

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

Arçelik Anonim Şirketi

January 1-March 31, 2014 condensed interim consolidated financial statements

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2014 AND DECEMBER 31, 2013

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

		Unaudited	Audited
	Notes	March 31, 2014	December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,553,300	1,266,575
Trade receivables			
-Due from related parties	28	42,103	27,219
-Trade receivables, third parties	8	4,101,182	4,154,921
Derivative instruments	7	1,288	6,651
Inventories	9	2,024,453	1,988,373
Prepaid expenses	17	63,916	46,932
Current income tax assets	18	35,715	34,337
Other current assets	20	120,066	125,274
Subtotal		7,942,023	7,650,282
Assets held for sale		9,175	8,836
Total current assets		7,951,198	7,659,118
Non-current assets:			
Financial investments	5	539,170	539,170
Trade receivables			
-Trade receivables, third parties	8	18,095	27,456
Associates	11	179,370	192,404
Investment properties	12	6,479	6,346
Property, plant and equipment	13	1,817,155	1,836,789
Intangible assets			
-Goodwill		175,045	172,706
-Other intangible assets	14	906,393	886,268
Deferred tax assets	26	93,979	90,659
Total non-current assets		3,735,686	3,751,798
Total assets		11,686,884	11,410,916

These condensed interim consolidated financial statements as at and for the period ended March 31, 2014, have been approved for issue by the Board of Directors on April 25, 2014 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013

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

	Notes	Unaudited	Audited
		March 31, 2014	December 31, 2013
LIABILITIES			
Current liabilities:			
Financial liabilities	6	755,412	612,048
Short term portion of long term financial liabilities	6	1,112,990	1,061,331
Trade payables			
-Due to related parties	28	198,994	437,457
-Trade payables, third parties	8	1,280,941	1,207,443
Derivative instruments	7	6,460	14,497
Employee benefit obligations	19	89,997	135,599
Other payables			
-Due to related parties	28	309,207	8,860
-Other payables, third parties	10	85,338	96,526
Current income tax liabilities	26	16,970	19,648
Provisions			
-Other provisions	16	311,178	258,548
Other current liabilities	20	227,770	239,186
Total current liabilities		4,395,257	4,091,143
Non-current liabilities			
Financial liabilities	6	2,703,936	2,581,159
Other payables			
-Due to related parties	28	61,704	62,427
Derivate instruments	7	59,237	51,180
Provisions			
-Provision for employee benefits		127,928	127,161
-Other provisions	16	90,841	93,707
Deferred tax liabilities	26	249,511	245,515
Other non-current liabilities		30,089	19,868
Total non-current liabilities		3,323,246	3,181,017
Total liabilities		7,718,503	7,272,160
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
-Actuarial gain/loss arising from defined benefit plans		(10,096)	(6,891)
Other comprehensive income/loss to be reclassified to profit or loss			
-Financial assets revaluation fund		374,201	374,201
-Non-current assets revaluation fund		71,687	70,002
-Foreign currency hedge of net investments in foreign operations		(238,723)	(210,776)
-Cash flow hedges		(96)	421
-Currency translation differences		331,510	308,266
Contribution to shareholders' equity related to merger	21	14,507	14,507
Restricted reserves	21	275,430	248,809
Retained earnings		1,792,300	1,521,038
Net income for the period		131,161	597,845
Atributable to:			
Equity holders of the parent		3,887,309	4,062,850
Non-controlling interest		81,072	75,906
Total equity		3,968,381	4,138,756
Total liabilities and equity		11,686,884	11,410,916

Commitments, contingent assets and liabilities

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013

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

	Notes	Unaudited	
		January 1- March 31, 2014	Restated January 1- March 31, 2013
Net sales	3	2,802,266	2,430,171
Cost of sales		(1,910,467)	(1,691,658)
Gross profit		891,799	738,513
General administrative expenses		(121,529)	(96,552)
Marketing, selling and distribution expenses		(534,171)	(432,862)
Research and development expenses		(25,427)	(19,461)
Other operating income	22	76,988	29,242
Other operating expenses	22	(47,464)	(59,773)
Operating profit		240,196	159,107
Income from investment activities	23	13,389	290
Expenses from investment activities	23	(898)	(179)
Income from associates	11	5,791	7,031
Operating income before financial income/(expense)		258,478	166,249
Financial income	24	106,054	106,990
Financial expenses	25	(203,909)	(113,843)
Profit before tax from continued operations		160,623	159,396
Tax income/(expense) of continued operations			
- Taxes on income	26	(28,056)	(33,537)
- Deferred tax income	26	1,938	8,262
Net income from continued operations		134,505	134,121
Attributable to:			
Non-controlling interest		3,344	4,684
Equity holders of the parent		131,161	129,437
Earnings per share (Kr)	27	0.194	0.192

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013

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

	Unaudited	
	January 1- March 31, 2014	January 1- March 31, 2013
Net income for the period	134,505	134,121
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss in subsequent periods	(3,205)	-
Actuarial loss arising from defined benefit plans	(4,006)	-
Tax effect other comprehensive income/loss not to be reclassified to profit or loss	801	-
Items to be reclassified to profit or loss	(1,675)	(35,211)
Foreign currency hedge of net investments in foreign operations	(34,934)	10,783
Share of other comprehensive income of associates	(517)	198
Currency translation differences	26,789	(44,142)
Tax effect of other comprehensive income/loss to be reclassified to profit or loss	6,987	(2,050)
Other comprehensive loss (net of tax)	(4,880)	(35,211)
Total comprehensive income	129,625	98,910
Attributable to:		
Non-controlling interest	5,204	1,538
Equity holders of the parent	124,421	97,372

