

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

Arçelik Anonim Şirketi

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

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016

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

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016

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

| | | Unaudited | Audited |
|---|--------------|-----------------------|--------------------------|
| | Notes | March 31, 2016 | December 31, 2015 |
| EQUITY | | | |
| Paid-in capital | 20 | 675,728 | 675,728 |
| Adjustment to share capital | 20 | 468,811 | 468,811 |
| Share premium | | 889 | 889 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | | |
| -Actuarial gain/loss arising from defined benefit plans | | (60,300) | (57,615) |
| -Non-current assets revaluation fund | | 76,476 | 75,747 |
| Other comprehensive income/expense to be reclassified to profit or loss | | | |
| -Financial assets revaluation fund | | 374,201 | 374,201 |
| -Foreign currency hedge of net investments in foreign operations | | (262,831) | (259,170) |
| -Cash flow hedges | | (246) | 1,413 |
| -Currency translation differences | | 357,162 | 324,618 |
| Contribution to shareholders' equity related to merger | 20 | 14,507 | 14,507 |
| Restricted reserves | 20 | 329,872 | 307,051 |
| Retained earnings | | 2,446,010 | 1,839,690 |
| Net income for the period | | 155,701 | 891,141 |
| Attributable to: | | | |
| Equity holders of the parent | | 4,575,980 | 4,657,011 |
| Non-controlling interest | | 20,214 | 18,826 |
| Total equity | | 4,596,194 | 4,675,837 |
| Total liabilities and equity | | 13,867,924 | 13,738,508 |
| Commitments, contingent assets and liabilities | 14 | | |

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED MARCH 31, 2016

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

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

The average number of personnel employed by categories in the Group for the period ended March 31, 2016 is 4,592 white - collar (1 January- 31 March 2015: 4,358) and 20,543 (1 January- 31 March 2015: 20,512) blue – collar totalling to 25,135 (1 January- 31 March 2015: 24,870).

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as of and for the period ended March 31, 2016 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2016 have no impact on the consolidated financial statements of the Group.

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

In April 2015, POA of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

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

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

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and had no effect on the financial position or performance of the Group.

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are not applicable for the Group no effect on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income arising from equity accounted investments. The amendments had no significant effect on the financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

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

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

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

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

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

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

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

IFRS 16 Leases

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

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

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

IAS 7 'Statement of Cash Flows (Amendments)

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 3 - SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

| | | |
|-----|------|------|
| USD | 0.3 | 1.2 |
| EUR | 1.0 | 0.6 |
| AUD | 0.5 | 0.5 |
| BWP | 1.0 | 1.0 |
| CZK | 0.0 | 0.0 |
| CNY | 1.2 | 2.3 |
| ZAR | 5.2 | 5.2 |
| GBP | 0.3 | 0.3 |
| CHF | 0.1 | 0.1 |
| MYR | 2.4 | - |
| EGP | 5.4 | 4.5 |
| NAD | 5.0 | 5.0 |
| NOK | 0.3 | 0.1 |
| RON | 0.7 | 1.3 |
| RUB | 11.0 | 10.4 |
| THB | 0.8 | 0.8 |
| UAH | - | 8.5 |
| VND | 1.0 | 1.0 |
| NZD | 3.0 | 3.0 |

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

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

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

| | <u>March 31, 2016</u> | <u>December 31, 2015</u> |
|---|-----------------------|--------------------------|
| Short-term bank borrowings | 1,135,148 | 995,638 |
| Payables from factoring activities(*) | 47,358 | 39,628 |
| Other | 390 | 475 |
| Total short-term financial liabilities | 1,182,896 | 1,035,741 |

Short-term portion of long-term bank borrowings and interest accruals

| | | |
|--|------------------|------------------|
| | 1,266,540 | 1,119,002 |
| Interest accruals of long-term bond issued (**) | 58,233 | 29,999 |
| Total short-term portion of long-term financial liabilities | 1,324,773 | 1,149,001 |

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

(**) Long term bonds issued:

2014:

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

2013:

