	5,382,959

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - DERIVATIVE INSTRUMENTS

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

	March 31, 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	789,131	69	(4,778)	739,561	1,807	(259)
Foreign currency swap contracts	1,816,674	6,757	(9,893)	2,126,087	14,486	(3,004)
	2,605,805	6,826	(14,671)	2,865,648	16,293	(3,263)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	1,950,906	69,541	-	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.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	March 31, 2016	December 31, 2015
Short-term trade receivables:		
Trade receivables	2,816,999	2,840,338
Notes receivables	1,538,362	1,794,339
Cheques receivables	233,341	271,172
Short-term trade receivables (gross)	4,588,702	4,905,849
Provision for doubtful receivables	(111,351)	(110,601)
Unearned credit finance income	(12,592)	(13,673)
Short-term trade receivables (net)	4,464,759	4,781,575

As of March 31, 2016, the Group has offsetted TRY 441.846 (December 31, 2015: TRY 382,302) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2016	2015
As of January 1	110,601	97,019
Current year additions (Note 21)	650	2,344
Provisions no longer required (Note 21)	(147)	(464)
Write-offs (*)	-	(375)
Currency translation differences	247	825
As of March 31	111,351	99,349

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

	March 31, 2016	December 31, 2015
Long-term trade receivables	6,916	13,205
Short-term trade payables:		
Trade payables	1,608,221	1,597,265
Debt accruals	109,526	93,743
Unearned credit finance charges	(12,293)	(14,597)
	1,705,454	1,676,411

NOTE 9 - INVENTORIES

	March 31, 2016	December 31, 2015
Raw materials and supplies	954,110	946,661
Work in progress	95,380	83,611
Finished goods	1,010,075	925,878
Trade goods	261,426	250,979
Inventories (gross)	2,320,991	2,207,129
Provision for impairment on inventories	(66,270)	(67,072)
Inventories (net)	2,254,721	2,140,057

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

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NOTE 9 – INVENTORIES (Continued)

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

	March 31, 2016	December 31, 2015
Raw materials and supplies	55,194	54,784
Finished goods	9,230	10,723
Trade goods	1,846	1,565
	66,270	67,072

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

	2016	2015
As of January 1	67,072	57,958
Current year additions (Note 21)	1,280	400
Realized due to sales of inventory	(1,488)	(273)
Write-offs	(596)	-
Currency translation differences	2	673
As of March 31	66,270	58,758

NOTE 10 - OTHER PAYABLES

	March 31, 2016	December 31, 2015
Taxes and duties payable	104,443	142,777
Dividend payables to shareholders	4,660	4,558
Deposits and guarantees received	3,824	3,935
Other	19,495	4,267
	132,422	155,537

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NOTE 11 - ASSOCIATES

	March 31, 2016		December 31, 2015	
	%	TRY	%	TRY
Koç Finansman	47.0	100,091	47.0	89,851
Arçelik - LG	45.0	83,240	45.0	98,875
Ram Dış Ticaret	33.5	9,512	33.5	13,107
Tanı Pazarlama	32.0	7,756	32.0	8,048
		200,599		209,881

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

	2016	2015
As of January 1	209,881	195,311
Shares of income/loss of associates	6,667	6,160
Shares of other comprehensive income/loss of associates	(1,609)	(1,819)
Gross profit elimination on inventory	(1,590)	(2,646)
Dividends received	(12,750)	(11,410)
As of March 31	200,599	185,596

Shares of income/loss from associates:

	January 1- March 31, 2016	January 1- March 31, 2015
Koç Finansman	4,434	3,368
Arçelik - LG	2,806	2,709
Ram Dış Ticaret	(281)	9
Tanı Pazarlama	(292)	74
	6,667	6,160

Aggregated summary figures of the financial statements of associates:

	March 31, 2016	December 31, 2015
Total assets	3,586,128	3,810,042
Total liabilities	3,133,966	3,334,872
	January 1- March 31, 2016	January 1- March 31, 2015
Net sales	505,490	419,286
Profit/loss for the period (net)	10,387	7,564