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013

(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	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non- controlling interest	Total equity
Balance at January 1, 2014	675,728	468,811	889	14,507	(6,891)	(210,355)	444,203	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	131,161	131,161	3,344	134,505
<i>Other comprehensive income:</i>														
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(27,947)	-	-	-	-	-	(27,947)	-	(27,947)
Share of other comprehensive income of associates	-	-	-	-	-	(517)	-	-	-	-	-	(517)	-	(517)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(3,205)	-	-	-	-	-	-	(3,205)	-	(3,205)
Currency translation differences	-	-	-	-	-	-	1,685	23,244	-	-	-	24,929	1,860	26,789
Total other comprehensive income	-	-	-	-	(3,205)	(28,464)	1,685	23,244	-	-	-	(6,740)	1,860	(4,880)
Total comprehensive income	-	-	-	-	(3,205)	(28,464)	1,685	23,244	-	-	131,161	124,421	5,204	129,625
Transfers	-	-	-	-	-	-	-	-	26,621	571,224	(597,845)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	38	-	38	(38)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	-	(300,000)
As of March 31, 2014	675,728	468,811	889	14,507	(10,096)	(238,819)	445,888	331,510	275,430	1,792,300	131,161	3,887,309	81,072	3,968,381

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

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**

(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			Restricted reserves	Retained earnings		Equity holders of the parent	Non- controlling interest	Total equity	
	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences		Accumulated profit	Net income for the period				
Balance at December 31, 2012 - previously reported	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235	
Change in accounting policy - TAS 19	-	-	-	-	247	-	-	-	-	4,802	(5,049)	-	-	-	
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235	
<i>Comprehensive income</i>															
Net income for the period	-	-	-	-	-	-	-	-	-	-	129,437	129,437	4,684	134,121	
<i>Other comprehensive income:</i>															
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	8,626	-	-	-	-	-	8,626	-	8,626	
Share of other comprehensive income of associates	-	-	-	-	-	198	-	-	-	-	-	198	-	198	
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	107	-	-	-	-	107	-	107	
Currency translation differences	-	-	-	-	-	-	(2,880)	(38,116)	-	-	-	(40,996)	(3,146)	(44,142)	
Total other comprehensive income	-	-	-	-	-	8,824	(2,773)	(38,116)	-	-	-	(32,065)	(3,146)	(35,211)	
Total comprehensive income	-	-	-	-	-	8,824	(2,773)	(38,116)	-	-	129,437	97,372	1,538	98,910	
Transfers	-	-	-	-	-	-	-	-	32,122	487,592	(519,714)	-	-	-	
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(421)	-	-	421	-	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	(355,000)	-	(355,000)	-	(355,000)	
As of March 31, 2013 - as restated	675,728	468,811	889	14,507	247	(48,707)	524,622	48,674	248,809	1,521,007	129,437	3,584,024	87,121	3,671,145	

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013

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

	Notes	Unaudited	
		January 1- March 31, 2014	Restated January 1- March 31, 2013
Operating activities:			
Income before tax		134,505	134,121
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes</i>			
Taxes expense	26	26,118	25,275
Depreciation and amortization		84,219	73,580
Changes in provisions	30	40,806	55,641
Interest expenses	25	71,706	39,251
Interest income	24	(6,177)	(11,861)
Income from associates (net)	11	(5,791)	(7,031)
(Income)/loss from derivative instruments (net)	24, 25	4,802	(13,537)
Incentive income	22	(3,626)	(8,718)
Dividend income from financial investments	23	(12,944)	-
Gain from sales of tangible and intangible assets (net)	23	453	(111)
Net cash flow from operating activities before changes in operating assets and liabilities		334,071	286,610
Changes in operating assets and liabilities (net):			
Trade payables and due to related parties		(165,341)	89,473
Other non-current liabilities		14,799	(557)
Other current assets and liabilities		(87,641)	(8,389)
Inventories		(32,558)	2,609
Trade receivables and due from related parties		45,982	(83,268)
Payments of employee termination benefit obligation		(9,872)	(7,242)
Corporate and income taxes paid		(17,488)	(14,906)
Cash flows from operating activities		81,952	264,330
Investing activities:			
Acquisition of tangible and intangible assets		(79,732)	(67,782)
Cash provided from sales of tangible and intangible assets		564	1,445
Dividends received	11	14,100	22,475
Cash provided from incentives		3,851	6,247
Dividends received from financial investments	23	12,944	-
Cash flows from investing activities		(48,273)	(37,615)
Financing activities:			
Proceeds from bank borrowings		772,760	225,685
Repayment of bank borrowings		(485,317)	(305,130)
Interest paid		(55,660)	(36,609)
Interest received		6,091	9,624
Derivative instruments		580	11,944
Cash flows from financing activities		238,454	(94,486)
Net increase in cash and cash equivalents before currency translation differences			
		272,133	132,229
Currency translation differences (net)		14,506	1,327
Net increase in cash and cash equivalents		286,639	133,556
Cash and cash equivalents at January 1	4	1,265,726	1,739,277
Cash and cash equivalents at March 31	4	1,552,365	1,872,833

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 21).

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

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

The average number of personnel employed by categories in the Group for the period ended March 31, 2014 is 4,164 white - collar (1 January- 31 March 2013: 3,978) and 19,127 (1 January- 31 March 2013: 18,681) blue – collar totaling to 23,291 (1 January- 31 March 2013: 22,659).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Continuing operations as of balance sheet date			
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Ardutch B.V. Taiwan (“Ardutch Taiwan”) (*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) (*)	Australia, New Zealand	Sales	Consumer Durables
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (Beko France”)	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. (Beko Hong Kong”)	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer Durables/Electronics
Beko LLC. (“Beko Russia”)	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. (“Beko UK”) (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) (*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Ukraine LLC (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Limited (“Defy”)	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Limited (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Limited (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Limited (“Defy Trust”)	Republic of South Africa	Investment	Real Estate
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”)	Netherlands	Investment	Holding
Grundig Intermedia GmbH (“Grundig Intermedia”) (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
Kindoc Park (Proprietary) Limited (“Defy Kindoc”)	Republic of South Africa	Investment	Real Estate
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics