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

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

b) Long-term financial liabilities

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

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

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

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

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

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of March 31, 2016, detail of discounted amounts of long-term bonds issued is given below:

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|---|--|------------------------------|---------------------------|
| USD | 5.1 | 508,833,117 | 1,441,728 |
| EUR | 4.0 | 354,153,232 | 1,136,159 |
| | | | 2,577,887 |
| Interest accruals of long-term bonds issued | | | (58,233) |
| | | | 2,519,654 |

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

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

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

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

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

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

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NOTE 7 - DERIVATIVE INSTRUMENTS

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

| | March 31, 2016 | | | December 31, 2015 | | |
|--|------------------|----------------------------------|-----------------|-------------------|----------------------------------|----------------|
| | Contract amount | Fair value assets /(liabilities) | | Contract amount | Fair value assets /(liabilities) | |
| <i>Held for trading:</i> | | | | | | |
| <i>Short-term derivative instruments</i> | | | | | | |
| Forward transactions | 789,131 | 69 | (4,778) | 739,561 | 1,807 | (259) |
| Foreign currency swap contracts | 1,816,674 | 6,757 | (9,893) | 2,126,087 | 14,486 | (3,004) |
| | 2,605,805 | 6,826 | (14,671) | 2,865,648 | 16,293 | (3,263) |

Long-term derivative instruments

| | | | | | | |
|---|-----------|--------|---|-----------|---------|---|
| Cross-currency fixed interest rate swap (*) | 1,950,906 | 69,541 | - | 1,960,174 | 144,742 | - |
|---|-----------|--------|---|-----------|---------|---|

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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

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

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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

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

NOTE 9 - INVENTORIES

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

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

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NOTE 9 – INVENTORIES (Continued)

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

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

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

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

NOTE 10 - OTHER PAYABLES

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

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NOTE 11 - ASSOCIATES

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

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

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

Shares of income/loss from associates:

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

Aggregated summary figures of the financial statements of associates:

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

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

| | 2016 | 2015 |
|--|------------------|------------------|
| As of January 1 | | |
| Cost | 5,090,900 | 4,603,877 |
| Accumulated depreciation | (3,035,225) | (2,791,131) |
| Net carrying value | 2,055,675 | 1,812,746 |
| Net carrying value at the beginning of the period | 2,055,675 | 1,812,746 |
| Additions | 98,378 | 87,284 |
| Disposals | (1,145) | (8,821) |
| Currency translation differences | 9,358 | 38,680 |
| Depreciation for the period | (70,837) | (67,530) |
| Net carrying value at the end of the period | 2,091,429 | 1,862,359 |
| As of March 31 | | |
| Cost | 5,194,229 | 4,728,733 |
| Accumulated depreciation | (3,102,800) | (2,866,374) |
| Net carrying value | 2,091,429 | 1,862,359 |

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

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NOTE 13 – OTHER INTANGIBLE ASSET

| | 2016 | 2015 |
|--|------------------|----------------|
| As of January 1 | | |
| Cost | 1,506,857 | 1,318,647 |
| Accumulated amortization | (499,377) | (396,647) |
| Net carrying value | 1,007,480 | 922,000 |
| Net carrying value at the beginning of the period | 1,007,480 | 922,000 |
| Additions | 46,967 | 31,530 |
| Currency translation differences | 2,481 | 28,070 |
| Amortization for the period | (28,377) | (23,057) |
| Net carrying value at the end of the period | 1,028,551 | 958,543 |
| As of March 31 | | |
| Cost | 1,556,471 | 1,378,833 |
| Accumulated amortization | (527,920) | (420,290) |
| Net carrying value | 1,028,551 | 958,543 |

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

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

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NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2016, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 512.159.536 (December 31, 2015: USD 274,539,501). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

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

Derivative instruments contracts commitments

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

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

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

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

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

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

| | March 31, 2016 | December 31, 2015 |
|--|-----------------------|--------------------------|
| CPM's given by the Company | | |
| A. CPM's given for Company's own legal personality | 1,078,672 | 598,529 |
| B. CPM's given on behalf of fully consolidated companies | 43,271 | 43,112 |
| C. CPM's given on behalf of third parties for ordinary course of business | - | - |
| D. Total amount of other CPM's | - | - |
| i) Total amount of CPM's given on behalf of the majority shareholder | - | - |
| ii) Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C | - | - |
| iii) Total amount of CPM's given on behalf of third parties which are not in scope of C | - | - |
| Total | 1,121,943 | 641,641 |

