(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Arçelik Anonim Şirketi

Consolidated financial statements as of and for the year ended December 31, 2014 together with independent auditors' report

Building a better working world

Güney Bağımsız Denetim ve SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Arçelik A.Ş. (the Company) and its Subsidiaries (together will be referred to as the ''Group'') as at 31 December 2014 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arçelik A.Ş. and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on 30 January 2015.

2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

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

Ethem Kutucular, SMMM
Partner

30 January 2015
İstanbul, Türkiye

CONTENTS **PAGES**

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

		Audited	
	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	5	1,621,221	1,266,575
Trade receivables			
-Due from related parties	35	22,371	27,219
-Trade receivables, third parties	9	4,411,527	4,154,921
Derivative instruments	8	7,783	6,651
Inventories	11	2,124,946	1,988,373
Prepaid expenses	21	68,741	46,932
Current income tax assets	22	57,988	34,337
Other current assets	24	145,365	125,274
Subtotal		**8,459,942**	**7,650,282**
Assets held for sale		11,815	8,836
Total current assets		**8,471,757**	**7,659,118**
Non-current assets:			
Financial investments	6	698,488	539,170
Trade receivables			
-Trade receivables, third parties	9	24,423	27,456
Derivate instruments	8	17,803	-
Associates	12	195,311	192,404
Investment properties	13	5,929	6,346
Property, plant and equipment	14	1,812,746	1,836,789
Intangible assets			
-Goodwill	16	169,195	172,706
-Other intangible assets	15	922,000	886,268
Deferred tax assets	33	77,353	90,659
Total non-current assets		**3,923,248**	**3,751,798**
Total assets		**12,395,005**	**11,410,916**

The consolidated financial statements as at and for the year ended December 31, 2014 have been approved for issue by the Board of Directors on January 30, 2015 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

		Audited	
	Notes	December 31, 2014	December 31, 2013
LIABILITIES			
Current liabilities:			
Financial liabilities	7	719,862	612,048
Short term portion of long term financial liabilities	7	1,082,761	1,061,331
Trade payables			
-Due to related parties	35	203,022	437,457
-Trade payables, third parties	9	1,578,420	1,207,443
Derivative instruments	8	3,811	14,497
Employee benefit obligations	23	163,623	135,599
Other payables			
-Due to related parties	35	10,003	8,860
-Other payables, third parties	10	114,915	96,526
Current income tax liabilities	33	18,154	19,648
Provisions			
-Other provisions	19	263,992	258,548
Other current liabilities	24	272,240	239,186
Total current liabilities		**4,430,803**	**4,091,143**
Non-current liabilities			
Financial liabilities	7	2,964,986	2,581,159
Other payables			
-Due to related parties	35	57,823	62,427
Derivate instruments	8	-	51,180
Provisions			
-Provision for employee benefits	20	174,896	127,161
-Other provisions	19	93,775	93,707
Deferred tax liabilities	33	245,422	245,515
Other non-current liabilities		28,602	19,868
Total non-current liabilities		**3,565,504**	**3,181,017**
Total liabilities		**7,996,307**	**7,272,160**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

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

	Notes	Audited December 31, 2014	Audited December 31, 2013
EQUITY			
Paid-in capital	25	675,728	675,728
Adjustment to share capital	25	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		(44,552)	(6,891)
-Non-current assets revaluation fund		67,241	70,002
Other comprehensive income/loss to be reclassified to profit or loss			
-Financial assets revaluation fund		525,549	374,201
-Foreign currency hedge of net investments in foreign operations		(216,342)	(210,776)
-Cash flow hedges		412	421
-Currency translation differences		178,569	308,266
Contribution to shareholders' equity related to merger	25	14,507	14,507
Restricted reserves	25	275,430	248,809
Retained earnings		1,792,299	1,521,038
Net income for the period		617,084	597,845
Atributable to:			
Equity holders of the parent		4,355,625	4,062,850
Non-controlling interest		43,073	75,906
Total equity		**4,398,698**	**4,138,756**
Total liabilities and equity		**12,395,005**	**11,410,916**
Commitments, contingent assets and liabilities	18		

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

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

		Audited	
	Notes	2014	2013
Net sales	26	12,514,033	11,097,711
Cost of sales	26	(8,535,201)	(7,709,326)
Gross profit		**3,978,832**	**3,388,385**
General administrative expenses	27	(532,789)	(430,998)
Marketing, selling and distribution expenses	27	(2,356,247)	(2,013,033)
Research and development expenses	27	(102,055)	(83,207)
Other income from operating activities	29	216,137	461,614
Other expenses from operating activities	29	(235,089)	(200,235)
Operating profit		**968,789**	**1,122,526**
Income from investment activities	30	16,264	11,381
Expenses from investment activities	30	(1,377)	(2,857)
Income from associates	12	18,156	25,345
Operating income before financial income/(expense)		**1,001,832**	**1,156,395**
Financial income	31	476,126	429,376
Financial expenses	32	(746,336)	(840,991)
Profit before tax		**731,622**	**744,780**
Tax income/(expense)			
- Taxes on income	33	(80,892)	(120,939)
- Deferred tax expense	33	(12,752)	(1,146)
Net income for the period		**637,978**	**622,695**
Attributable to:			
Non-controlling interest		20,894	24,850
Equity holders of the parent		**617,084**	**597,845**
Earnings per share (kr)	34	**0.913**	**0.885**

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Audited	
	2014	**2013**
Net income for the period	**637,978**	**622,695**
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss	**(37,661)**	**(7,023)**
Actuarial gain/loss arising from defined benefit plans	(47,206)	(8,922)
Tax effect	9,441	1,784
	(37,765)	(7,138)
Tax effect of amortization calculated over non-current assets revaluation	-	115
Share of other comprehensive income of associates	104	-
Items to be reclassified to profit or loss	**13,508**	**(596)**
Foreign currency hedge of net investments in foreign operations	(6,958)	(192,253)
Tax effect	1,392	38,451
	(5,566)	(153,802)
Fair value increase/decrease on financial assets	159,314	(99,571)
Tax effect	(7,966)	4,979
	151,348	(94,592)
Share of other comprehensive income of associates	(9)	978
Currency translation differences	(132,265)	246,820
Other comprehensive loss (net of tax)	**(24,153)**	**(7,619)**
Total comprehensive income	**613,825**	**615,076**
Attributable to:		
Non-controling interest	21,087	38,878
Equity holders of the parent	**592,738**	**576,198**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014	675,728	468,811	889	14,507	(6,891)	70,002	(210,355)	374,201	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756
Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	617,084	617,084	20,894	637,978
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value increase in financial assets (net)	-	-	-	-	-	-	-	151,348	-	-	-	-	151,348	-	151,348
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(5,566)	-	-	-	-	-	(5,566)	-	(5,566)
Share of other comprehensive income of associates	-	-	-	-	104	-	(9)	-	-	-	-	-	95	-	95
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(37,765)	-	-	-	-	-	-	-	(37,765)	-	(37,765)
Currency translation differences	-	-	-	-	-	(2,761)	-	-	(129,697)	-	-	-	(132,458)	193	(132,265)
Total other comprehensive income	-	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	-	-	(24,346)	193	(24,153)
Total comprehensive income	-	-	-	-	(37,661)	(2,761)	(5,575)	151,348	(129,697)	-	-	617,084	592,738	21,087	613,825
Transfers	-	-	-	-	-	-	-	-	-	26,621	571,224	(597,845)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	37	-	37	(37)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	(53,883)	(353,883)
As of December 31, 2014	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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