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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
Additions	98,378	87,284
Disposals	(1,145)	(8,821)
Currency translation differences	9,358	38,680
Depreciation for the period	(70,837)	(67,530)
Net carrying value at the end of the period	2,091,429	1,862,359
As of March 31		
Cost	5,194,229	4,728,733
Accumulated depreciation	(3,102,800)	(2,866,374)
Net carrying value	2,091,429	1,862,359

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

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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
Additions	46,967	31,530
Currency translation differences	2,481	28,070
Amortization for the period	(28,377)	(23,057)
Net carrying value at the end of the period	1,028,551	958,543
As of March 31		
Cost	1,556,471	1,378,833
Accumulated amortization	(527,920)	(420,290)
Net carrying value	1,028,551	958,543

Net carrying value of the development costs as of March 31, 2016 is TRY 389,664 (December 31, 2015: TRY 380,417) and capitalized development costs excluding amount of borrowing cost in the period is TRY 32,887 (January 1 – March 31, 2015: TRY 27,735).

As of March 31, 2016 total amount of borrowing costs capitalized in the period is TRY 56 (March 31, 2015: TRY 769).

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2016, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 512.159.536 (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:

	March 31, 2016	December 31, 2015
Up to 1 year	25,579	27,360
1-5 years	37,000	40,921
Over 5 years	5,673	6,959
Operating lease commitments	68,252	75,240

Derivative instruments contracts commitments

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

March 31, 2016	Purchase commitments	Sales commitments
TRY	204,248	78,824
USD	1,376,174	139,299
EUR	377,828	1,152,118
AUD	9,749	81,110
CZK	3,770	18,370
CNY	15,372	85,838
DKK	-	21,486
ZAR	31,575	154,112
GBP	-	358,796
SEK	31,192	5,093
CHF	92,646	-
CAD	-	10,508
NOK	8,628	1,695
PLN	4,812	58,787
ROL	180,756	-
RUB	6,379	30,517
RSD	-	7,147
NZD	-	9,881
	2,343,129	2,213,581

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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

	March 31, 2016	December 31, 2015
Collaterals obtained	2,874,893	2,831,414

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

CPM's given by the Company	March 31, 2016	December 31, 2015
A. CPM's given for Company's own legal personality	1,078,672	598,529
B. CPM's given on behalf of fully consolidated companies	43,271	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	1,121,943	641,641

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

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

CPM's given by the Company	March 31, 2016	December 31, 2015
USD	1,002,229	522,553
TRY	50,165	50,081
EUR	45,448	45,015
Other currencies	24,101	23,992
	1,121,943	641,641

NOTE 15 – OTHER PROVISIONS

	March 31, 2016	December 31, 2015
Other current provisions		
Warranty provision	176,126	178,460
Assembly provision	79,832	64,693
Provision for transportation cost	6,907	18,654
Provision for lawsuit risks	8,385	8,980
Provision for returns	8,373	9,522
Other	55,220	54,227
	334,843	334,536
Other non-current provisions		
Warranty provision	131,745	124,817
Other	855	1,235
	132,600	126,052

NOTE 16 – PREPAID EXPENSES

	March 31, 2016	December 31, 2015
Short-term prepaid expenses	79,486	57,786
Advances given for fixed assets	15,360	13,083
Advances given for inventories	7,430	4,075
	102,276	74,944

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NOTE 17 – CURRENT INCOME TAX ASSETS

	March 31, 2016	December 31, 2015
Prepaid taxes and funds	24,762	27,014

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

	March 31, 2016	December 31, 2015
Social security payables	50,344	69,458
Payables to personnel	49,498	73,756
Accruals for bonuses and premiums	43,432	13,696
	143,274	156,910

NOTE 19 - OTHER ASSETS AND LIABILITIES

	March 31, 2016	December 31, 2015
Other current assets:		
Value added tax and private consumption tax receivable	77,443	76,753
Taxes and funds deductible	37,501	83,348
Income accruals	35,301	9,927
Other	15,290	9,650
	165,535	179,678
Other current liabilities:		
Accruals for customer premiums	213,486	247,938
Advances received	29,848	30,091
Other	4,381	6,842
	247,715	284,871

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NOTE 20 - EQUITY

Paid-in capital

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

	March 31, 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:

	March 31, 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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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.