(*) 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, 2014

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

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

	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Subsidiaries			
Ceased operations as of balance sheet date:			
Archin Limited (“Archin”)	Hong Kong, China	-	-
ArcticPro SRL (“ArcticPro”)	Romania	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Beko S.A. Hungary (“Beko Hungary”)	Hungary	-	-
Blomberg Werke GmbH (“Blomberg Werke”)	Germany	-	-
Defy (Swaziland) (Proprietary) Limited (“Defy Swaziland”)	Swaziland	-	-
Carron SA (Proprietary) Limited (“Defy Carron”)	Republic of South Africa	-	-
Grundig Ceska Republika S.r.o (“Grundig Czech Republic”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Grundig Slovakia s.r.o (“Grundig Slovakia”)	Slovakia	-	-
Ocean Appliances Limited. (“Defy Ocean”)	Republic of South Africa	-	-
Raupach Wollert GmbH (“Raupach”)	Germany	-	-
Associates			
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/IFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The Group prepared its interim consolidated financial statements as at and for the period ended March 31, 2014, in accordance with the Turkish Accounting Standard No 34 “Interim Financial Reporting”.

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 condensed interim consolidated financial statements in accordance with this decision.

New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at March 31, 2014 are applied consistently with the TAS/IFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2014 has no impact on the condensed interim consolidated financial statements of the Group.

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

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 interim financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the condensed interim consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments – Classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2015. 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. Early adoption is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

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

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

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. Earlier application of the standard is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

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

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards’ Basis for Conclusions, the changes are effective from July 1, 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

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

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.

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

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

IAS 24 Related Party Disclosures

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

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

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

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

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

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

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2013, include the accounts of the parent company, Arçelik, and its Subsidiaries.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

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

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

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

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after March 31, 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes were made at the Group’s condensed interim consolidated financial statements.

The reclassifications made at the Group’s statement of profit or loss for the period ended March 31, 2013 are as follows:

- Income from sales of property, plant and equipment amounting TRY 290 which were disclosed under other operating income in previous periods are reclassified to income from investment activities,
- Loss from sales of property, plant and equipment amounting TRY 179 which were disclosed under other operating expense in previous periods are reclassified to expenses from investment activities,
- Foreign exchange gains from trading activities amounting TRY 7,712 and credit finance income amounting TRY 8,241 which were disclosed under financial income in previous periods are reclassified to other operating income,
- Foreign exchange losses from trading activities amounting TRY 32,039, credit finance charges amounting TRY 126 and cash discounts amounting TRY 3,099 which were disclosed under financial expenses in previous periods are reclassified to other operating expenses,
- Gains on derivative instruments under financial income and losses on derivative instruments under financial expenses are grossed up amounting TRY 4,403.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

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

The reclassifications made at the Group’s March 31, 2013 condensed interim statement of cash flows are as follows:

- Reclassifications are made at the statement of cash flows between cash flows from operating activities, investing activities and cash flow from financing activities retrospectively. For the period ended March 31, 2013; cash inflow from incentives amounting TRY 8,718 are disclosed under cash flow from investing activities and cash outflow arising from derivative financial instruments amounting TRY 13,537 are disclosed under cash flows from financing activities. These reclassifications are presented under adjustments to reconcile net cash provided from operating activities to income before taxes.
- Cash outflow from payment of employee termination benefit obligation amounting TRY 7,242 shown as a separate line which were disclosed under changes in provision.

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 TAS/IFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/IFRS. 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 months period ended March 31, 2014 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2013. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

(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 electronics 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.

Accounting policies applied by each operational segment of Arçelik are the same as those are applied in Arçelik’s condensed interim consolidated financial statements prepared in accordance with TAS/IFRS.

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, 2014 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	1,948,131	452,057	402,078	2,802,266
Gross profit	659,394	110,919	121,486	891,799
Depreciation and amortization	70,499	11,954	3,210	85,663
Capital expenditures	65,434	14,268	1,718	81,420
Income from associates	-	-	5,791	5,791

- b) Operational segments which have been prepared in accordance with the reportable segments for the three-month period ended March 31, 2013 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	1,675,813	335,863	418,495	2,430,171
Gross profit	567,202	51,598	119,713	738,513
Depreciation and amortization	59,817	12,036	2,921	74,774
Capital expenditures	55,952	10,163	2,861	68,976
Income from associates	-	-	7,031	7,031

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SEGMENT REPORTING (Continued)

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

January 1 – March 31, 2014	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,028,591	1,222,256	217,787	333,632	2,802,266
Income from associates	5,791	-	-	-	5,791

January 1 – March 31, 2013	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,080,360	856,408	234,155	259,248	2,430,171
Income from associates	7,031	-	-	-	7,031

NOTE 4 - CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
Cash in hand	343	315
Cash at banks		
- demand deposits	116,203	125,062
- time deposits	1,377,437	1,067,005
Cheques and notes	53,258	69,075
Other	5,124	4,269
Cash and cash equivalents in cash flow statement	1,552,365	1,265,726
Interest income accruals	935	849
	1,553,300	1,266,575

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

Up to 30 days	1,550,819	1,262,977
30-90 days	2,481	3,598
	1,553,300	1,266,575

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

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

	March 31, 2014	December 31, 2013
TRY	-	7.0
USD	2.2	1.6
EUR	2.2	1.6
AUD	0.5	0.5
CNY	1.2	2.7
ZAR	5.0	4.5
GBP	0.3	0.3
CHF	0.1	0.1
SEK	3.2	4.0
NOK	-	0.6
PLN	2.3	2.3
RON	3.2	3.2
NZD	3.0	3.0

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	March 31, 2014		December 31, 2013	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	537,682	3.98	537,682
Other		1,488		1,488
		539,170		539,170

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	March 31, 2014	December 31, 2013
Short-term bank borrowings	754,790	611,625
Other	622	423
Total short-term financial liabilities	755,412	612,048
Short-term portion of long-term bank borrowings and interest accruals	1,085,922	1,048,288
Interest accruals of long-term bond issued (*)	27,068	13,043
Total short-term portion of long-term financial liabilities	1,112,990	1,061,331

(*) The Group issued bond to the investors outside of Turkey and bond sales transactions were completed on April 3, 2013. Maturity of the bonds amounting USD 500 million with re-offer yield 5.125% that quoted in Ireland Stock Exchange is April 3, 2023. Interest payments are on semi-annual basis and coupon rate is 5%.