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

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

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

NOTE 15 – OTHER PROVISIONS

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

NOTE 16 – PREPAID EXPENSES

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

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NOTE 17 – CURRENT INCOME TAX ASSETS

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

NOTE 18 – EMPLOYEE BENEFIT OBLIGATIONS

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

NOTE 19 - OTHER ASSETS AND LIABILITIES

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

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NOTE 20 - EQUITY

Paid-in capital

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

| | March 31, 2016 | December 31, 2015 |
|---------------------------------------|----------------|-------------------|
| Limit on registered share capital | 1,500,000 | 1,500,000 |
| Issued share capital in nominal value | 675,728 | 675,728 |

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

The shareholding structure of the Company is as follows:

| | March 31, 2016 | | December 31, 2015 | |
|---|----------------|------------------|-------------------|------------------|
| | Share % | Amount | Share % | Amount |
| Shareholders | | | | |
| Koç Holding A.Ş. | 40.51 | 273,742 | 40.51 | 273,742 |
| Temel Ticaret ve Yatırım A.Ş. | 2.75 | 18,577 | 2.75 | 18,577 |
| Semahat S. Arsel | 2.72 | 18,397 | 2.72 | 18,397 |
| Suna Kıraç | 2.60 | 17,542 | 2.60 | 17,542 |
| Rahmi M. Koç | 2.44 | 16,474 | 2.44 | 16,474 |
| Mustafa V. Koç | 0.91 | 6,177 | 0.91 | 6,177 |
| Total Koç Family members and companies owned by Koç Family members | 51.93 | 350,909 | 51.93 | 350,909 |
| Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş. | 12.05 | 81,428 | 12.05 | 81,428 |
| Burla Ticaret ve Yatırım A.Ş. | 5.56 | 37,572 | 5.56 | 37,572 |
| Koç Holding Emekli ve Yardım Sandığı Vakfı | 5.14 | 34,722 | 5.14 | 34,722 |
| Vehbi Koç Vakfı | 0.17 | 1,137 | 0.17 | 1,137 |
| Other | 25.15 | 169,960 | 25.15 | 169,960 |
| Paid-in capital | 100.00 | 675,728 | 100.00 | 675,728 |
| Adjustment to share capital (*) | | 468,811 | | 468,811 |
| Total share capital | | 1,144,539 | | 1,144,539 |

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

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

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NOTE 20 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

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

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

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NOT 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

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

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

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

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NOTE 23- FINANCIAL INCOME

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

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

NOTE 24 - FINANCIAL EXPENSES

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

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

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NOTE 25 - TAX ASSETS AND LIABILITIES

| | March 31, 2016 | December 31, 2015 |
|---------------------------------|----------------|-------------------|
| Corporation and income taxes | 18,542 | 99,123 |
| Prepaid tax | (9,860) | (86,061) |
| Tax liabilities (net) | 8,682 | 13,062 |
| Deferred tax assets | 220,844 | 198,647 |
| Deferred tax liabilities | (153,055) | (149,635) |
| Deferred tax assets, net | 67,789 | 49,012 |

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

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

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

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

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

| | Cumulative temporary differences | | Deferred tax assets/ (liabilities) | |
|--|----------------------------------|----------------------|---------------------------------------|----------------------|
| | March 31, 2016 | December 31, 2015 | March 31, 2016 | December 31, 2015 |
| Property, plant and equipment and intangible assets | 1,559,955 | 1,538,662 | (328,318) | (328,536) |
| Available-for-sale investments | 393,896 | 393,896 | (19,694) | (19,694) |
| Derivative instruments | 65,791 | 145,296 | (13,170) | (29,057) |
| Unearned credit finance income/expense (net) | 47,530 | 49,288 | (9,506) | (9,858) |
| Provision for doubtful receivables | 629 | (2,275) | 17 | 436 |
| Unused tax advantages (*) | (2,731,057) | (2,679,899) | 297,909 | 289,226 |
| Provision for warranty, assembly and transportation expenses | (304,570) | (282,602) | 62,752 | 58,459 |
| Provision for employment termination benefits | (163,316) | (169,396) | 32,663 | 33,879 |
| Provision for impairment on inventories | (58,564) | (58,662) | 11,871 | 11,799 |
| Other | (141,801) | (184,727) | 33,265 | 42,358 |
| Deferred tax assets, net | | | 67,789 | 49,012 |