Restricted reserves

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

The details of these restricted reserves are as follows:

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

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- March 31, 2016	January 1- March 31, 2015
Other income from operating activities:		
Income from claims and grants	46,639	20,569
Foreign exchange gains arising from trading activities	33,690	104,492
Credit finance income arising from trading activities	4,530	2,496
Reversals of provisions	1,218	547
Reversal of provisions for doubtful receivables	147	464
Other	4,083	8,847
	90,307	137,415
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(62,978)	(59,557)
Cash discounts expenses	(6,069)	(4,603)
Credit finance charges arising from trading activities	(1,367)	(1,235)
Provision expense for inventory impairment	(1,280)	(400)
Provision expense for doubtful receivables	(650)	(2,344)
Other	(4,794)	(13,975)
	(77,138)	(82,114)

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- March 31, 2016	January 1- March 31, 2015
Income from investment activities:		
Income from sales of property plant and equipment	961	206
Dividends received from financial investments	-	12,865
	961	13,071
Expenses from investment activities:		
Loss from sales of property plant and equipment	(526)	(67)
	(526)	(67)

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NOTE 23- FINANCIAL INCOME

	January 1- March 31, 2016	January 1- March 31, 2015
Foreign exchange gains (*)	97,643	94,376
Gains on derivative instruments	52,941	153,859
Interest income	7,048	6,078
Other	115	31
	157,747	254,344

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

NOTE 24 - FINANCIAL EXPENSES

	January 1- March 31, 2016	January 1- March 31, 2015
Losses on derivative instruments	(121,739)	(83,547)
Interest expenses	(105,482)	(37,076)
Foreign exchange losses (*)	(71,108)	(251,106)
Other	(2,640)	(2,081)
	(300,969)	(373,810)

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

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NOTE 25 - TAX ASSETS AND LIABILITIES

	March 31, 2016	December 31, 2015
Corporation and income taxes	18,542	99,123
Prepaid tax	(9,860)	(86,061)
Tax liabilities (net)	8,682	13,062
Deferred tax assets	220,844	198,647
Deferred tax liabilities	(153,055)	(149,635)
Deferred tax assets, net	67,789	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 March 31 is as follows:

	January 1- March 31, 2016	January 1- March 31, 2015
Tax income/(expenses)		
- Current period tax expense	(19,384)	(4,153)
- Deferred tax expense	21,533	23,708
Tax income, net	2,149	19,555

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Property, plant and equipment and intangible assets	1,559,955	1,538,662	(328,318)	(328,536)
Available-for-sale investments	393,896	393,896	(19,694)	(19,694)
Derivative instruments	65,791	145,296	(13,170)	(29,057)
Unearned credit finance income/expense (net)	47,530	49,288	(9,506)	(9,858)
Provision for doubtful receivables	629	(2,275)	17	436
Unused tax advantages (*)	(2,731,057)	(2,679,899)	297,909	289,226
Provision for warranty, assembly and transportation expenses	(304,570)	(282,602)	62,752	58,459
Provision for employment termination benefits	(163,316)	(169,396)	32,663	33,879
Provision for impairment on inventories	(58,564)	(58,662)	11,871	11,799
Other	(141,801)	(184,727)	33,265	42,358
Deferred tax assets, net			67,789	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 March 31, 2016 the tax advantage of TRY 258,026 (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 three-month periods ended March 31 are as follows:

	2016	2015
Balance as of January 1	49,012	(168,069)
Deferred tax income recognized in statement of profit or loss	21,533	23,708
Deferred tax income recognized directly in the shareholders' equity	684	528
Currency translation differences	(3,440)	(7,118)
Balance as of March 31	67,789	(150,951)

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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- March 31, 2016	January 1- March 31, 2015
Net income	155,701	141,532
Weighted average number of ordinary shares with nominal value (kurus 1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	0.230	0.209
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

	March 31, 2016	December 31, 2015
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri		
Pazarlama A.Ş. ⁽¹⁾	18,594	6,343
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	4,179	1,191
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	2,351	1,223
Other	1,111	193
	26,235	8,950
(b) Due to related parties:		
<i>Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	106,068	110,971
Arçelik-LG ⁽²⁾	66,709	213,400
Ram Dış Ticaret ⁽²⁾	39,477	45,020
Bilkom Bilişim Hizmetleri A.Ş. ⁽¹⁾	25,646	11,098
Koç Holding A.Ş. ⁽³⁾	5,093	15,999
Other	10,026	17,495
	253,019	413,983