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.5	516,459,344	516,459
EUR	1.5	52,985,695	159,338
ZAR	7.1	250,000,000	51,758
CNY	5.6	37,095,978	13,003
RUB	9.7	138,812,795	8,458
USD	0.9	2,636,753	5,774
			754,790

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

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

	March 31, 2014	December 31, 2013
Long-term bank borrowings	1,621,039	1,526,555
Long-term bond issued	1,082,554	1,054,461
Other	343	143
	2,703,936	2,581,159

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.6	1,116,436,247	1,116,436
EUR	2.6	422,201,176	1,269,643
ZAR	8.2	750,000,000	155,273
USD	3.1	50,472,694	110,525
RUB	8.7	904,057,877	55,084
			2,706,961
Less: Short-term portion of long-term loans and interest accruals			(1,085,922)
			1,621,039

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

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

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	506,723,010	1,109,622
			1,109,622
Less: interest accruals of long-term bonds issued			(27,068)
			1,082,554

As of December 31, 2013, details of discounted amounts of long-term bonds issued are given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	500,165,711	1,067,504
			1,067,504
Less: interest accruals of long-term bonds issued			(13,043)
			1,054,461

The redemption schedule of the long-term bank borrowings and bonds is as follows:

	March 31, 2014	December 31, 2013
2015	872,975	1,148,071
2016	303,225	123,986
2017	311,185	123,986
2018	66,827	65,256
2019	66,827	65,256
2023	1,082,554	1,054,461
	2,703,593	2,581,016

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

Up to 6 months	3,104,196	2,892,754
1-5 years	357,555	293,714
Over 5 years	1,109,622	1,067,504
	4,571,373	4,253,972

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

	March 31, 2014		December 31, 2013	
	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	967,338	1,207 (5,103)	1,233,804	817 (8,822)
Foreign currency swap contracts	332,586	81 (1,357)	857,585	5,834 (5,675)
	1,299,924	1,288 (6,460)	2,091,389	6,651 (14,497)

Long-term derivative instruments

Cross-currency fixed interest rate swap (*)	1,643,411	- (59,237)	1,583,318	- (51,180)
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in US Dollars against the major foreign currencies that sales and collections are performed in, Group 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.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	March 31, 2014	December 31, 2013
Short-term trade receivables:		
Trade receivables	2,508,009	2,404,779
Notes receivables	1,488,459	1,651,986
Cheques receivables	217,849	227,891
Short-term trade receivables (gross)	4,214,317	4,284,656
Less: Provision for doubtful receivables	(98,875)	(113,281)
Less: Unearned credit finance income	(14,260)	(16,454)
Short-term trade receivables (net)	4,101,182	4,154,921

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2014	2013
As of January 1	113,281	93,229
Additions (Note 22)	2,234	291
Provisions released (Note 22)	(583)	(30)
Write-offs (*)	(16,916)	(593)
Currency translation differences	859	(282)
As of March 31	98,875	92,615

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

	March 31, 2014	December 31, 2013
Long-term trade receivables	18,095	27,456
Short-term trade payables:		
Trade payables	1,224,878	1,165,156
Debt accruals	66,562	51,536
Unearned credit finance charges	(10,499)	(9,249)
	1,280,941	1,207,443

NOTE 9 - INVENTORIES

	March 31, 2014	December 31, 2013
Raw materials and supplies	902,670	899,869
Work in progress	71,702	60,299
Finished goods	857,224	792,747
Trade goods	253,321	295,645
Inventories (gross)	2,084,917	2,048,560
Less: Provision for impairment on inventories	(60,464)	(60,187)
Inventories (net)	2,024,453	1,988,373

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

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NOTE 9 – INVENTORIES (Continued)

Provision for impairment on inventories in terms of inventory type is as follows:

	March 31, 2014	December 31, 2013
Raw materials and supplies	50,313	49,778
Finished goods	7,494	7,560
Trade goods	2,657	2,849
	60,464	60,187

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

	2014	2013
As of January 1	60,187	59,785
Additions (Note 22)	686	881
Realized due to sales of inventory	(798)	(783)
Currency translation differences	389	(222)
As of March 31	60,464	59,661

NOTE 10 - OTHER PAYABLES

	March 31, 2014	December 31, 2013
Taxes and duties payable	69,621	82,444
Dividend payables to non-controlling interest	4,469	4,370
Deposits and guarantees received	3,027	4,811
Other	8,221	4,901
	85,338	96,526

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NOTE 11 - ASSOCIATES

	March 31, 2014		December 31, 2013	
	%	TRY	%	TRY
Koç Finansman	47.0	72,688	47.0	82,015
Arçelik - LG	45.0	89,812	45.0	94,202
Ram Dış Ticaret	33.5	10,327	33.5	9,654
Tanı Pazarlama	32.0	6,543	32.0	6,533
		179,370		192,404

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

	2014	2013
As of January 1	192,404	182,614
Shares of income/loss of associates	5,791	7,031
Shares of other comprehensive income of associates	(517)	198
Gross profit elimination of inventory	(4,208)	-
Dividends received	(14,100)	(22,475)
As of March 31	179,370	167,368

Shares of income/(loss) from associates:

	January 1- March 31, 2014	January 1- March 31, 2013
Koç Finansman	5,290	4,297
Arçelik – LG	(182)	2,599
Ram Dış Ticaret	673	417
Tanı Pazarlama	10	(282)
	5,791	7,031

Aggregated summary figures of the financial statements of associates:

	March 31, 2014	December 31, 2013
Total assets	2,540,682	2,574,343
Total liabilities	2,135,173	2,141,268
	January 1- March 31, 2014	January 1- March 31, 2013
Net sales	375,144	431,597
Net profit/(loss) for the period	3,533	15,283

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NOTE 12 - INVESTMENT PROPERTIES

	2014	2013
As of January 1		
Cost	15,651	12,268
Accumulated depreciation	(9,305)	(7,169)
Net carrying value	6,346	5,099
Net carrying value at the beginning of the period	6,346	5,099
Currency translation differences	169	(78)
Depreciation for the period	(36)	(37)
Net carrying value at the end of the period	6,479	4,984
As of March 31		
Cost	16,069	12,085
Accumulated depreciation	(9,590)	(7,101)
Net carrying value	6,479	4,984

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2014	2013
As of January 1		
Cost	4,466,236	4,017,756
Accumulated depreciation	(2,629,447)	(2,414,353)
Net carrying value	1,836,789	1,603,403
Net carrying value at the beginning of the period	1,836,789	1,603,403
Additions	50,830	39,570
Transfers ⁽¹⁾	-	11,015
Disposals	(1,017)	(1,114)
Currency translation differences	(4,091)	(6,476)
Depreciation for the period	(65,356)	(57,652)
Net carrying value at the end of the period	1,817,155	1,588,746
As of March 31		
Cost	4,505,030	4,053,507
Accumulated depreciation	(2,687,875)	(2,464,761)
Net carrying value	1,817,155	1,588,746

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

⁽¹⁾ Spare parts and servicing equipment that meet the definition of property, plant and equipment are transferred to property, plant and equipments, which had been accounted for as inventories in the prior reporting periods.

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NOTE 14 –OTHER INTANGIBLE ASSETS

	2014	2013
As of January 1		
Cost	1,199,395	1,023,120
Accumulated amortization	(313,127)	(235,519)
Net carrying value	886,268	787,601
Net carrying value at the beginning of the period	886,268	787,601
Additions	30,590	29,407
Disposals	-	(220)
Currency translation differences	9,806	(18,105)
Amortization for the period	(20,271)	(17,086)
Net carrying value at the end of the period	906,393	781,597
As of March 31		
Cost	1,240,663	1,033,200
Accumulated amortization	(334,270)	(251,612)
Net carrying value	906,393	781,588

Net carrying value of the development costs as of March 31, 2014 is TRY 293,726 (December 31, 2013: TRY 285,237) and capitalized development costs in the period is TRY 25,678 (January 1 – March 31, 2013: TRY 23,628).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of March 31, 2014, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 891,888,504 (December 31, 2013: USD 341,723,301). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	March 31, 2014	December 31, 2013
Up to 1 year	21,130	20,014
1-5 years	41,301	43,036
Over 5 years	15,567	16,001
Operating lease commitments	77,998	79,051

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

Derivative instruments contracts commitments

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

March 31, 2014	Foreign exchange purchase commitments	Foreign exchange sales commitments
TRY	59,669	60,935
USD	1,153,930	7,894
EUR	134,335	855,973
AUD	-	48,540
CZK	-	9,909
ZAR	9,954	67,315
GBP	-	260,969
SEK	-	23,524
CHF	29,892	-
PLN	-	43,361
RON	63,545	-
RUB	3,917	109,674
	1,455,242	1,488,094

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

ARÇELİK ANONİM ŞİRKETİ

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

	March 31, 2014	December 31, 2013
Collaterals obtained	2,481,523	2,536,469

Collaterals, pledges and mortgages (“CPM”) given by the Group as of March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
CPM’s given by the Company		
A. CPM’s given for companies own legal personality	774,407	611,665
B. CPM’s given on behalf of fully consolidated companies	22,234	37,678
C. CPM’s given for continuation of its economic activities on behalf of third parties	-	-
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 to 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	796,641	649,343

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

	March 31, 2014	December 31, 2013
CPM's given by the Company		
USD	736,276	577,306
TRY	40,732	51,639
EUR	14,142	15,002
Other currencies	5,491	5,396
	796,641	649,343

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NOTE 16 – OTHER PROVISIONS

	March 31, 2014	December 31, 2013
Short-term provisions		
Warranty provision	152,435	147,835
Assembly provision	69,882	53,712
Provision for transportation cost	13,029	9,748
Provision for returns	9,605	9,423
Provision for lawsuit risks	6,680	6,653
Other	59,547	31,177
	311,178	258,548
Long-term provisions		
Warranty provision	90,614	93,256
Other	227	451
	90,841	93,707

NOTE 17 – PREPAID EXPENSES

	March 31, 2014	December 31, 2013
Short-term prepaid expenses	46,579	31,299
Advances given for fixed assets	15,312	14,640
Advances given for inventories	2,025	993
	63,916	46,932

NOTE 18 – CURRENT INCOME TAX ASSETS

	March 31, 2014	December 31, 2013
Prepaid taxes and funds	35,715	34,337

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	March 31, 2014	December 31, 2013
Social security payable	35,883	56,322
Payables to personnel	33,867	72,108
Accrual for bonuses and premiums	20,247	7,169
	89,997	135,599

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NOTE 20 - OTHER ASSETS AND LIABILITIES

	March 31, 2014	December 31, 2013
Other current assets:		
Value added tax and private consumption tax receivable	64,489	18,586
Taxes and funds deductible	29,724	92,616
Income accruals	15,847	4,681
Other	10,006	9,391
	120,066	125,274
Other current liabilities:		
Accruals for customer premiums	208,639	212,085
Advances received	16,605	24,558
Other	2,526	2,543
	227,770	239,186

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NOTE 21 - EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. Registered and issued share capital of the Company is as follows:

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

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

	March 31, 2014		December 31, 2013	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S. Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M. Koç	2.44	16,474	2.44	16,474
Mustafa V. Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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NOTE 21 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