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 December 31,2012 - previously reported	675,728	468,811	889	14,507	-	59,023	(57,531)	468,793	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235
Change in accounting policy - TAS 19	-	-	-	-	247	-	-	-	-	-	4,802	(5,049)	-	-	-
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	247	59,023	(57,531)	468,793	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	597,845	597,845	24,850	622,695
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value increase in financial assets (net)	-	-	-	-	-	-	-	(94,592)	-	-	-	-	(94,592)	-	(94,592)
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	-	(153,802)	-	-	-	-	-	(153,802)	-	(153,802)
Share of other comprehensive income of associates	-	-	-	-	-	-	978	-	-	-	-	-	978	-	978
Tax effect of amortization calculated over non-current assets revaluation	-	-	-	-	-	115	-	-	-	-	-	-	115	-	115
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(7,138)	-	-	-	-	-	-	-	(7,138)	-	(7,138)
Currency translation differences	-	-	-	-	-	11,316	-	-	221,476	-	-	-	232,792	14,028	246,820
Total other comprehensive income	-	-	-	-	(7,138)	11,431	(152,824)	(94,592)	221,476	-	-	-	(21,647)	14,028	(7,619)
Total comprehensive income	-	-	-	-	(7,138)	11,431	(152,824)	(94,592)	221,476	-	-	597,845	576,198	38,878	615,076
Transfers	-	-	-	-	-	-	-	-	-	32,122	487,592	(519,714)	-	-	-
Amortisation effect of the revaluation of non-current assets	-	-	-	-	-	(452)	-	-	-	-	452	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(355,000)	-	(355,000)	(48,555)	(403,555)
As of December 31, 2013	675,728	468,811	889	14,507	(6,891)	70,002	(210,355)	374,201	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Audited 2014	2013
Operating activities:			
Net income from continued operations		**637,978**	**622,695**
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Taxes expense	33	93,644	122,085
Depreciation and amortization		346,293	302,181
Changes in provisions	39	96,848	146,611
Interest expenses	32	314,010	209,243
Interest income	31	(23,142)	(35,954)
Income from associates (net)	12	(18,156)	(25,345)
(Income)/loss from derivative instruments (net)	31, 32	(98,585)	52,826
Income from claims and incentives	29	(42,735)	(34,075)
Dividend income from financial investments	30	(12,944)	(9,559)
(Gain)/loss from sales of tangible and intangible assets (net)	30	(1,943)	1,035
Net cash flow from operating activities before changes in operating assets and liabilities		**1,291,268**	**1,351,743**
Changes in operating assets and liabilities (net):			
Trade payables and due to related parties		136,542	428,770
Other non-current liabilities		(2,621)	72,489
Other current assets and liabilities		(34,229)	(46,673)
Inventories		(140,281)	(409,540)
Trade receivables and due from related parties		(265,710)	(952,414)
Payments of employee termination benefit obligation	20	(24,693)	(20,962)
Cash provided from incentives		52,091	27,928
Corporate and income taxes paid		(81,603)	(67,456)
Cash flows from operating activities		**930,764**	**383,885**
Investing activities:			
Acquisition of tangible and intangible assets		(453,167)	(511,773)
Cash provided from sales of tangible and intangible assets		3,925	4,058
Dividends received	12	14,100	22,475
Dividends received from financial investments	30	12,944	9,559
Cash flows from investing activities		**(422,198)**	**(475,681)**
Financing activities:			
Proceeds from bank borrowings		1,494,043	1,224,459
Repayment of bank borrowings		(2,058,645)	(2,045,075)
Dividends paid	25	(353,883)	(403,555)
Interest paid		(305,833)	(195,927)
Interest received		23,293	36,617
Bond issued		991,201	889,269
Derivative instruments		17,783	(6,120)
Cash flows from financing activities		**(192,041)**	**(500,332)**
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**316,525**	**(592,128)**
Currency translation differences (net)		38,272	118,577
Net increase/(decrease) in cash and cash equivalents		**354,797**	**(473,551)**
Cash and cash equivalents at January 1	5	**1,265,726**	**1,739,277**
Cash and cash equivalents at December 31	5	**1,620,523**	**1,265,726**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 25).

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

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

The average number of personnel employed by categories in the Group in 2014 is 4,233 white - collar (2013: 4,049) and 20,801 blue – collar (2013:19,976) totaling to 25,034 (2013: 24,025).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") *	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") *	Australia, New Zealand	Sales	Consumer Durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (Beko France")	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") *	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") *	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Ltd. ("Defy Trust")	Republic of South Africa	Investment	Real Estate
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G.("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") *	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
Kindoc Park (Proprietary) Ltd. ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Ceased operations as of reporting date:			
Archin Limited ("Archin")	Hong Kong, China	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Grundig Slovakia s.r.o ("Grundig Slovakia")	Slovakia	-	-
Raupach Wollert GmbH ("Raupach")	Germany	-	-

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

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

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

Associates	Country of incorporation	Core business	Nature of business
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 consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("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 by the POA.

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 consolidated financial statements as of and for the year ended December 31, 2014 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2014 have no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after January 1, 2015. First phase of this new 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 liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 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 are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRS

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after July 1, 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

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

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity, an entity that provides key management personnel services, is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Basis for Conclusions on Fair Value Measurement

The portfolio exception in TFRS 13 can be applied not only to financial assets and financial liabilities but also all other contracts in the scope of TAS 39. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group do not expect that these amendments will have significant impact on the financial position or performance of the Group.

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 POA

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

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after January 1, 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

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

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

IAS 27 - Equity Method in Separate Financial Statements -Amendments to IAS 27

In August 2014, IASB issued an amendment to IAS 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 IFRS 9 (or IAS 39) or
- Using the equity method

The entity must apply the same accounting for each category of investments. . A consequential amendment was also made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 – 2012–2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 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:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 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 IFRS 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. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the first time the amendments to IFRS 10 are applied, the quantitative information required IAS 8 need only be presented for the annual period immediately preceding the date of initial application. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 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 are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

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

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

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

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2014 and 2013 (%) and their functional currencies:

		December 31, 2014		December 31, 2013	
	Functional currency	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96.72	96.72	96.71	96.71
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/ New Zealand Dollar	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Czech	Czech Koruna	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Thailand ([1])	Thai Baht	100.00	100.00	-	-
Beko UK ([2])	British Pound/ Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/ Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Hungary ([3])	-	-	-	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron ([3])	-	-	-	100.00	100.00
Defy Ocean ([3])	-	-	-	100.00	100.00
Defy Swaziland	-	100.00	100.00	100.00	100.00
Grundig Czech Republic ([3])	-	-	-	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

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

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

([3]) Dissolved.

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

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

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

The table below sets out all Associates and shows their direct and indirect ownership as of December 31, 2014 and 2013 (%):

	2014	2013
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value.

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

Going concern

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

Offsetting

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

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

Comparatives and restatement of prior periods' financial statements

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

Cash discounts expenses amounting to TRY 13,820 which was disclosed under financial expenses is reclassified to other expenses from operating activities in the Group's statement of profit or loss for the period ended December 31, 2013.

For the period ended December 31, 2013, cash provided from incentives amounting to TRY 27,928 which was reported under cash flows from investing activities, is reclassified to cash flows from operating activities in consolidated statement of cash flows.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 35).

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

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 9).

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

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 29).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labor and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

Financial investments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's loans and receivables comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date.

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

(c) Financial instruments at fair value through profit or loss - derivative instruments

Derivative instruments are initially recognized at the transaction cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. A financial instrument acquired to be sold or repurchased in the further periods is recognized in this group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Group's financial instruments at fair value through profit or loss consist of forward contracts and currency swaps.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 37).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals.

Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 13).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of discounted net value of future cash flows from the use of the related investment property or fair value less cost to sell.

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

Property, plant and equipment and related depreciation

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

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

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

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

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 14). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 15).

a) Brands

Internally generated brand are not recognized as intangible assets as their costs cannot be distinguished from the cost of improvement of operations as a whole. Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements.

The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortization as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount when the carrying amount of the brand exceeds its recoverable amount.

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

b) Development costs

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

c) Computer software and rights

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

d) Trademark licenses and patents

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

Business combinations and goodwill

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

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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

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

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

Financial leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

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

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs (Note 15).

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 33).

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

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

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

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 20).

Foreign currency transactions

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

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

Revenue recognition

Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less actual and estimated sales discounts and returns. Sales taxes such as Value Added Taxes ("VAT") excluded from revenue.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 25).

Paid-in capital

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

Share premium

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

Provisions

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

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

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 19).

Assembly provisions

As a result of forecasts that are based on past experience and future expectations, assembly provisions expenses are recognized in the period, which the products are sold to dealers but not yet installed in the sites of the end customers, against the costs of future free of charge aforementioned installments (Note 19).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 18).

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

Earnings per share

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the sole authority to decide on the operations (Note 4).

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 15 and 16). Impairment was not identified as a result of these tests.

The fair value of the available-for-sale financial instruments:

The fair value of the available-for-sale financial instruments that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flows analysis (Note 6).

Waste Electrical and Electronic Equipment Control

The principal environmental protection regulation specific to domestic appliances market, the Group complies with, is the European Union WEEE ("Waste Electrical and Electronic Equipment") Directive, which makes manufacturers responsible at a European level for the financing of treatment, recovery and disposal of waste electrical and electronic products. Under this framework, countries have their own legal regulations in line with the Directive cited above, and responsibilities of the producers are implemented accordingly. In Turkey and European Union countries where the Group operates, the Group meets its responsibilities for financing and organizing the handling of waste electrical and electronic appliances through national compliance schemes.

NOTE 3 - BUSINESS COMBINATIONS

None (December 31, 2013: None).