	March 31, 2016	December 31, 2015
<i>Other payables to related parties – Current:</i>		
Dividend payables to shareholders	262,000	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	12,907	12,982
	274,907	12,982
<i>Other payables to related parties – Non Current:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	54,392	59,359
Other	1,327	1,315
	55,719	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 March 31, 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:

	March 31, 2016	December 31, 2015
Other payables to related parties (gross)		
Up to 1 year	16,152	16,477
1 to 5 years	61,536	67,411
	77,688	83,888
Future finance charges on other liabilities	(9,062)	(10,232)
Present value of other payables to related parties (net)	68,626	73,656

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

	March 31, 2016	December 31, 2015
Up to 1 year	12,907	12,982
1 to 5 years	55,719	60,674
	68,626	73,656

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries ⁽¹⁾	719,541	519,044
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	19,802	18,815
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(e) Derivative instruments

	Contract amount	Fair value assets/(liabilities)	
March 31, 2016			
Yapı ve Kredi Bankası A.Ş. and its Subsidiaries	794,581	2,418	(914)
December 31, 2015			
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- March 31, 2016	January 1- March 31, 2015
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt		
Ürünleri Pazarlama A.Ş.	12,843	14,441
Yapı ve Kredi Bankası A.Ş.	4,063	3,239
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,894	3,794
Arçelik-LG	891	902
Zer Merkezi Hizmetler ve Ticaret A.Ş.	692	228
Other	404	1,129
	22,787	23,733
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	153,846	118,306
Arçelik-LG	79,423	38,455
Ram Dış Ticaret	38,111	29,052
Bilkom Bilişim Hizmetleri A.Ş.	34,869	24,809
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	23,892	21,337
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	22,200	18,725
Setur Servis Turistik A.Ş. (1)	5,493	6,583
Koç Holding A.Ş. (**)	5,082	3,122
Other	14,423	11,743
	377,339	272,132

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 March 31, 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.

(1) Koç Holding group companies

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the period ended March 31, 2016 amounts to TRY 19,706 (January 1- March 31, 2015: TRY 12,836). TRY 17,500 (January 1- March 31, 2015: TRY 4,000) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(d) Other transactions

	January 1- March 31, 2016	January 1- March 31, 2015
<i>Interest income:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	2,435	4,234
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	472	2,977

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.

ARÇELİK ANONİM ŞİRKETİ

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

Interest Rate Risk

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2016

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

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

	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
March 31, 2016				
Maximum exposed credit risk as of reporting date ⁽¹⁾	26,235	4,471,675	2,397,309	76,367
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,326,256)	-	-
A. Net book value of financial asset either are not due or not impaired	26,235	4,044,967	2,397,309	76,367
-Secured portion by guarantees, etc.	-	(2,993,712)	-	-
B. Financial assets with renegotiated conditions	-	46,322	-	-
- Secured portion by guarantees, etc.	-	(40,380)	-	-
C. Net book value of overdue but not impaired financial assets	-	335,798	-	-
- Secured portion by guarantees, etc.	-	(247,576)	-	-
D. Net book value of the impaired assets	-	44,588	-	-
- Overdue (Gross book value)	-	155,939	-	-
- Impairment (-)	-	(111,351)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,588)	-	-
	Trade receivables			
	Related parties	Third parties	Bank deposits	Derivative instruments
December 31, 2015				
Maximum exposed credit risk as of reporting date ⁽¹⁾	8,950	4,794,780	2,084,040	161,035
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,592,264)	-	-
A. Net book value of financial asset either are not due or not impaired	8,950	4,345,094	2,084,040	161,035
-Secured portion by guarantees, etc.	-	(3,222,520)	-	-
B. Financial assets with renegotiated conditions	-	51,233	-	-
- Secured portion by guarantees, etc.	-	(43,077)	-	-
C. Net book value of overdue but not impaired financial assets	-	354,592	-	-
- Secured portion by guarantees, etc.	-	(282,806)	-	-
D. Net book value of the impaired assets	-	43,861	-	-
- Overdue (Gross book value)	-	154,462	-	-
- Impairment (-)	-	(110,601)	-	-
- Secured portion of the net value by guarantees, etc.	-	(43,861)	-	-