Contribution to shareholders’ equity is 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, 2014	December 31, 2013
General legal reserves	83,690	83,690
Other legal reserves	191,740	165,119
	275,430	248,809

As agreed in the ordinary general meeting dated March 27, 2014, the decision to pay dividend as cash has been taken and the payment was made in April 2014 (previous year in April 2013). The dividend details are as follows: 44.4% (2013: 52.5%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 37.7% (2013: 45.6%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) and net TRY 0.37737 (full) (2013: TRY 0,45612 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

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NOTE 22 – OTHER OPERATING INCOME AND EXPENSES

	January 1- March 31, 2014	January 1- March 31, 2013
Other operating income:		
Foreign exchange gains arising from trading activities	66,468	7,712
Income from claims and grants	3,626	8,718
Credit finance income arising from trading activities	2,652	8,241
Reversal of provisions for doubtful receivables	583	30
Reversals of provisions	536	302
Other	3,123	4,239
	76,988	29,242
Other operating expenses:		
Foreign exchange losses arising from trading activities	(32,873)	(32,039)
Cash discounts expenses	(3,750)	(3,099)
Provision expense for doubtful receivables	(2,234)	(291)
Credit finance charges arising from trading activities	(1,800)	(126)
Provision expense for impairment on inventories	(686)	(881)
Product recall expenses	(622)	(4,388)
Other	(5,499)	(18,949)
	(47,464)	(59,773)

NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities:		
Dividends received from financial investments	12,944	-
Income from sales of property plant and equipment	445	290
	13,389	290
Expenses from investment activities:		
Loss from sales of property plant and equipment	(898)	(179)
	(898)	(179)

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NOTE 24 - FINANCIAL INCOME

	January 1- March 31, 2014	January 1- March 31, 2013
Foreign exchange gains (*)	66,175	75,160
Gains on derivative instruments	33,697	19,951
Interest income	6,177	11,861
Other	5	18
	106,054	106,990

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

NOTE 25 – FINANCIAL EXPENSES

	January 1- March 31, 2014	January 1- March 31, 2013
Foreign exchange losses (*)	(90,829)	(66,368)
Interest expenses	(71,706)	(39,251)
Losses on derivative instruments	(38,499)	(6,414)
Other	(2,875)	(1,810)
	(203,909)	(113,843)

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

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NOTE 26 - TAX ASSETS AND LIABILITIES

	March 31, 2014	December 31, 2013
Corporation taxes	20,569	82,107
Less: prepaid tax	(3,599)	(62,459)
Taxes payable (net)	16,970	19,648
Deferred tax assets	93,979	90,659
Deferred tax liabilities	(249,511)	(245,515)
Deferred tax liabilities (net)	(155,532)	(154,856)

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

The corporation tax rate is 20% in Turkey (December 31, 2013: 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

The taxes on income for the periods ended March 31 are summarized as follows:

	January 1- March 31, 2014	January 1- March 31, 2013
Tax expenses		
- Current period tax expense	(28,056)	(33,537)
- Deferred tax expense	1,938	8,262
Tax expenses (net)	(26,118)	(25,275)

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) calculated using effective tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Property, plant and equipment and intangible assets	1,390,282	1,362,408	(295,849)	(289,422)
Available-for-sale investments	393,896	393,896	(19,694)	(19,694)
Unearned credit finance income/(expense) (net)	64,213	58,473	(12,843)	(11,695)
Unused tax credits	(240,528)	(255,047)	50,384	53,051
Provision for warranty and assembly expense	(216,066)	(194,471)	44,855	40,659
Provision for employment termination benefits	(116,645)	(116,017)	23,329	23,225
Provision for impairment on inventories	(51,899)	(49,761)	10,367	10,017
Derivative instruments	(62,037)	(63,199)	12,311	12,604
Provision for doubtful receivables	(9,237)	(17,228)	2,115	3,426
Accrual for licenses	(7,294)	(6,008)	1,459	1,202
Other	(114,395)	(87,992)	28,034	21,771
Deferred tax liabilities (net)			(155,532)	(154,856)

Movements in the net deferred tax assets/(liabilities) for the three months periods ended March 31 are as follows:

	2014	2013
As of January 1	(154,856)	(150,438)
Tax expense recognized in statement of profit or loss	1,938	8,262
Tax recognized directly in the shareholders' equity	801	107
Currency translation differences	(3,415)	(658)
As of March 31	(155,532)	(142,727)

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NOTE 27 – EARNINGS PER SHARE

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

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, 2014	January 1- March 31, 2013
Net income attributable to the equity holders of the parent	131,161	129,437
Weighted average number of ordinary shares with nominal value (kr 1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kr) (*)	0.194	0.192
Dividends distributed to the equity holders of the parent	300,000	355,000
Gross dividend distributed per share (kr) (*)	0.444	0.525

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

NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	March 31, 2014	December 31, 2013
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	32,575	22,114
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	3,791	3,242
Setur Servis Turistik A.Ş. ⁽¹⁾	3,416	-
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	1,579	1,052
Other	742	811
	42,103	27,219
(b) Due to related parties:		
Short term:		
Arçelik-LG ⁽²⁾	132,326	270,661
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	24,465	107,972
Ram Dış Ticaret ⁽²⁾	29,582	36,030
Other	12,621	22,794
	198,994	437,457

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

ARÇELİK ANONİM ŞİRKETİ

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

	March 31, 2014	December 31, 2013
<i>Other liabilities – Current</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	9,207	8,860
Dividend payables to shareholders	300,000	-
	309,207	8,860

Other liabilities – Non Current

Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	61,704	62,427
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*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of March 31, 2014. (December 31, 2013: TRY 81,040).