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

NOTE 4 - 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 year ended December 31, 2014 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	9,069,234	1,828,612	1,616,187	12,514,033
Gross profit	3,079,885	442,293	456,654	3,978,832
Depreciation and amortization	289,681	50,454	12,527	352,662
Capital expenditures	388,532	62,326	11,012	461,870

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2013 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	7,818,195	1,606,998	1,672,518	11,097,711
Gross profit	2,564,162	346,322	477,901	3,388,385
Depreciation and amortization	248,102	49,265	10,808	308,175
Capital expenditures	451,365	58,288	11,980	521,633

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

2014	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,851,921	5,331,747	1,020,875	1,309,490	12,514,033

2013	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,617,088	4,381,200	978,641	1,120,782	11,097,711

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31,2013
Cash in hand	331	315
Cash at banks		
- demand deposits	212,473	125,062
- time deposits	1,335,556	1,067,005
Cheques and notes	67,688	69,075
Other	4,475	4,269
Cash and cash equivalents in cash flow statement	**1,620,523**	**1,265,726**
Interest income accruals	698	849
	1,621,221	**1,266,575**

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

Up to 30 days	1,426,870	1,262,977
30-90 days	194,351	3,598
	1,621,221	**1,266,575**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2014		December 31, 2013	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	696,996	3.98	537,682
Other		1,492		1,488
		698,488		**539,170**

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

	2014	2013
As of January 1	**539,170**	**638,741**
Fair value gains/(losses)	159,314	(99,571)
Acquisition	4	-
As of December 31	**698,488**	**539,170**

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 151,349 (December 31, 2013: unrealized loss amounting to TRY 94,592) net of deferred tax effect amounting to TRY 7,966 (December 31, 2013: TRY 4,979) have been recognized in consolidated shareholders' equity under the "revaluation funds" in the year ended December 31, 2014.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A,Ş, as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.8%. Since the shares of Yapı ve Kredi Bankası are traded in Borsa Istanbul, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, Turkish Lira based discount rate of 13.8% (2013: 16.3%), as to growth rate 4.0% (2013: 4.1%) has been taken into consideration.

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2014	December 31, 2013
Short-term bank borrowings	719,267	611,625
Other	595	423
Total short-term financial liabilities	**719,862**	**612,048**
Short-term portion of long-term bank borrowings and interest accruals	1,057,375	1,048,288
Interest accruals of long-term bond issued (*)	25,386	13,043
Total short-term portion of long-term financial liabilities	**1,082,761**	**1,061,331**

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

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

As of December 31, 2013, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.0	247,085,095	247,085
EUR	1.3	101,959,184	299,403
RUB	7.9	951,363,827	61,629
CNY	5.6	10,018,667	3,508
			611,625

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

	December 31, 2014	December 31, 2013
Long-term bank borrowings	840,800	1,526,555
Long-term bonds issued	2,123,584	1,054,461
Other	602	143
	2,964,986	**2,581,159**

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

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

As of December 31, 2013, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.6	1,113,235,845	1,113,236
EUR	2.6	407,137,522	1,195,559
ZAR	6.8	684,175,684	139,716
USD	3.1	50,085,944	106,898
RUB	7.7	300,000,000	19,434
			2,574,843
Less: Short-term portion of long-term loans and interest			(1,048,288)
			1,526,555

As of December 31, 2014, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	501,230,584	1,162,304
EUR	4.0	349,794,853	986,666
			2,148,970
Less: Interest accruals of long-term bonds issued			(25,386)
			2,123,584

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2013, 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	500,165,711	1,067,504
			1,067,504
Less: Interest accruals of long-term bonds issued			(13,043)
			1,054,461

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

	December 31, 2014	December 31, 2013
2015	-	1,148,071
2016	427,232	123,986
2017	288,203	123,986
2018	62,682	65,256
2019	62,682	65,256
2021	987,245	-
2023	1,159,450	1,067,150
	2,987,494	**2,593,705**

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

Up to 6 months	2,279,487	2,870,539
6 - 12 months	31,341	-
1-5 years	286,945	293,650
Over 5 years	2,146,695	1,067,150
	4,744,468	**4,231,339**

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

	December 31, 2014			December 31, 2013		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
Held for trading:						
Short-term derivative instruments						
Forward transactions	423,290	2,780	(956)	1,233,804	817	(8,822)
Foreign currency swap contracts	1,206,428	5,003	(2,855)	857,585	5,834	(5,675)
	1,629,718	**7,783**	**(3,811)**	**2,091,389**	**6,651**	**(14,497)**

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	1,631,796	17,803	-	1,583,318	-	(51,180)

(*) 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 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2014	December 31, 2013
Short-term trade receivables:		
Trade receivables	2,635,678	2,404,779
Notes receivables	1,635,494	1,651,986
Cheques receivables	253,209	227,891
Short-term trade receivables (gross)	**4,524,381**	**4,284,656**
Less: Provision for doubtful receivables	(97,019)	(113,281)
Less: Unearned credit finance income	(15,835)	(16,454)
Short-term trade receivables (net)	**4,411,527**	**4,154,921**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2014	2013
As of January 1	**113,281**	**93,229**
Current year additions (Note 29)	16,985	15,264
Provisions no longer required (Note 29)	(7,091)	(1,369)
Write-offs (*)	(27,141)	(2,674)
Currency translation differences	985	8,831
As of December 31	**97,019**	**113,281**

(*) 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.

	December 31, 2014	December 31, 2013
Long-term trade receivables	24,423	27,456
Short-term trade payables:		
Trade payables	1,526,520	1,165,156
Debt accruals	61,882	51,536
Unearned credit finance charges	(9,982)	(9,249)
	1,578,420	**1,207,443**

NOTE 10 - OTHER PAYABLES

	December 31, 2014	December 31, 2013
Taxes and duties payable	102,613	82,444
Deposits and guarantees received	5,385	4,811
Dividend payables to shareholders	4,155	4,370
Other	2,762	4,901
	114,915	**96,526**

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

NOTE 11 - INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials and supplies	950,651	899,869
Work in progress	68,229	60,299
Finished goods	906,004	792,747
Trade goods	258,020	295,645
Inventories (gross)	**2,182,904**	**2,048,560**
Less: Provision for impairment on inventories	(57,958)	(60,187)
Inventories (net)	**2,124,946**	**1,988,373**

There are no inventories pledged as security for liabilities (December 31, 2013: None).

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

Raw materials and supplies	47,210	49,778
Finished goods	8,344	7,560
Trade goods	2,404	2,849
	57,958	**60,187**

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

	2014	2013
As of January 1	**60,187**	**59,785**
Current year additions (Note 29)	4,952	3,868
Realized due to sales of inventory	(6,872)	(4,670)
Currency translation differences	(309)	1,204
As of December 31	**57,958**	**60,187**

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

NOTE 12 - ASSOCIATES

	December 31, 2014		December 31, 2013	
	%	TRY	%	TRY
Koç Finansman	47.0	84,279	47.0	82,015
Arçelik - LG	45.0	91,568	45.0	94,202
Ram Dış Ticaret	33.5	12,338	33.5	9,654
Tanı Pazarlama	32.0	7,126	32.0	6,533
		195,311		**192,404**

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

	2014	2013
As of January 1	**192,404**	**182,614**
Shares of income/loss of associates	18,156	25,345
Shares of other comprehensive income/loss of associates	95	978
Gross profit elimination on inventory	(1,244)	5,942
Dividends received	(14,100)	(22,475)
As of December 31	**195,311**	**192,404**

Shares of income/loss from associates:

	2014	2013
Koç Finansman	16,427	15,018
Arçelik - LG	(1,562)	7,635
Ram Dış Ticaret	2,699	2,551
Tanı Pazarlama	592	141
	18,156	**25,345**

Aggregated summary figures of the financial statements of associates:

	December 31, 2014	December 31, 2013
Total assets	2,973,065	2,574,343
Total liabilities	2,531,164	2,141,268

	2014	2013
Net sales	1,624,099	1,802,444
Profit/loss for the period (net)	38,622	70,180

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

NOTE 13 - INVESTMENT PROPERTIES

	2014	2013
As of January 1		
Cost	15,651	12,268
Accumulated depreciation	(9,305)	(7,169)
Net carrying value	**6,346**	**5,099**
Net carrying value at the beginning of the period	**6,346**	**5,099**
Currency translation differences	(278)	1,404
Depreciation for the period	(139)	(157)
Net carrying value at the end of the period	**5,929**	**6,346**
As of December 31		
Cost	14,966	15,651
Accumulated depreciation	(9,037)	(9,305)
Net carrying value	**5,929**	**6,346**

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2014	Additions	Disposals	Transfers	Currency translation differences	December 31, 2014
Cost						
Land	15,936	495	-	564	(718)	16,277
Land improvements	34,892	2,716	(82)	-	-	37,526
Buildings	624,830	21,480	(104)	4,765	(55,027)	595,944
Machinery, equipment and moulds	3,329,608	163,864	(55,369)	74,134	(70,253)	3,441,984
Motor vehicles and fixtures	371,100	27,316	(5,043)	31,524	(3,482)	421,415
Leasehold improvements	40,830	3,315	(6)	188	(181)	44,146
Construction in progress	49,040	108,751	-	(111,175)	(31)	46,585
	4,466,236	**327,937**	**(60,604)**	**-**	**(129,692)**	**4,603,877**
Accumulated depreciation						
Land improvements	(20,976)	(1,641)	78	-	-	(22,539)
Buildings	(207,798)	(13,734)	58	-	9,050	(212,424)
Machinery, equipment and moulds	(2,128,060)	(212,111)	53,841	(197)	36,428	(2,250,099)
Motor vehicles and fixtures	(237,165)	(38,653)	4,813	197	2,127	(268,681)
Leasehold improvements	(35,448)	(1,957)	6	-	11	(37,388)
	(2,629,447)	**(268,096)**	**58,796**	**-**	**47,616**	**(2,791,131)**
Net book value	**1,836,789**					**1,812,746**

There is no mortgage on property, plant and equipment as of December 31, 2014 (December 31, 2013: None).