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

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

ARÇELİK ANONİM ŞİRKETİ

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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**

	March 31, 2016	December 31, 2015
Group 1	13,422	7,392
Group 2	4,048,853	4,324,138
Group 3	55,249	73,747
	4,117,524	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**

	March 31, 2016	December 31, 2015
0-1 month	148,308	116,510
1-3 months	92,347	165,005
3-12 months	58,437	38,950
1-5 years	36,706	34,127
	335,798	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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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 March 31, 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:

	March 31, 2016	December 31, 2015
Assets	3,515,124	3,408,875
Liabilities	(3,938,642)	(3,892,464)
Net position of financial statement	(423,518)	(483,589)
Net position of derivative instruments	235,647	503,552
Foreign currency position (net)	(187,871)	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 March 31, 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	342,137	164,604	84,868	536,096	62,277	141,539	1,053	7,956	392,237	40,349	38,651	799	-	4,347	-	49,412	-	2,207,360
Monetary financial assets	346,173	12,636	10	151,593	8	20	-	3,744	6	21,279	3	4	-	-	175	-	-	1,163,197
Other	11,434	38,021	30	-	-	-	-	-	-	-	-	-	-	-	-	-	12	144,567
Total Assets	699,744	215,261	84,908	687,689	62,285	141,559	1,053	11,700	392,243	61,628	38,654	803	-	4,347	175	49,412	12	3,515,124
Current Liabilities																		
Trade payables	146,897	160,340	883	-	-	-	2	84,925	11,334	93	5,785	148	5,804	-	-	-	22	973,744
Financial liabilities	31,694	12,765	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	137,846
Other monetary liabilities	1,787	4,696	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,039
Non-Current Liabilities																		
Financial liabilities	416,733	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,753,621
Other monetary liabilities	-	19,197	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,392
Total Liabilities	597,111	696,998	883	-	-	-	2	84,925	11,334	93	5,785	148	5,804	-	-	-	22	3,938,642
Net Position of Financial Statement	102,633	(481,737)	84,025	687,689	62,285	141,559	1,051	(73,225)	380,909	61,535	32,869	655	(5,804)	4,347	175	49,412	(10)	(423,518)
Off-balance sheet derivative assets (*)	234,731	485,697	-	-	6,368	31,757	-	90,259	121,781	-	4,500	-	-	-	-	-	-	2,201,869
Off-balance sheet derivative liabilities (*)	(351,970)	(49,163)	(88,014)	(732,000)	(77,790)	(154,757)	(5,000)	(14,738)	(511,000)	(50,000)	(37,440)	-	-	(4,840)	-	(33,000)	-	(1,966,222)
Net position of off-balance sheet items	(117,239)	436,534	(88,014)	(732,000)	(71,422)	(123,000)	(5,000)	75,521	(389,219)	(50,000)	(32,940)	-	-	(4,840)	-	(33,000)	-	235,647
Net Asset/(Liability) Position of Foreign Currency	(14,606)	(45,202)	(3,989)	(44,311)	(9,137)	18,559	(3,949)	2,296	(8,310)	11,535	(71)	655	(5,804)	(493)	175	16,412	(10)	(187,871)
Net Asset/(Liability) Position of Foreign Currency Monetary Items	91,199	(519,758)	83,995	687,689	62,285	141,559	1,051	(73,225)	380,909	61,535	32,869	655	(5,804)	4,347	175	49,412	(22)	(568,085)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																		61,696
Hedged Amount of Foreign Currency Assets	351,970	49,163	88,014	732,000	77,790	154,757	5,000	14,738	511,000	50,000	37,440	-	-	4,840	-	33,000	-	1,966,222
Hedged Amount of Foreign Currency Liabilities	84,731	485,697	-	-	6,368	31,757	-	90,259	121,781	-	4,500	-	-	-	-	-	-	1,720,654