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of March 31, 2016 the tax advantage of TRY 258,026 (December 31, 2015: TRY 254,274) in which the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment, from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

Movements in deferred tax asset / (liabilities) for the three-month periods ended March 31 are as follows:

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

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NOTE 26 - EARNINGS PER SHARE

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

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

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

| | January 1- March 31, 2016 | January 1- March 31, 2015 |
|---|--|--|
| Net income | 155,701 | 141,532 |
| Weighted average number of ordinary shares with nominal value (kurus 1 each one) | 67,572,820,500 | 67,572,820,500 |
| Earnings per share (kurus) (*) | 0.230 | 0.209 |
| Dividends distributed to the equity holders of the parent | 262,000 | 350,000 |
| Gross dividend distributed per share (kurus) (*) | 0.388 | 0.518 |

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

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NOTE 27 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

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

| | March 31, 2016 | December 31, 2015 |
|---|----------------|-------------------|
| <i>Other payables to related parties – Current:</i> | | |
| Dividend payables to shareholders | 262,000 | - |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (*) | 12,907 | 12,982 |
| | 274,907 | 12,982 |
| <i>Other payables to related parties – Non Current:</i> | | |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (*) | 54,392 | 59,359 |
| Other | 1,327 | 1,315 |
| | 55,719 | 60,674 |

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

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

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

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

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

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

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

(c) Deposits:

| | | |
|--|---------|---------|
| Yapı ve Kredi Bankası A.Ş. and its Subsidiaries ⁽¹⁾ | 719,541 | 519,044 |
|--|---------|---------|

(d) Bank borrowings:

| | | |
|---|--------|--------|
| Yapı ve Kredi Bankası A.Ş. and its Subsidiaries | 19,802 | 18,815 |
|---|--------|--------|

(e) Derivative instruments

| | Contract amount | Fair value assets/(liabilities) | |
|---|-----------------|---------------------------------|-------|
| March 31, 2016 | | | |
| Yapı ve Kredi Bankası A.Ş. and its Subsidiaries | 794,581 | 2,418 | (914) |
| December 31, 2015 | | | |
| Yapı ve Kredi Bankası A.Ş. and its Subsidiaries | 816,151 | 293 | (914) |

(1) Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(ii) Transactions with related parties

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

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

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

(*) The amount is composed of accrued premiums in the period ending March 31, 2016 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency.

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

(1) Koç Holding group companies

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

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

(d) Other transactions

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

| | March 31, 2016 | December 31, 2015 |
|---------|------------------|-------------------|
| Group 1 | 13,422 | 7,392 |
| Group 2 | 4,048,853 | 4,324,138 |
| Group 3 | 55,249 | 73,747 |
| | 4,117,524 | 4,405,277 |

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

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

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

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

| | March 31, 2016 | December 31, 2015 |
|-------------|----------------|-------------------|
| 0-1 month | 148,308 | 116,510 |
| 1-3 months | 92,347 | 165,005 |
| 3-12 months | 58,437 | 38,950 |
| 1-5 years | 36,706 | 34,127 |
| | 335,798 | 354,592 |

Foreign exchange risk

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

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

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

Foreign currency position

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

| | March 31, 2016 | December 31, 2015 |
|--|-----------------------|--------------------------|
| Assets | 3,515,124 | 3,408,875 |
| Liabilities | (3,938,642) | (3,892,464) |
| Net position of financial statement | (423,518) | (483,589) |
| Net position of derivative instruments | 235,647 | 503,552 |
| Foreign currency position (net) | (187,871) | 19,963 |