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2013	Additions	Disposals	Transfers	Currency translation differences	December 31, 2013
Cost						
Land	14,940	372	(372)	-	996	15,936
Land improvements	33,482	1,410	-	-	-	34,892
Buildings	563,465	20,439	(1,903)	11,261	31,568	624,830
Machinery, equipment and moulds	2,993,114	167,005	(59,617)	158,441	70,665	3,329,608
Motor vehicles and fixtures	321,234	22,801	(10,597)	30,802	6,860	371,100
Leasehold improvements	41,680	2,179	(4,271)	106	1,136	40,830
Construction in progress	49,841	183,738	-	(189,595)	5,056	49,040
	4,017,756	**397,944**	**(76,760)**	**11,015**	**116,281**	**4,466,236**
Accumulated depreciation						
Land improvements	(19,437)	(1,539)	-	-	-	(20,976)
Buildings	(187,768)	(12,742)	575	-	(7,863)	(207,798)
Machinery, equipment and moulds	(1,960,851)	(185,741)	56,786	-	(38,254)	(2,128,060)
Motor vehicles and fixtures	(209,582)	(33,877)	10,035	-	(3,741)	(237,165)
Leasehold improvements	(36,715)	(2,182)	4,271	-	(822)	(35,448)
	(2,414,353)	**(236,081)**	**71,667**	**-**	**(50,680)**	**(2,629,447)**
Net book value	**1,603,403**					**1,836,789**

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

NOTE 15 – OTHER INTANGIBLE ASSETS

	January 1, 2014	Additions	Disposals	Currency translation differences	December 31, 2014
Cost					
Brands	561,598	-	-	(13,812)	547,786
Development costs	490,704	111,577	-	-	602,281
Computer software and rights	126,022	22,356	(217)	176	148,337
Trademark licenses and patents	21,071	-	-	(828)	20,243
	1,199,395	**133,933**	**(217)**	**(14,464)**	**1,318,647**
Accumulated amortization					
Development costs	(205,467)	(70,918)	-	-	(276,385)
Computer software and rights	(86,663)	(13,509)	33	48	(100,091)
Trademark licenses and patents	(20,997)	-	-	826	(20,171)
	(313,127)	**(84,427)**	**33**	**874**	**(396,647)**
Net book value	**886,268**				**922,000**

As of December 31, 2014 total amount of borrowing costs capitalized is TRY 2,334 (December 31, 2013: TRY 3,868).

	January 1, 2013	Additions	Disposals	Currency translation differences	December 31, 2013
Cost					
Brands	515,307	-	-	46,291	561,598
Development costs	386,832	103,872	-	-	490,704
Computer software and rights	104,091	19,817	(1,016)	3,130	126,022
Trademark licenses and patents	16,890	-	-	4,181	21,071
	1,023,120	**123,689**	**(1,016)**	**53,602**	**1,199,395**
Accumulated amortization					
Development costs	(144,970)	(60,497)	-	-	(205,467)
Computer software and rights	(74,577)	(10,536)	1,016	(2,566)	(86,663)
Trademark licenses and patents	(15,972)	(904)	-	(4,121)	(20,997)
	(235,519)	**(71,937)**	**1,016**	**(6,687)**	**(313,127)**
Net book value	**787,601**				**886,268**

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

	December 31, 2014	December 31, 2013
Grundig (*)	242,755	252,467
Defy (*)	208,431	212,829
Beko	81,040	81,040
Other brands(*)	15,560	15,262
	547,786	**561,598**

(*) Values of brands in their original currencies are same as of December 31, 2014 and 2013 and the difference arises from foreign currency translation.

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

NOTE 15 – OTHER INTANGIBLE ASSETS (Continued)

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2014. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value, Sales forecasts beyond the three and five-year period are extrapolated with 3% expected growth rate, The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate, The royalty income calculated with the aforementioned method has been discounted with 8.5% to 10.1% discount rates.

NOTE 16 – GOODWILL

	2014	2013
As of January 1	**172,706**	**177,080**
Currency translation differences	(3,511)	(4,374)
As of December 31	**169,195**	**172,706**

Goodwill impairment test

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

As of December 31, 2014, goodwill over Defy acquisition and other acquisitions are TRY 162,768 (December 31, 2013: TRY 166,154) and TRY 6,427 (December 31, 2013: TRY 6,552) respectively.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2014:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2015 and December 31, 2019.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3.0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 9.0% - 10.1% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

NOTE 16 – GOODWILL (Continued)

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

Recoverable value of cash generating unit is 30% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five year compound average growth rate of EBITDA is 16.8%. Had the compound average growth rate been assumed to be 15%, the recoverable amount would have been calculated as 11.4% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 2%, the recoverable amount would have been 15.1% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 9.9%. Had the rate been assumed to be 10.9%, the recoverable amount would have been 6.4% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 17 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Exemption of taxes and funds,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Economy.

Grants which are accounted for under other income from operating activities for year ended December 31, 2014 are as follows:

i) Research and development incentive premiums taken or certain to be taken amounts to TRY 3,873 (2013: TRY 4,101).

ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 35,572 (2013: TRY 28,004).

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2014, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 117,667,707 (December 31, 2013: USD 341,723,301). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	December 31, 2014	December 31, 2013
Up to 1 year	22,068	20,014
1-5 years	35,054	43,036
Over 5 years	12,501	16,001
Operating lease commitments	**69,623**	**79,051**

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2014 and December 31, 2013 are as follows:

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

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2013	Purchase commitments	Sales commitments
TRY	238,392	178,903
USD	1,184,209	96,689
EUR	279,253	859,818
AUD	-	41,549
CZK	-	10,733
ZAR	11,350	128,589
GBP	-	356,198
SEK	-	32,779
CHF	29,158	-
PLN	-	39,035
RON	61,531	-
RUB	16,395	110,126
	1,820,288	**1,854,419**

	December 31, 2014	December 31, 2013
Collaterals obtained	2,787,977	2,536,469

Collaterals/ pledges/ mortgages ("CPM") position of the Group as of December 31, 2014 and December 31, 2013 are as follows:

CPM's given by the Company	December 31, 2014	December 31, 2013
A. CPM's given for Company's own legal personality	591,335	611,665
B. CPM's given on behalf of fully consolidated companies	163,593	37,678
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	**754,928**	**649,343**

TRY equivalents of collaterals, pledges and mortgages give as of December 31, 2014 and December 31, 2013 are as follows on original currency basis are as follows:

CPM's given by the Company	December 31, 2014	December 31, 2013
USD	568,176	577,306
EUR	123,909	15,002
TRY	43,772	51,639
Other currencies	19,071	5,396
	754,928	**649,343**

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

NOTE 19 – OTHER PROVISIONS

	December 31, 2014	December 31, 2013
Other short-term provisions		
Warranty provision	145,034	147,835
Assembly provision	47,369	53,712
Provision for transportation cost	14,688	9,748
Provision for returns	8,471	9,423
Provision for lawsuit risks	8,256	6,653
Other	40,174	31,177
	263,992	**258,548**
Other long-term provisions		
Warranty provision	92,339	93,256
Other	1,436	451
	93,775	**93,707**

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

Warranty provision	2014	2013
As of January 1	**241,091**	**217,278**
Additions	311,526	261,967
Disposals	(308,444)	(261,648)
Currency translation differences	(6,800)	23,494
As of December 31	**237,373**	**241,091**

Assembly provision	2014	2013
As of January 1	**53,712**	**39,300**
Additions	200,267	212,898
Disposals	(206,610)	(198,486)
As of December 31	**47,369**	**53,712**

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

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2014	December 31, 2013
Provision for employment termination benefits	160,984	117,328
Provision for vacation pay liability	13,912	9,833
	174,896	**127,161**

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

The amount payable consists of one month's salary limited to a maximum of full TRY 3,438.22 as of December 31, 2014 (December 31, 2013: full TRY 3,254.44) for each period of service.