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

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

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

March 31, 2016	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	TRY equivalent	
Against TRY	(5,897)	(4,577)	(3,420)	(44,311)	(9,137)	18,541	(3,946)	(39)	-	-	1,143	-	(4,886)	(493)	175	16,412	(10)	(45,325)	
Against EUR	-	893	-	-	-	-	-	-	3,025	-	-	-	-	-	-	-	-	-	3,104
Against RUB	2,131	(1,608)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,280
Against PLN	(1,973)	3	-	-	-	18	-	-	-	-	-	-	-	-	-	-	-	-	(6,319)
Against GBP	18	214	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	664
Against RON	(2,663)	(180)	73	-	-	-	-	-	-	-	-	-	(918)	-	-	-	-	-	(8,778)
Against CZK	(612)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,963)
Against NOK	2,622	(80)	-	-	-	-	-	2,335	-	11,535	-	-	-	-	-	-	-	-	13,949
Against SEK	(4,404)	(38)	-	-	-	-	(3)	-	-	-	-	-	-	-	-	-	-	-	(14,237)
Against CNY	135	4,485	152	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,761
Against ZAR	816	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,607
Against AUD	(49)	409	-	-	-	-	-	-	-	-	-	655	-	-	-	-	-	-	2,288
Against EGP	(3)	(38,577)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(112,551)
Against UAH	(5,321)	(5,231)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,892)
Against CHF	680	600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,882
Against BWP	-	-	-	-	-	-	-	-	(11,334)	-	-	-	-	-	-	-	-	-	(2,154)
Against NZD	(434)	(7)	-	-	-	-	-	-	-	(1,214)	-	-	-	-	-	-	-	-	(4,042)
Against USD	197	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	632
Against RSD	602	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,931
Against HUF	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)
Against THB	(445)	(948)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,114)
Against MYR	-	(556)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,575)
	(14,606)	(45,202)	(3,989)	(44,311)	(9,137)	18,559	(3,949)	2,296	(8,310)	11,535	(71)	655	(5,804)	(493)	175	16,412	(10)	(187,871)	

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

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

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

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

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

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

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

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

As of March 31, 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.

March 31, 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	(136,495)	136,495	(135,157)	135,157
Secured portion from USD risk	123,688	(123,688)	123,688	(123,688)
USD Net effect	(12,807)	12,807	(11,469)	11,469
EUR net asset/liability	81,048	(81,048)	84,798	(84,798)
Secured portion from EUR risk	(85,733)	85,733	(37,611)	37,611
EUR Net effect	(4,685)	4,685	47,187	(47,187)
GBP net asset/liability	34,254	(34,254)	38,418	(38,418)
Secured portion from GBP risk	(35,880)	35,880	(35,880)	35,880
GBP Net effect	(1,626)	1,626	2,538	(2,538)
RUB net asset/liability	2,867	(2,867)	25,002	(25,002)
Secured portion from RUB risk	(3,052)	3,052	(3,052)	3,052
RUB Net effect	(185)	185	21,950	(21,950)
RON net asset/liability	-	-	61,120	(61,120)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	61,120	(61,120)
PLN net asset/liability	4,707	(4,707)	8,926	(8,926)
Secured portion from PLN risk	(5,398)	5,398	(5,398)	5,398
PLN Net effect	(691)	691	3,528	(3,528)
CZK net asset/liability	1,680	(1,680)	3,856	(3,856)
Secured portion from CZK risk	(1,460)	1,460	(1,460)	1,460
CZK Net effect	220	(220)	2,396	(2,396)
NOK net asset/liability	36	(36)	581	(581)
Secured portion from NOK risk	(170)	170	(170)	170
NOK Net effect	(134)	134	411	(411)
SEK net asset/liability	(2,531)	2,531	558	(558)
Secured portion from SEK risk	2,610	(2,610)	2,610	(2,610)
SEK Net effect	79	(79)	3,168	(3,168)
NZD net asset/liability	129	(129)	129	(129)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	129	(129)	129	(129)
ZAR net asset/liability	7,235	(7,235)	49,143	(49,143)
Secured portion from ZAR risk	(7,392)	7,392	(7,392)	7,392
ZAR Net effect	(157)	157	41,751	(41,751)
AUD net asset/liability	7,121	(7,121)	6,625	(6,625)
Secured portion from AUD risk	(7,136)	7,136	(7,136)	7,136
AUD Net effect	(15)	15	(511)	511
DKK net asset/liability	2,644	(2,644)	2,644	(2,644)
Secured portion from DKK risk	(2,149)	2,149	(2,149)	2,149
DKK Net effect	495	(495)	495	(495)
JPY net asset/liability	(15)	15	(15)	15
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(15)	15	(15)	15
CAD net asset/liability	944	(944)	944	(944)
Secured portion from CAD risk	(1,051)	1,051	(1,051)	1,051
CAD Net effect	(107)	107	(107)	107
THB net asset/liability	1	(1)	24,673	(24,673)
Secured portion from THB risk	-	-	-	-
THB Net effect	1	(1)	24,673	(24,673)
EGP net asset/liability	-	-	(2,133)	2,133
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(2,133)	2,133
UAH net asset/liability	-	-	(1,637)	1,637
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(1,637)	1,637
CNY net asset/liability	2,149	(2,149)	8,754	(8,754)
Secured portion from CNY risk	(1,435)	1,435	(1,435)	1,435
CNY Net effect	714	(714)	7,319	(7,319)
CHF net asset/liability	(3)	3	20,702	(20,702)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	(3)	3	20,702	(20,702)
BWP net asset/liability	-	-	230	(230)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	230	(230)
RSD net asset/liability	-	-	387	(387)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	387	(387)
MYR net asset/liability	-	-	969	(969)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	969	(969)
VND net asset/liability	-	-	828	(828)
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	828	(828)
	(18,787)	18,787	223,909	(223,909)