Maturity breakdown of gross future minimum other payables of other liabilities to Zer Merkezi Hizmetler ve Ticaret A.Ş. is as follows:

	March 31, 2014	December 31, 2013
Other payables to related parties (gross)		
Up to 1 year	12,700	12,379
1 to 5 years	49,873	48,663
Over 5 years	21,843	24,331
	84,416	85,373
Less: future finance charges on other liabilities	(13,505)	(14,086)
Present value of other payables to related parties (net)	70,911	71,287

Maturity analysis of the present value of other liabilities to Zer Merkezi Hizmetler ve Ticaret A.Ş. is as follows:

	March 31, 2014	December 31, 2013
Up to 1 year	9,207	8,860
1 to 5 years	40,945	39,449
Over 5 years	20,759	22,978
	70,911	71,287

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	519,093	294,694
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	31,232	108,144
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ARÇELİK ANONİM ŞİRKETİ

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

(e) Derivative financial instruments

	Contract value	Fair value asset/(liability)
March 31, 2014		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	150,569	- (452)
December 31, 2013		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484 -

(ii) Transactions with related parties

(a) Sales of goods and services:	January 1- March 31, 2014	January 1- March 31, 2013
Akpa Dayanımlı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	18,417	25,352
Koçtaş Yapı Marketleri Ticaret A.Ş.	4,253	4,043
Yapı ve Kredi Bankası A.Ş.	3,284	423
Arçelik-LG	803	954
Zer Merkezi Hizmetler ve Ticaret A.Ş.	409	293
Other	114	493
	27,280	31,558
(b) Purchases of goods and services:	January 1- March 31, 2014	January 1- March 31, 2013
Zer Merkezi Hizmetler ve Ticaret A.Ş.	92,936	114,062
Arçelik-LG	38,435	102,743
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽¹⁾ (*)	22,103	19,932
Ram Dış Ticaret	32,686	15,611
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽²⁾	8,234	8,468
Koç Holding A.Ş.	3,319	3,044
Setur Servis Turistik A.Ş.	3,058	1,930
Other	12,080	7,378
	212,851	273,168

⁽¹⁾ Company controlled by Koç family members

⁽²⁾ Koç Holding group company

^(*) The amount is composed of accrued premiums in the interim periods in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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 the due dates periods and rates pertaining to trade receivables from third parties.

(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 three months period ended March 31, 2014 amounts to TRY 1,800 (January 1-March 31, 2013: TRY 1,645). The compensation includes only short-term benefits.

(d) Other transactions

	January 1- March 31, 2014	January 1- March 31, 2013
<i>Interest income</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	3,057	5,317
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	1,052	2,640

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

ARÇELİK ANONİM ŞİRKETİ

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

Interest Rate Risk

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

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

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.

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

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

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

March 31, 2014	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	42,103	4,119,277	1,494,575	1,288
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,191,724)	-	-
A. Net book value of financial asset either are not due or not impaired	42,103	3,821,935	1,494,575	1,288
-Secured portion by guarantees, etc.	-	(2,942,025)	-	-
B. Financial assets with renegotiated conditions	-	32,031	-	-
- Secured portion by guarantees, etc.	-	(23,919)	-	-
C. Net book value of overdue but not impaired financial assets	-	211,148	-	-
- Secured portion by guarantees, etc.	-	(171,617)	-	-
D. Net book value of the impaired assets	-	54,163	-	-
- Overdue (Gross book value)	-	153,038	-	-
- Impairment (-)	-	(98,875)	-	-
- Secured portion of the net value by guarantees, etc.	-	(54,163)	-	-
December 31, 2013	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	27,219	4,182,377	1,192,916	6,651
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,250,611)	-	-
A. Net book value of financial asset either are not due or not impaired	27,219	3,900,410	1,192,916	6,651
-Secured portion by guarantees, etc.	-	(3,017,459)	-	-
B. Financial assets with renegotiated conditions	-	28,379	-	-
- Secured portion by guarantees, etc.	-	(23,919)	-	-
C. Net book value of overdue but not impaired financial assets	-	203,105	-	-
- Secured portion by guarantees, etc.	-	(158,750)	-	-
D. Net book value of the impaired assets	-	50,483	-	-
- Overdue (Gross book value)	-	163,764	-	-
- Impairment (-)	-	(113,281)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,483)	-	-

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

	March 31, 2014	December 31, 2013
Group 1	12,021	11,281
Group 2	3,755,524	3,808,259
Group 3	128,524	136,468
	3,896,069	3,956,008

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

Group 2 - Existing customers with no defaults in the past (customers for a period of more than three 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, 2014	December 31, 2013
0-1 month	116,491	139,078
1-3 months	65,370	33,547
3-12 months	21,676	22,735
1-5 years	7,611	7,745
	211,148	203,105

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro denominated 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 other comprehensive income in the revaluation 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, 2014, a portion of bank borrowings in Euro amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2013 – EUR 328,750,000).

Foreign currency position

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

	March 31, 2014	December 31, 2013
Assets	2,972,069	2,808,426
Liabilities	(3,212,946)	(3,190,616)
Statement of financial position (net)	(240,877)	(382,190)
Net position of derivative instruments	342,151	491,604
Foreign currency position (net)	101,274	109,414