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

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

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

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

	2014	2013
Net discount rate (%)	3.50	4.78
Turnover rate related the probability of retirement (%)	96.04	95.60

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 3,541.37 (January 1, 2014: full TRY 3,438.22) which is effective from January 1, 2015 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

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

	2014	2013
As of January 1	**117,328**	**112,254**
Interest expense	10,529	7,964
Actuarial losses	47,206	8,922
Service cost	10,384	8,872
Payments during the year	(24,693)	(20,962)
Currency translation differences	230	278
As of December 31	**160,984**	**117,328**

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

Turkey	158,974	115,749
Non - Turkey	2,010	1,579
	160,984	**117,328**

The sensivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2014 is below:

	Net discount rate		**Turnover rate related the probability of retirement**	
Sensivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	(3.0%)	(4.0%)	(95.54%)	(96.54%)
Change in employee benefits liability	8,001	(7,333)	(7,854)	8,538

NOTE 21 – PREPAID EXPENSES

	December 31, 2014	**December 31, 2013**
Short-term prepaid expenses	50,708	31,299
Advances given for fixed assets	10,049	14,640
Advances given for inventories	7,984	993
	68,741	**46,932**

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

NOTE 22 – CURRENT INCOME TAX ASSETS

	December 31, 2014	December 31, 2013
Prepaid taxes and funds	57,988	34,337

NOTE 23 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2014	December 31, 2013
Payables to personnel	60,532	72,108
Social security payables	65,871	56,322
Accruals for bonuses and premiums	37,220	7,169
	163,623	**135,599**

NOTE 24 - OTHER ASSETS AND LIABILITIES

	December 31, 2014	December 31, 2013
Other current assets:		
Value added tax and private consumption tax receivable	75,589	18,586
Taxes and funds deductible	55,756	92,616
Income accruals	4,874	4,681
Other	9,146	9,391
	145,365	**125,274**
Other current liabilities:		
Accruals for customer premiums	236,423	212,085
Advances received	30,345	24,558
Other	5,472	2,543
	272,240	**239,186**

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

NOTE 25 - 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 Kr1, Registered and issued share capital of the Company is as follows:

	December 31, 2014	December 31, 2013
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	December 31, 2014		December 31, 2013	
	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	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

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

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

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

NOTE 25 – 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:

	December 31, 2014	December 31, 2013
General legal reserves	83,690	83,690
Other legal reserves	191,740	165,119
	275,430	**248,809**

As agreed in the ordinary general meeting dated March 27, 2014, the decision to pay dividend as cash has been taken and the payment was made in April 2014 (previous year in April 2013). The dividend details are as follows: 44.4% (2013: 52.5%) corresponding to gross TRY 0.44396 (full) (2013:TRY 0.52536 (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; 37.7% (2013: 45.6%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) and net TRY 0.37737 (full) (2013: TRY 0.45612 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

Retained earnings

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

Dividend distribution

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

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

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

NOTE 25 – EQUITY (Continued)

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

As of December 31, 2014 total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 607,719 (December 31, 2013: TRY 499,011).

NOTE 26 - SALES AND COST OF SALES

	2014	2013
Domestic sales	5,179,326	4,908,672
Foreign sales	8,762,311	7,286,525
Gross sales	**13,941,637**	**12,195,197**
Less: Discounts	(1,427,604)	(1,097,486)
Net sales	**12,514,033**	**11,097,711**
Cost of sales	(8,535,201)	(7,709,326)
Gross profit	**3,978,832**	**3,388,385**

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

NOTE 27 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2014	2013
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	719,196	608,354
Warranty and assembly expenses	511,793	474,865
Advertising and promotion expenses	429,891	336,647
Personnel expenses	356,957	306,193
License expenses	42,103	38,445
Depreciation and amortization expenses	24,423	22,781
Energy expenses	8,049	6,896
Other	263,835	218,852
	2,356,247	**2,013,033**
General administrative expenses:		
Personnel expenses	276,405	213,486
Insurance expenses	38,009	32,619
Depreciation and amortization expenses	36,306	26,602
Information technology expenses	31,813	26,278
Rent expenses	27,576	15,180
Legal consultancy and audit expenses	23,193	23,308
Duties, taxes and levies	16,929	13,774
Donations	9,207	8,761
Energy expenses	5,535	4,936
Repair and maintenance expense	2,038	3,599
Other	65,778	62,455
	532,789	**430,998**
Research and development expenses (*) :		
Depreciation and amortization expenses	72,061	61,326
Personnel expenses	20,209	14,154
Energy expenses	2,927	2,828
Other	6,858	4,899
	102,055	**83,207**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 141,571 in 2014 (2013: TRY 122,714).

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

NOTE 28 - EXPENSES BY NATURE

	2014	2013
Raw materials, supplies and trade goods	7,453,544	6,957,787
Changes in finished goods, work in process and trade goods	(83,562)	(296,645)
Personnel expenses	1,345,640	1,136,086
Transportation, distribution and storage expenses	781,102	664,703
Warranty and assembly expenses	511,793	474,865
Advertising and promotion expenses	429,891	336,647
Depreciation and amortization expenses	346,293	302,181
Energy expenses	100,809	96,760
Repair and maintenance expenses	68,669	65,692
License expenses	42,103	38,445
Provision expense for doubtful receivables	16,985	15,264
Product recall expenses	3,132	19,194
Foreign exchange loss arising from trading activities	152,027	95,979
Credit finance charges arising from trading activities	14,695	753
Other	578,260	529,088
	11,761,381	**10,436,799**

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

NOTE 29 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2014	2013
Other income from operating activities:		
Foreign exchange gains arising from trading activities	114,034	345,562
Income from claims and grants	42,735	34,075
Credit finance income arising from trading activities	15,508	33,249
Reversal of provisions for doubtful receivables	7,091	1,369
Reversals of provisions	2,900	19,293
Other	33,869	28,066
	216,137	**461,614**
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(152,027)	(95,979)
Provision expense for doubtful receivables	(16,985)	(15,264)
Cash discounts expenses	(16,199)	(13,820)
Credit finance charges arising from trading activities	(14,695)	(753)
Provision expense for impairment on inventories	(4,952)	(3,868)
Product recall expenses	(3,132)	(19,194)
Other	(27,099)	(51,357)
	(235,089)	**(200,235)**

NOTE 30 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2014	2013
Income from investment activities:		
Dividends received from financial investments	12,944	9,559
Income from sales of property plant and equipment	3,320	1,822
	16,264	**11,381**
Expenses from investment activities:		
Loss from sales of property plant and equipment	(1,377)	(2,857)
	(1,377)	**(2,857)**

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

NOTE 31- FINANCIAL INCOME

	2014	2013
Foreign exchange gains (*)	281,812	333,918
Gains on derivative instruments	171,133	59,434
Interest income	23,142	35,954
Other	39	70
	476,126	**429,376**

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

NOTE 32 - FINANCIAL EXPENSES

	2014	2013
Foreign exchange losses (*)	(350,008)	(509,721)
Interest expenses	(314,010)	(209,243)
Losses on derivative instruments	(72,548)	(112,260)
Other	(9,770)	(9,767)
	(746,336)	**(840,991)**

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

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

NOTE 33 - TAX ASSETS AND LIABILITIES

	December 31, 2014	December 31, 2013
Corporation and income taxes	78,248	82,107
Less: Prepaid tax	(60,094)	(62,459)
Tax liabilities (net)	**18,154**	**19,648**
Deferred tax assets	77,353	90,659
Deferred tax liabilities	(245,422)	(245,515)
Deferred tax liabilities, (net)	**(168,069)**	**(154,856)**

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, 2013: 20%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expense for the years ended December 31 is as follows:

	2014	2013
Tax expenses		
- Current period tax expense	(80,892)	(120,939)
- Deferred tax expense	(12,752)	(1,146)
Tax expenses (net)	**(93,644)**	**(122,085)**

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

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

NOTE 33 - 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)	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Property, plant and equipment and intangible assets	1,417,777	1,362,408	(299,720)	(289,422)
Available-for-sale investments	553,209	393,896	(27,659)	(19,694)
Unearned credit finance income/expense (net)	38,932	58,473	(7,786)	(11,695)
Derivative instruments	19,471	(63,199)	(3,882)	12,604
Unused tax advantages	(409,035)	(255,047)	63,664	53,051
Provision for warranty, assembly and transportation expenses	(193,785)	(194,471)	40,053	40,659
Provision for employment termination benefits	(158,974)	(116,017)	31,795	23,225
Provision for impairment on inventories	(50,774)	(49,761)	10,148	10,017
Provision for doubtful receivables	(4,889)	(17,228)	1,182	3,426
Accrual for licenses	(1,915)	(6,008)	383	1,202
Other	(101,092)	(87,992)	23,753	21,771
Deferred tax liabilities (net)			**(168,069)**	**(154,856)**

	2014	**2013**
Balance as of January 1	**(154,856)**	**(150,438)**
Deferred tax expense recognized in statement of profit or loss	(12,752)	(1,146)
Deferred tax income recognized directly in the shareholders' equity	1,475	6,878
Currency translation differences	(1,936)	(10,150)
Balance as of December 31	**(168,069)**	**(154,856)**

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 365,554. Maturity analysis of this amount is as follows:

	December 31, 2014
2015	14,888
2016	14,085
2017	15,718
2018	37,324
2019 and after	283,539
	365,554

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

NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2014, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 657,898 (December 31, 2013: TRY 617,721).