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FOR THE PERIOD ENDED MARCH 31, 2016

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of March 31, 2016 are as follows:

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

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

ARÇELİK ANONİM ŞİRKETİ**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2016**

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2016

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

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

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

| March 31, 2016 | Gain/Loss | | Other Comprehensive Income | |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% |
| USD net asset/liability | (136,495) | 136,495 | (135,157) | 135,157 |
| Secured portion from USD risk | 123,688 | (123,688) | 123,688 | (123,688) |
| USD Net effect | (12,807) | 12,807 | (11,469) | 11,469 |
| EUR net asset/liability | 81,048 | (81,048) | 84,798 | (84,798) |
| Secured portion from EUR risk | (85,733) | 85,733 | (37,611) | 37,611 |
| EUR Net effect | (4,685) | 4,685 | 47,187 | (47,187) |
| GBP net asset/liability | 34,254 | (34,254) | 38,418 | (38,418) |
| Secured portion from GBP risk | (35,880) | 35,880 | (35,880) | 35,880 |
| GBP Net effect | (1,626) | 1,626 | 2,538 | (2,538) |
| RUB net asset/liability | 2,867 | (2,867) | 25,002 | (25,002) |
| Secured portion from RUB risk | (3,052) | 3,052 | (3,052) | 3,052 |
| RUB Net effect | (185) | 185 | 21,950 | (21,950) |
| RON net asset/liability | - | - | 61,120 | (61,120) |
| Secured portion from RON risk | - | - | - | - |
| RON Net effect | - | - | 61,120 | (61,120) |
| PLN net asset/liability | 4,707 | (4,707) | 8,926 | (8,926) |
| Secured portion from PLN risk | (5,398) | 5,398 | (5,398) | 5,398 |
| PLN Net effect | (691) | 691 | 3,528 | (3,528) |
| CZK net asset/liability | 1,680 | (1,680) | 3,856 | (3,856) |
| Secured portion from CZK risk | (1,460) | 1,460 | (1,460) | 1,460 |
| CZK Net effect | 220 | (220) | 2,396 | (2,396) |
| NOK net asset/liability | 36 | (36) | 581 | (581) |
| Secured portion from NOK risk | (170) | 170 | (170) | 170 |
| NOK Net effect | (134) | 134 | 411 | (411) |
| SEK net asset/liability | (2,531) | 2,531 | 558 | (558) |
| Secured portion from SEK risk | 2,610 | (2,610) | 2,610 | (2,610) |
| SEK Net effect | 79 | (79) | 3,168 | (3,168) |
| NZD net asset/liability | 129 | (129) | 129 | (129) |
| Secured portion from NZD risk | - | - | - | - |
| NZD Net effect | 129 | (129) | 129 | (129) |
| ZAR net asset/liability | 7,235 | (7,235) | 49,143 | (49,143) |
| Secured portion from ZAR risk | (7,392) | 7,392 | (7,392) | 7,392 |
| ZAR Net effect | (157) | 157 | 41,751 | (41,751) |
| AUD net asset/liability | 7,121 | (7,121) | 6,625 | (6,625) |
| Secured portion from AUD risk | (7,136) | 7,136 | (7,136) | 7,136 |
| AUD Net effect | (15) | 15 | (511) | 511 |
| DKK net asset/liability | 2,644 | (2,644) | 2,644 | (2,644) |
| Secured portion from DKK risk | (2,149) | 2,149 | (2,149) | 2,149 |
| DKK Net effect | 495 | (495) | 495 | (495) |
| JPY net asset/liability | (15) | 15 | (15) | 15 |
| Secured portion from JPY risk | - | - | - | - |
| JPY Net effect | (15) | 15 | (15) | 15 |
| CAD net asset/liability | 944 | (944) | 944 | (944) |
| Secured portion from CAD risk | (1,051) | 1,051 | (1,051) | 1,051 |
| CAD Net effect | (107) | 107 | (107) | 107 |
| THB net asset/liability | 1 | (1) | 24,673 | (24,673) |
| Secured portion from THB risk | - | - | - | - |
| THB Net effect | 1 | (1) | 24,673 | (24,673) |
| EGP net asset/liability | - | - | (2,133) | 2,133 |
| Secured portion from EGP risk | - | - | - | - |
| EGP Net effect | - | - | (2,133) | 2,133 |
| UAH net asset/liability | - | - | (1,637) | 1,637 |
| Secured portion from UAH risk | - | - | - | - |
| UAH Net effect | - | - | (1,637) | 1,637 |
| CNY net asset/liability | 2,149 | (2,149) | 8,754 | (8,754) |
| Secured portion from CNY risk | (1,435) | 1,435 | (1,435) | 1,435 |
| CNY Net effect | 714 | (714) | 7,319 | (7,319) |
| CHF net asset/liability | (3) | 3 | 20,702 | (20,702) |
| Secured portion from CHF risk | - | - | - | - |
| CHF Net effect | (3) | 3 | 20,702 | (20,702) |
| BWP net asset/liability | - | - | 230 | (230) |
| Secured portion from BWP risk | - | - | - | - |
| BWP Net effect | - | - | 230 | (230) |
| RSD net asset/liability | - | - | 387 | (387) |
| Secured portion from RSD risk | - | - | - | - |
| RSD Net effect | - | - | 387 | (387) |
| MYR net asset/liability | - | - | 969 | (969) |
| Secured portion from MYR risk | - | - | - | - |
| MYR Net effect | - | - | 969 | (969) |
| VND net asset/liability | - | - | 828 | (828) |
| Secured portion from VND risk | - | - | - | - |
| VND Net effect | - | - | 828 | (828) |
| | (18,787) | 18,787 | 223,909 | (223,909) |