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

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

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
Trade receivables	344,645	160,809	74,706	1,785,666	67,497	114,581	16,661	60,976	-	21,711	28,514	-	-	444	1,924,095
Monetary financial assets	255,981	23,648	883	1	-	1	-	29,897	-	1,811	1	297	-	296	836,708
Other	11,948	70,180	48	-	-	-	-	-	-	-	-	-	-	-	189,784
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	103,763	-	-	-	-	-	21,482
Total assets	612,574	254,637	75,637	1,785,667	67,497	114,582	16,661	90,873	103,763	23,522	28,515	297	-	740	2,972,069
Current liabilities															
Trade payables	82,774	133,731	836	-	-	-	4,355	26,456	10,095	-	4,284	-	66,310	-	567,446
Financial liabilities	222,326	15,502	-	-	-	-	-	-	-	-	-	-	-	-	702,525
Other monetary financial liabilities	1,233	34,238	-	-	-	-	-	-	-	-	-	-	-	-	78,682
Non-Current liabilities															
Trade payables	-	28,178	-	-	-	-	-	-	-	-	-	-	-	-	61,704
Financial liabilities	200,115	548,362	-	-	-	-	-	-	-	-	-	-	-	-	1,802,589
Total liabilities	506,448	760,011	836	-	-	-	4,355	26,456	10,095	-	4,284	-	66,310	-	3,212,946
Statement of financial position (net)	106,126	(505,374)	74,801	1,785,667	67,497	114,582	12,306	64,417	93,668	23,522	24,231	297	(66,310)	740	(240,877)
Off-balance sheet															
derivative assets (*)	187,833	526,956	-	64,292	-	-	-	-	-	-	-	-	-	-	1,722,698
Off-balance sheet															
derivative liabilities (*)	(284,641)	(3,605)	(71,807)	(1,800,000)	(60,000)	(90,000)	-	(70,000)	(100,000)	-	(24,000)	-	-	-	(1,380,547)
Net position of															
off-balance sheet items	(96,808)	523,351	(71,807)	(1,735,708)	(60,000)	(90,000)	-	(70,000)	(100,000)	-	(24,000)	-	-	-	342,151
Foreign currency position (net)	9,318	17,977	2,994	49,959	7,497	24,582	12,306	(5,583)	(6,332)	23,522	231	297	(66,310)	740	101,274
Net asset/(liability) position of foreign															
currency monetary items	94,178	(575,554)	74,753	1,785,667	67,497	114,582	12,306	64,417	93,668	23,522	24,231	297	(66,310)	740	(430,661)
Fair value of financial instruments used															
for foreign exchange edge															(64,409)
Hedged amount of foreign currency assets	284,641	3,605	71,807	1,800,000	60,000	90,000	-	70,000	100,000	-	24,000	-	-	-	1,380,547
Hedged amount of foreign currency															
liabilities	37,833	526,956	-	64,292	-	-	-	-	-	-	-	-	-	-	1,271,618

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

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

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

March 31, 2014	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	(1,082)	28,630	2,312	49,959	7,497	24,582	16,661	(9,023)	-	-	4,411	-	(66,310)	740	91,018
Against EUR	-	6,634	-	-	-	-	-	-	3,763	-	-	-	-	-	15,306
Against RUB	1,854	2,440	-	-	-	-	-	-	-	-	-	-	-	-	10,918
Against PLN	(3,133)	58	-	-	-	-	-	-	-	-	-	-	-	-	(9,295)
Against GBP	(204)	-	-	-	-	-	-	-	-	-	-	-	-	-	(613)
Against RON	(609)	1,751	351	-	-	-	-	-	-	(70)	-	-	-	-	3,251
Against CZK	(1,595)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,796)
Against NOK	4,357	(122)	-	-	-	-	-	3,440	-	23,592	-	-	-	-	23,479
Against SEK	2,645	(16)	-	-	-	-	(4,355)	-	-	-	-	-	-	-	6,334
Against CNY	1,297	(7,905)	331	-	-	-	-	-	-	-	-	-	-	-	(12,207)
Against ZAR	3,992	1,549	-	-	-	-	-	-	-	-	-	-	-	-	15,397
Against AUD	(1,466)	(36)	-	-	-	-	-	-	-	-	-	297	-	-	(3,923)
Against EGP	5	(11,622)	-	-	-	-	-	-	-	-	-	-	-	-	(25,435)
Against UAH	159	(5,470)	-	-	-	-	-	-	-	-	-	-	-	-	(11,500)
Against CHF	3,104	2,086	-	-	-	-	-	-	-	-	-	-	-	-	13,902
Against BWP	-	-	-	-	-	-	-	-	(10,095)	-	-	-	-	-	(2,090)
Against NZD	-	-	-	-	-	-	-	-	-	-	(4,180)	-	-	-	(8,454)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(18)
	9,318	17,977	2,994	49,959	7,497	24,582	12,306	(5,583)	(6,332)	23,522	231	297	(66,310)	740	101,274

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2013 are as follows:

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

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

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

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

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

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

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

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

Imports and exports to / from Turkey for the periods ended as of March 31, 2014 and 2013 are as follows:

	January 1 - March 31, 2014		January 1 - March 31, 2013	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	245,328,592	745,490	199,965,255	469,951
USD	93,074,577	206,292	96,979,809	173,364
GBP	55,628,540	204,050	60,515,568	167,027
Other		148,659		102,092
Total exports		1,304,491		912,434
EUR	77,244,801	233,133	99,902,187	234,709
USD	226,272,489	501,822	191,876,477	341,149
GBP	221,050	798	150,683	416
Other		5,528		2,174
Total imports		741,281		578,448

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 at March 31, 2014 is as follows:

Financial assets carried at fair value in statement of financial position:

	Level 1	Level 2	Level 3
Derivative assets (Note 7)	-	1,288	-
Financial assets (Note 5)	-	537,682	-

Financial liabilities carried at fair value in statement of financial position:

Derivative liabilities (Note 7)	-	65,697	-
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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

**Financial assets carried at fair value in statement of
financial position:**

	Level 1	Level 2	Level 3
Derivative assets (Note 7)	-	6,651	-
Financial assets (Note 5)	-	537,682	-

**Financial liabilities carried at fair value in statement of
financial position:**

Derivative liabilities (Note 7)	-	65,677	-
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NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

Statements of cash flows are presented within the condensed interim consolidated financial statements. “Changes in provisions” presented in the condensed interim consolidated statements of cash flows are as follows:

	March 31, 2014	March 31, 2013
Changes in provisions:		
Assembly and transportation provision	19,452	21,143
Accrual for bonuses and premiums	13,077	11,485
Provision for employment termination benefits	6,668	8,578
Provision for doubtful receivables	2,234	291
Warranty provision	1,959	2,653
Provision for impairment on inventories	686	881
Return provisions	183	32
Provision for legal claims	27	1,245
Provision for vacation pay liability	(34)	190
Accrual for customer premiums	(3,446)	9,143
	40,806	55,641

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