Reconciliation between tax expenses for the years ended December 31, 2014 and 2013 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2014	2013
Profit before tax	731,622	744,780
Tax expense calculated using 20% local tax rate	**(146,324)**	**(148,956)**
Exemptions	42,343	31,206
Effect of unused tax losses for which no deferred tax asset was recognized	(4,624)	(4,070)
Expenses not deductible for tax purposes	(15,371)	(9,664)
Impact of different tax rates in other countries	(4,411)	(6,513)
Adjustments with no tax effects	4,953	13,766
Utilization of previously unrecognized tax advantages	33,581	2,491
Other	(3,791)	(345)
Taxation expense recognized in statement of profit or loss	**(93,644)**	**(122,085)**
Effective tax rate	**12.8%**	**16.4%**

Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2014 the tax advantage of TRY 23,959 from which the Company predicts to benefit in the foreseeable future, is recognized as deferred tax asset in the consolidated financial statements and five year projections approved by the Company management are taken into consideration in the determination of related amount.

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

NOTE 34 - EARNINGS PER SHARE

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

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

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

	December 31, 2014	December 31, 2013
Net income	617,084	597,845
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.913**	**0.885**
Dividends distributed to the equity holders of the parent	300,000	355,000
Gross dividend distributed per share (Kr) (*)	**0.444**	**0.525**

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

NOTE 35 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2014	December 31, 2013
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1)	9,534	22,114
Yapı ve Kredi Bankası A.Ş. (1)	7,362	3,242
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	1,709	1,052
Other	3,766	811
	22,371	**27,219**
(b) Due to related parties:		
Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	68,701	107,972
Arçelik-LG (2)	60,754	270,661
Ram Dış Ticaret (2)	48,259	36,030
Other	25,308	22,794
	203,022	**437,457**

(1) Koç Holding group companies
(2) Associates

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2014	December 31, 2013
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	10,003	8,860
Other payables to related parties – Non Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	57,823	62,427

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2014. (December 31, 2013: TRY 81,040).

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

	December 31, 2014	December 31, 2013
Other payables to related parties (gross)		
Up to 1 year	13,321	12,379
1 to 5 years	52,769	48,663
Over 5 years	13,217	24,331
	79,307	**85,373**
Less: Future finance charges on other liabilities	(11,481)	(14,086)
Present value of other payables to related parties (net)	**67,826**	**71,287**

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

	December 31, 2014	December 31, 2013
Up to 1 year	10,003	8,860
1 to 5 years	45,021	39,449
Over 5 years	12,802	22,978
	67,826	**71,287**

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ([1])	738,976	294,694

(d) Krediler:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	19,114	108,144

([1]) Koç Holding group companies

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(e) Derivative instruments

December 31, 2014	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	428,405	3	(395)

December 31, 2013	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484	-

(ii) Transactions with related parties

	2014	2013
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	31,351	75,806
Yapı ve Kredi Bankası A.Ş.	18,285	6,238
Koçtaş Yapı Marketleri Ticaret A.Ş.	13,960	21,241
Arçelik-LG	3,437	3,399
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,006	2,571
Other	6,078	5,804
	76,117	**115,059**
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	738,818	653,868
Arçelik-LG	247,424	546,273
Ram Dış Ticaret	162,513	120,243
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	36,855	30,792
Setur Servis Turistik A.Ş. (1)	29,158	24,227
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (*)	24,837	22,025
Koç Holding A.Ş.	17,745	13,721
Other	87,738	48,818
	1,345,088	**1,459,967**

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

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

(1) Koç Holding group companies
(2) Company controlled by Koç family members
(*) The amount is composed of accrued premiums in the period ending December 31, 2014 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.

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2014 amounts to TRY 55,254 (December 31, 2013: TRY 42,184). Compensation includes only short-term benefits.

(d) Other transactions

	2014	2013
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	11,657	21,644
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	5,075	8,435

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Beko UK is operating in marketing, sales and after sales services areas for consumer durables and consumer electronics in England and Republic of Ireland. The share of non-controlling interest in Beko UK is 50% (December 31, 2013: 50%).

Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. As Arçelik has the full control over the activities of Beko UK, Beko UK is considered as a subsidiary and consolidated.

The summary of statements of financial position of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	December 31, 2014	December 31, 2013
Current assets	493,368	599,161
Non-current assets	29,941	29,587
Total assets	**523,309**	**628,748**
Current liabilities	462,831	500,112
Non-current liabilities	2,100	2,218
Equity	58,378	126,418
Total liabilities and equity	**523,309**	**628,748**

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

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

The summary of statements of profit or loss of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	2014	2013
Net sales	1,212,542	1,043,643
Profit before taxation	46,728	59,807
Net income	**36,806**	**45,914**
Total other comprehensive income	**39,725**	**68,644**
Non-controlling interests	18,403	22,957
Dividends paid to non-controlling interests	53,883	48,555

The summary of statements of cash flows of the subsidiary for the years ended December 31, 2014 and 2013 are as follows. Amounts are shown before inter-company eliminations.

	2014	2013
Cash flow from operating activities	(13,531)	24,018
Cash flow from investing activities	(1,357)	(14,558)
Cash flow from financing activities (excluding dividend)	197	386
Dividends paid	(107,766)	(97,110)
Foreign currency translation differences (net)	2,166	17,670
Net decrease in cash and cash equivalents	**(120,291)**	**(69,594)**

NOTE 37 - 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.

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2014 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	4,767,609	5,652,697	1,038,717	913,649	1,273,052	2,427,279
Trade payables	1,781,442	1,791,803	1,772,635	19,168	-	-
Other payables, related parties	67,826	79,307	3,234	10,087	52,769	13,217
Other payables, third parties	114,915	114,915	113,047	1,868	-	-
	6,731,792	**7,638,722**	**2,927,633**	**944,772**	**1,325,821**	**2,440,496**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		2,005,082	815,486	41,740	166,961	980,895
Derivative cash outflows		(1,848,024)	(814,292)	(37,653)	(149,688)	(846,391)
Derivative instruments (net)	**21,775**	**157,058**	**1,194**	**4,087**	**17,273**	**134,504**

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2013 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	4,254,538	4,944,532	671,816	1,154,261	1,744,654	1,373,801
Trade payables	1,644,900	1,654,149	1,387,904	266,245	-	-
Other payables, related parties	71,287	85,373	3,095	9,284	48,663	24,331
Other payables, third parties	96,526	96,526	74,796	21,730	-	-
	6,067,251	**6,780,580**	**2,137,611**	**1,451,520**	**1,793,317**	**1,398,132**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		2,166,258	1,042,549	38,417	153,670	931,622
Derivative cash outflows		(2,133,968)	(1,048,840)	(38,364)	(153,280)	(893,484)
Derivative instruments (net)	**(59,026)**	**32,290**	**(6,291)**	**53**	**390**	**38,138**

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

NOTE 37 - 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.