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

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

| December 31, 2015 | Gain/Loss | | Other Comprehensive Income | |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% | Foreign exchange appreciation by 10% | Foreign exchange depreciation by 10% |
| USD net asset/liability | (129,674) | 129,673 | (128,553) | 128,553 |
| Secured portion from USD risk | 125,975 | (125,975) | 125,975 | (125,975) |
| USD Net effect | (3,699) | 3,698 | (2,578) | 2,578 |
| EUR net asset/liability | 53,201 | (53,202) | 55,402 | (55,402) |
| Secured portion from EUR risk | (52,073) | 52,073 | (4,409) | 4,409 |
| EUR Net effect | 1,128 | (1,129) | 50,993 | (50,993) |
| GBP net asset/liability | 42,232 | (42,232) | 46,370 | (46,370) |
| Secured portion from GBP risk | (38,339) | 38,339 | (38,339) | 38,339 |
| GBP Net effect | 3,893 | (3,893) | 8,031 | (8,031) |
| RUB net asset/liability | 4,310 | (4,310) | 24,503 | (24,503) |
| Secured portion from RUB risk | (4,476) | 4,476 | (4,476) | 4,476 |
| RUB Net effect | (166) | 166 | 20,027 | (20,027) |
| RON net asset/liability | - | - | 57,110 | (57,110) |
| Secured portion from RON risk | - | - | - | - |
| RON Net effect | - | - | 57,110 | (57,110) |
| PLN net asset/liability | 6,360 | (6,361) | 10,165 | (10,165) |
| Secured portion from PLN risk | (6,376) | 6,376 | (6,376) | 6,376 |
| PLN Net effect | (16) | 15 | 3,789 | (3,789) |
| CZK net asset/liability | 2,599 | (2,599) | 4,464 | (4,464) |
| Secured portion from CZK risk | (2,265) | 2,265 | (2,265) | 2,265 |
| CZK Net effect | 334 | (334) | 2,199 | (2,199) |
| NOK net asset/liability | 815 | (815) | 1,332 | (1,332) |
| Secured portion from NOK risk | (729) | 729 | (729) | 729 |
| NOK Net effect | 86 | (86) | 603 | (603) |
| SEK net asset/liability | (2,068) | 2,068 | 952 | (952) |
| Secured portion from SEK risk | 1,790 | (1,790) | 1,790 | (1,790) |
| SEK Net effect | (278) | 278 | 2,742 | (2,742) |
| NZD net asset/liability | 1 | (1) | 1 | (1) |
| Secured portion from NZD risk | - | - | - | - |
| NZD Net effect | 1 | (1) | 1 | (1) |
| ZAR net asset/liability | 12,379 | (12,379) | 53,752 | (53,752) |
| Secured portion from ZAR risk | (12,645) | 12,645 | (12,645) | 12,645 |
| ZAR Net effect | (266) | 266 | 41,107 | (41,107) |
| AUD net asset/liability | 6,207 | (6,207) | 5,993 | (5,993) |
| Secured portion from AUD risk | (6,475) | 6,475 | (6,475) | 6,475 |
| AUD Net effect | (268) | 268 | (482) | 482 |
| DKK net asset/liability | 2,137 | (2,137) | 2,137 | (2,137) |
| Secured portion from DKK risk | (1,276) | 1,276 | (1,276) | 1,276 |
| DKK Net effect | 861 | (861) | 861 | (861) |
| CAD net asset/liability | 262 | (262) | 262 | (262) |
| Secured portion from CAD risk | (419) | 419 | (419) | 419 |
| CAD Net effect | (157) | 157 | (157) | 157 |