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

December 31, 2015	Gain/Loss		Other Comprehensive Income	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(129,674)	129,673	(128,553)	128,553
Secured portion from USD risk	125,975	(125,975)	125,975	(125,975)
USD Net effect	(3,699)	3,698	(2,578)	2,578
EUR net asset/liability	53,201	(53,202)	55,402	(55,402)
Secured portion from EUR risk	(52,073)	52,073	(4,409)	4,409
EUR Net effect	1,128	(1,129)	50,993	(50,993)
GBP net asset/liability	42,232	(42,232)	46,370	(46,370)
Secured portion from GBP risk	(38,339)	38,339	(38,339)	38,339
GBP Net effect	3,893	(3,893)	8,031	(8,031)
RUB net asset/liability	4,310	(4,310)	24,503	(24,503)
Secured portion from RUB risk	(4,476)	4,476	(4,476)	4,476
RUB Net effect	(166)	166	20,027	(20,027)
RON net asset/liability	-	-	57,110	(57,110)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	57,110	(57,110)
PLN net asset/liability	6,360	(6,361)	10,165	(10,165)
Secured portion from PLN risk	(6,376)	6,376	(6,376)	6,376
PLN Net effect	(16)	15	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	(1,999)	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 March 31, 2016 and 2015 are as follows:

	March 31, 2016		March 31, 2015	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	228,355,380	732,587	244,544,995	677,373
USD	77,864,898	220,622	68,303,174	168,838
GBP	62,960,239	256,664	53,692,537	199,972
Other		121,083		106,473
Total exports		1,330,956		1,152,656
EUR	77,982,913	251,990	79,172,673	219,744
USD	190,478,297	560,170	231,817,438	564,999
GBP	197,506	835	340,112	1,254
Other		1,035		2,909
Total imports		814,030		788,906

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of March 31, 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)	-	76,367	-
Financial investments (Note 5)	-	537,684	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 7)	-	14,671	-

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

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	-

NOTE 29 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	March 31, 2016	March 31, 2015
Changes in provisions:		
Accrual for bonuses and premiums	29,736	(20,995)
Provision for assembly and transportation cost	3,392	7,228
Provision for employment termination benefits	8,124	6,817
Warranty provision	4,594	2,275
Provision for vacation pay liability	4,130	869
Provision for impairment on inventories	1,280	400
Provision for doubtful receivables	650	2,344
Provision for legal claims	(595)	136
Return provisions	(1,149)	(260)
Accrual for customer premiums	(34,451)	1,236
	15,711	50

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

None.

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