Average effective annual interest rates of statement of financial position accounts as of December 31, 2014 and 2013 are as follows:

December 31, 2014 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	SEK
Current Asset											
Cash and cash equivalents	-	1.61	1.47	0.25	2.83	11.75	1.15	5.25	1.53	4.57	-
Trade receivable	2.28	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Short-term bank borrowings	9.70	0.99	-	-	-	-	5.60	7.58	-	-	1.33
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Long-term bank borrowings	11.98	2.42	-	-	-	8.71	-	8.63	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-

December 31, 2013 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	7.00	1.63	1.59	0.25	3.20	-	2.70	4.50	2.30	4.01	0.55
Trade receivable	2.52	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Short-term bank borrowings	7.99	1.30	-	-	-	7.86	5.60	-	-	-	-
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Long-term bank borrowings	9.61	2.59	3.09	-	-	7.65	-	6.79	-	-	-
Long term bonds issued	-	-	5.10	-	-	-	-	-	-	-	-

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2014	2013
Financial instruments with fixed interest rates		
Time deposits	914,251	548,940
Borrowings and bonds issued	2,900,827	1,732,551
Financial instruments with variable interest rates		
Time deposits	422,003	518,914
Borrowings	1,865,585	2,521,420

At December 31, 2014, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 14,436 (2013: TRY 20,025) lower/ higher as a result of lower/higher interest income/expense arised from time deposits and borrowings with variable interest rates.

Funding risk

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

Credit risk

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

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

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

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

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

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

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2014 and December 31, 2013 are as follows:

	Trade receivables			
December 31, 2014	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**22,371**	**4,435,950**	**1,548,727**	**25,586**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(3,509,767)	-	-
A. Net book value of financial asset either are not due or not impaired	22,371	4,028,144	1,548,727	25,586
-Secured portion by guarantees, etc.	-	(3,177,039)	-	-
B. Financial assets with renegotiated conditions	-	52,113	-	-
- Secured portion by guarantees, etc.	-	(44,882)	-	-
C. Net book value of overdue but not impaired financial assets	-	319,701	-	-
- Secured portion by guarantees, etc.	-	(251,854)	-	-
D. Net book value of the impaired assets	-	35,992	-	-
- Overdue (Gross book value)	-	133,011	-	-
- Impairment (-)	-	(97,019)	-	-
- Secured portion of the net value by guarantees, etc.	-	(35,992)	-	-

	Trade receivables			
December 31, 2013	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**27,219**	**4,182,377**	**1,192,916**	**6,651**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(3,250,611)	-	-
A. Net book value of financial asset either are not due or not impaired	27,219	3,900,410	1,192,916	6,651
-Secured portion by guarantees, etc.	-	(3,017,459)	-	-
B. Financial assets with renegotiated conditions	-	28,379	-	-
- Secured portion by guarantees, etc.	-	(23,919)	-	-
C. Net book value of overdue but not impaired financial assets	-	203,105	-	-
- Secured portion by guarantees, etc.	-	(158,750)	-	-
D. Net book value of the impaired assets	-	50,483	-	-
- Overdue (Gross book value)	-	163,764	-	-
- Impairment (-)	-	(113,281)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,483)	-	-

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

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

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

NOTE 37 - 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

	December 31, 2014	December 31, 2013
Group 1	5,828	11,281
Group 2	3,926,722	3,808,259
Group 3	170,078	136,468
	4,102,628	**3,956,008**

Group 1 - New customers (customers for a period less than 3 months).
Group 2 - Existing customers with no defaults in the past (customers for a period of more than 3 months).
Group 3 - Existing customers with some defaults in the past of which were fully recovered.

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

	December 31, 2014	December 31, 2013
0-1 month	123,183	139,078
1-3 months	136,199	33,547
3-12 months	46,274	22,735
1-5 years	14,045	7,745
	319,701	**203,105**

c) Geographical concentration of the trade receivables

	December 31, 2014	December 31, 2013
Turkey	2,464,317	2,270,071
Europe	1,389,038	1,372,718
Other	604,966	566,807
	4,458,321	**4,209,596**

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.

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

NOTE 37 - 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 December 31, 2014 a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2013: EUR 328,750,000).

Foreign currency position

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

	December 31, 2014	December 31, 2013
Assets	3,257,933	2,808,426
Liabilities	(3,633,544)	(3,190,616)
Net position of financial statement	**(375,611)**	**(382,190)**
Net position of derivative instruments	398,562	491,604
Foreign currency position (net)	**22,951**	**109,414**

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2014 are as follows:

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

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

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

NOTE 37 - 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, 2013 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
Trade receivables	370,264	110,460	104,587	1,482,643	55,011	125,652	9,957	94,566	-	10,166	22,902	77	-	296	1,921,285
Monetary financial assets	120,179	30,992	4	-	(1)	-	-	429	30,125	2,029	96	4	-	-	426,343
Other	26,694	63,583	86	-	-	-	-	-	-	-	2	-	-	-	214,398
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	1,206,602	-	-	-	-	-	246,400
Total assets	**517,137**	**205,035**	**104,677**	**1,482,643**	**55,010**	**125,652**	**9,957**	**94,995**	**1,236,727**	**12,195**	**23,000**	**81**	**-**	**296**	**2,808,426**
Current liabilities															
Trade payables	101,585	123,602	1,196	-	-	-	156	40,189	17,455	-	3,102	-	64,846	-	590,270
Financial liabilities	247,202	6,197	-	-	-	-	-	-	684,176	-	-	-	-	-	878,851
Other monetary financial liabilities	1,302	9,276	1,221	-	-	-	-	-	-	-	-	-	-	-	27,908
Non-Current liabilities															
Trade payables	-	29,249	-	-	-	-	-	-	-	-	-	-	-	-	62,426
Financial liabilities	160,049	544,055	-	-	-	-	-	-	-	-	-	-	-	-	1,631,161
Total liabilities	**510,138**	**712,379**	**2,417**	**-**	**-**	**-**	**156**	**40,189**	**701,631**	**-**	**3,102**	**-**	**64,846**	**-**	**3,190,616**
Net Position of Financial Statement	**6,999**	**(507,344)**	**102,260**	**1,482,643**	**55,010**	**125,652**	**9,801**	**54,806**	**535,096**	**12,195**	**19,898**	**81**	**(64,846)**	**296**	**(382,190)**
Off-balance sheet derivative assets (*)	322,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	2,140,635
Off-balance sheet derivative liabilities (*)	(292,804)	(45,303)	(101,441)	(1,700,000)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	(1,649,031)
Net position of off-balance sheet items	29,314	509,544	(101,441)	(1,537,479)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	491,604
Net asset/(liability) position of foreign currency	**36,313**	**2,200**	**819**	**(54,836)**	**10**	**25,652**	**9,801**	**(45,194)**	**35,096**	**12,195**	**(2,102)**	**81**	**(64,846)**	**296**	**109,414**
Net asset/(liability) position of foreign currency monetary items	(19,695)	(570,927)	102,174	1,482,643	55,010	125,652	9,801	54,806	535,096	12,195	19,896	81	(64,846)	296	(596,588)
Fair value of financial instruments used for foreign exchange edge															(59,026)
Hedged amount of foreign currency assets	292,804	45,303	101,441	1,700,000	55,000	100,000	-	100,000	500,000	-	22,000	-	-	-	1,649,031
Hedged amount of foreign currency liabilities	59,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	1,368,336

(*) 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.

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2013	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	27,340	13,945	(53)	(54,836)	10	25,652	9,957	(5,535)	-	-	902	-	(61,338)	296	111,772
Against EUR	-	4,574	-	-	-	-	-	-	52,551	-	-	-	-	-	20,493
Against RUB	691	3,600	-	-	-	-	-	-	-	-	-	-	-	-	9,712
Against PLN	(2,728)	79	-	-	-	-	-	-	-	-	-	-	-	-	(7,842)
Against GBP	134	-	-	-	-	-	-	-	-	-	-	-	-	-	393
Against RON	(2,498)	4,233	531	-	-	-	-	-	-	(21)	-	-	(3,508)	-	3,485
Against CZK	(1,773)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,206)
Against NOK	8,144	(199)	-	-	-	-	-	(39,659)	-	12,216	-	-	-	-	15,291
Against SEK	4,035	(21)	-	-	-	-	(156)	-	-	-	-	-	-	-	11,750
Against CNY	1,350	(7,982)	341	-	-	-	-	-	-	-	-	-	-	-	(11,875)
Against ZAR	(1,472)	(1,598)	-	-	-	-	-	-	-	-	-	-	-	-	(7,734)
Against AUD	(747)	(58)	-	-	-	-	-	-	-	-	-	81	-	-	(2,177)
Against EGP	9	(8,989)	-	-	-	-	-	-	-	-	-	-	-	-	(19,159)
Against UAH	170	(7,301)	-	-	-	-	-	-	-	-	-	-	-	-	(15,084)
Against CHF	3,664	1,917	-	-	-	-	-	-	-	-	-	-	-	-	14,850
Against BWP	-	-	-	-	-	-	-	-	(17,455)	-	-	-	-	-	(3,564)
Against NZD	-	-	-	-	-	-	-	-	-	-	(3,004)	-	-	-	(5,673)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(18)
	36,313	**2,200**	**819**	**(54,836)**	**10**	**25,652**	**9,801**	**(45,194)**	**35,096**	**12,195**	**(2,102)**	**81**	**(64,846)**	**296**	**109,414**