| THB net asset/liability | - | - | 25,392 | (25,392) |
| Secured portion from THB risk | - | - | - | - |
| THB Net effect | - | - | 25,392 | (25,392) |
| EGP net asset/liability | - | - | (1,380) | 1,380 |
| Secured portion from EGP risk | - | - | - | - |
| EGP Net effect | - | - | (1,380) | 1,380 |
| UAH net asset/liability | - | - | (1,492) | 1,492 |
| Secured portion from UAH risk | - | - | - | - |
| UAH Net effect | - | - | (1,492) | 1,492 |
| CNY net asset/liability | 594 | (594) | 7,729 | (7,729) |
| Secured portion from CNY risk | - | - | - | - |
| CNY Net effect | 594 | (594) | 7,729 | (7,729) |
| CHF net asset/liability | (51) | 51 | 19,927 | (19,927) |
| Secured portion from CHF risk | - | - | - | - |
| CHF Net effect | (51) | 51 | 19,927 | (19,927) |
| BWP net asset/liability | - | - | 254 | (254) |
| Secured portion from BWP risk | - | - | - | - |
| BWP Net effect | - | - | 254 | (254) |
| RSD net asset/liability | - | - | 252 | (252) |
| Secured portion from RSD risk | - | - | - | - |
| RSD Net effect | - | - | 252 | (252) |
| MYR net asset/liability | - | - | 983 | (983) |
| Secured portion from MYR risk | - | - | - | - |
| MYR Net effect | - | - | 983 | (983) |
| VND net asset/liability | - | - | 870 | (870) |
| Secured portion from VND risk | - | - | - | - |
| VND Net effect | - | - | 870 | (870) |
| | 1,996 | (1,999) | 236,781 | (236,781) |

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

Import and exports performed to / from Turkey for the periods ended as of March 31, 2016 and 2015 are as follows:

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as of March 31, 2016 is as follows:

| Financial assets carried at fair value in statement of financial position | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|
| Derivative instruments (assets) (Note 7) | - | 76,367 | - |
| Financial investments (Note 5) | - | 537,684 | - |
| Financial liabilities carried at fair value in statement of financial position | | | |
| Derivative instruments (liabilities) (Note 7) | - | 14,671 | - |

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

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

Fair value hierarchy table as of December 31, 2015 is as follows:

| Financial assets carried at fair value in statement of financial position | Level 1 | Level 2 | Level 3 |
|---|----------------|----------------|----------------|
| Derivative instruments (assets) (Note 7) | - | 161,035 | - |
| Financial investments (Note 5) | - | 537,684 | - |
| Financial liabilities carried at fair value in statement of financial position | | | |
| Derivative instruments (liabilities) (Note 7) | - | 3,263 | - |

NOTE 29 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

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

NOTE 30 – EVENTS AFTER BALANCE SHEET DATE

None.

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