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2014 and December 31, 2013, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		Other Comprehensive Income	
December 31, 2014	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(106,472)	106,472	(106,342)	106,342
Secured portion from USD risk	102,330	(102,330)	102,330	(102,330)
USD Net effect	(4,142)	4,142	(4,012)	4,012
EUR net asset/liability	49,789	(49,789)	49,225	(49,225)
Secured portion from EUR risk	(46,583)	46,583	(4,272)	4,272
EUR Net effect	3,206	(3,206)	44,953	(44,953)
GBP net asset/liability	31,490	(31,490)	37,328	(37,328)
Secured portion from GBP risk	(29,185)	29,185	(29,185)	29,185
GBP Net effect	2,305	(2,305)	8,143	(8,143)
RUB net asset/liability	5,589	(5,589)	20,519	(20,519)
Secured portion from RUB risk	(5,927)	5,927	(5,927)	5,927
RUB Net effect	(338)	338	14,592	(14,592)
RON net asset/liability	-	-	42,334	(42,334)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	42,334	(42,334)
PLN net asset/liability	6,215	(6,215)	14,616	(14,616)
Secured portion from PLN risk	(5,304)	5,304	(5,304)	5,304
PLN Net effect	911	(911)	9,312	(9,312)
CZK net asset/liability	1,857	(1,857)	4,027	(4,027)
Secured portion from CZK risk	(1,853)	1,853	(1,853)	1,853
CZK Net effect	4	(4)	2,174	(2,174)
NOK net asset/liability	607	(607)	1,340	(1,340)
Secured portion from NOK risk	(498)	498	(498)	498
NOK Net effect	109	(109)	842	(842)
SEK net asset/liability	1,684	(1,684)	3,490	(3,490)
Secured portion from SEK risk	(2,011)	2,011	(2,011)	2,011
SEK Net effect	(327)	327	1,479	(1,479)
NZD net asset/liability	98	(98)	98	(98)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	98	(98)	98	(98)
ZAR net asset/liability	7,131	(7,131)	47,747	(47,747)
Secured portion from ZAR risk	(7,000)	7,000	(7,000)	7,000
ZAR Net effect	131	(131)	40,747	(40,747)
AUD net asset/liability	5,245	(5,245)	4,803	(4,803)
Secured portion from AUD risk	(6,424)	6,424	(6,424)	6,424
AUD Net effect	(1,179)	1,179	(1,621)	1,621
DKK net asset/liability	1,224	(1,224)	1,224	(1,224)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	1,224	(1,224)	1,224	(1,224)
JPY net asset/liability	(23)	23	(24)	24
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(23)	23	(24)	24
CAD net asset/liability	316	(316)	316	(316)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	316	(316)	316	(316)
EGP net asset/liability	-	-	(604)	604
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(604)	604
UAH net asset/liability	-	-	(707)	707
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	(707)	707
CNY net asset/liability	-	-	8,342	(8,342)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	8,342	(8,342)
CHF net asset/liability	-	-	14,112	(14,112)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	14,112	(14,112)
BWP net asset/liability	-	-	(437)	437
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	(437)	437
	2,295	(2,295)	181,263	(181,263)

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Gain/Loss		Other Comprehensive Income	
December 31, 2013	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(108,282)	108,282	(108,282)	108,282
Secured portion from USD risk	108,752	(108,752)	108,752	(108,752)
USD Net effect	**470**	**(470)**	**470**	**(470)**
EUR net asset/liability	79,285	(79,285)	42,694	(42,694)
Secured portion from EUR risk	(68,622)	68,622	8,608	(8,608)
EUR Net effect	**10,663**	**(10,663)**	**51,302**	**(51,302)**
GBP net asset/liability	35,908	(35,908)	48,550	(48,550)
Secured portion from GBP risk	(35,620)	35,620	(35,620)	35,620
GBP Net effect	**288**	**(288)**	**12,930**	**(12,930)**
RUB net asset/liability	9,605	(9,605)	28,638	(28,638)
Secured portion from RUB risk	(9,960)	9,960	(9,960)	9,960
RUB Net effect	**(355)**	**355**	**18,678**	**(18,678)**
RON net asset/liability	-	-	36,583	(36,583)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	**36,583**	**(36,583)**
PLN net asset/liability	3,904	(3,904)	11,689	(11,689)
Secured portion from PLN risk	(3,903)	3,903	(3,903)	3,903
PLN Net effect	**1**	**(1)**	**7,786**	**(7,786)**
CZK net asset/liability	1,348	(1,348)	2,936	(2,936)
Secured portion from CZK risk	(1,073)	1,073	(1,073)	1,073
CZK Net effect	**275**	**(275)**	**1,863**	**(1,863)**
NOK net asset/liability	341	(341)	1,665	(1,665)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**341**	**(341)**	**1,665**	**(1,665)**
SEK net asset/liability	1,796	(1,796)	3,012	(3,012)
Secured portion from SEK risk	(3,278)	3,278	(3,278)	3,278
SEK Net effect	**(1,482)**	**1,482**	**(266)**	**266**
NZD net asset/liability	14	(14)	14	(14)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	**14**	**(14)**	**14**	**(14)**
ZAR net asset/liability	10,927	(10,927)	49,662	(49,662)
Secured portion from ZAR risk	(10,211)	10,211	(10,211)	10,211
ZAR Net effect	**716**	**(716)**	**39,451**	**(39,451)**
AUD net asset/liability	3,758	(3,758)	3,494	(3,494)
Secured portion from AUD risk	(4,155)	4,155	(4,155)	4,155
AUD Net effect	**(397)**	**397**	**(661)**	**661**
DKK net asset/liability	479	(479)	479	(479)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	**479**	**(479)**	**479**	**(479)**
JPY net asset/liability	(131)	131	(131)	131
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(131)**	**131**	**(131)**	**131**
CAD net asset/liability	59	(59)	59	(59)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	**59**	**(59)**	**59**	**(59)**
EGP net asset/liability	-	-	(511)	511
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	**(511)**	**511**
UAH net asset/liability	-	-	177	(177)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	**177**	**(177)**
CNY net asset/liability	-	-	8,202	(8,202)
Secured portion from CNY risk	-	-	-	-
CNY Net effect	-	-	**8,202**	**(8,202)**
CHF net asset/liability	-	-	13,051	(13,051)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	-	-	**13,051**	**(13,051)**
BWP net asset/liability	-	-	(259)	259
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	**(259)**	**259**
	10,941	(10,941)	190,882	(190,882)

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	1,011,511,187	2,936,214	955,133,332	2,435,872
USD	292,747,790	639,712	328,709,376	621,436
GBP	252,617,572	907,677	265,142,594	798,179
Other		572,583		455,120
Total exports		**5,056,186**		**4,310,607**
EUR	361,979,041	1,049,355	429,856,529	1,077,984
USD	904,811,376	1,978,888	882,562,636	1,687,036
GBP	1,023,431	3,671	745,860	2,254
Other		31,775		5,187
Total imports		**3,063,689**		**2,772,461**

Capital Risk Management

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

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

The gearing ratios as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Total financial liabilities (Note 7)	4,767,609	4,254,538
Less: Cash and cash equivalents (Note 5)	(1,621,221)	(1,266,575)
Net financial liabilities	3,146,388	2,987,963
Equity	4,398,698	4,138,756
Total capital invested	**7,545,086**	**7,126,719**
Gearing ratio	**42%**	**42%**

NOTE 38 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of December 31, 2014 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 4,047,145 (December 31, 2013: TRY 3,642,347) (Note 7), and TRY 4,070,145 (December 31, 2013: TRY 3,650,310) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

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

NOTE 38 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of December 31, 2014 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 8)	-	25,586	-
Financial investments (Note 6)	-	696,996	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	3,811	-

Fair value hierarchy table as of December 31, 2013 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 8)	-	6,651	-
Financial investments (Note 6)	-	537,682	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	65,677	-

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

NOTE 39 - 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:

	December 31, 2014	December 31, 2013
Changes in provisions:		
Accrual for bonuses and premiums	30,051	243
Accrual for customer premiums	24,338	66,626
Provision for employment termination benefits	20,913	18,897
Provision for doubtful receivables	16,985	15,264
Provision for impairment on inventories	4,952	3,868
Provision for vacation pay liability	4,079	1,095
Provision for legal claims	1,603	369
Return provisions	(952)	1,962
Provision for assembly and transportation cost	(1,403)	14,474
Warranty provision	(3,718)	23,813
	96,848	**146,611**

....