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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arçelik A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Arçelik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matter*
Recoverability of trade receivables Trade receivables from third parties (TL 6.516.438 thousand as of 31 December 2017), constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, recoverability of trade receivables is a key matter for our audit. Please refer to notes 2.3, 9 and 35 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy and risk management policy.	We performed the following procedures in relation to the recoverability of trade receivables: • Understanding the business process for collections from customers and testing the operational effectiveness of selected key controls, • Understanding, evaluating and testing of credit risk related key controls in the financial reporting process, • Understanding and evaluating the customer and distributor collections process run by the finance department, • Analytical procedures on aging of receivables and trade receivable turnover days, comparing them to the prior period, • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables, • Testing receivables from third parties by obtaining confirmation letters from customers and distributors and reconciling them to the Group's accounting records, • Testing collections in the subsequent period from selected customers and distributors, • Testing, on a sample basis, guarantees/collaterals held and assessing the Group's ability to convert them to cash, • Assessing the adequacy of disclosures around recoverability of trade receivables in the consolidated financial statements. We had no material findings related to the recoverability of trade receivables as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	***How our audit addressed the key audit matter***
Provision for the impairment of inventories The Group's inventories, amounting to TL 3,779,928 thousand as of 31 December 2017, carry a risk of diminution in value due to disruptive technological changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit. Please refer to notes 2.3 and 11 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.	Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, • Analytical procedures on inventory turnover rates compared to the prior year, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. We had no material findings related to the provision for the impairment of inventories as a result of these procedures.

3. Key Audit Matters (Continued)

Key audit matters	*How our audit addressed the key audit matter*
Impairment tests of indefinite-life intangible assets The carrying value of brands and goodwill which are accounted for under indefinite-life intangible assets amounted to TL 1,052,282 thousand and TL 438,112 thousand, respectively, in the consolidated financial statements as of 31 December 2017. In accordance with TAS, these indefinite-life intangible assets should be tested for impairment annually. Brands and goodwill are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. These are, for goodwill impairment tests; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates and in addition to these, royalty rates used in the relief from royalty method for the brand impairment tests. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit. Please refer to notes 2.3, 14 and 15 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment tests of brands and goodwill: • Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, • Evaluating management forecasts and future plans based on macroeconomic information, • Comparing forecasted cash flows for each CGU with its historical financial performance, • Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the durable goods and consumer electronics industries, • Testing of the setup of the discounted cash flow models and their mathematical accuracy, • Assessing management's sensitivity analysis for key assumptions, • Testing of the disclosures in the consolidated financial statements in relation to indefinite-life intangible assets, and evaluating the adequacy of these disclosures for TAS' requirements. We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.

4. Other matter

The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 6 February 2017 expressed an unqualified opinion.

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

6. Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 30 January 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Cihan Harman, SMMM
Partner

İstanbul, 30 January 2018

CONTENTS	PAGES

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

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

		Audited	
	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	5	2,581,964	2,441,871
Trade receivables			
-Due from related parties	34	13,609	6,504
-Trade receivables, third parties	9	6,504,009	5,288,765
Derivative instruments	8	9,133	4,804
Inventories	11	3,779,928	2,761,570
Prepaid expenses	20	215,763	119,154
Current income tax assets	21	106,532	74,629
Other current assets	23	398,838	276,575
Total current assets		**13,609,776**	**10,973,872**
Non-current assets:			
Financial investments	6	2,552	2,735
Trade receivables			
-Trade receivables, third parties	9	12,429	24,484
Derivate instruments	8	38,249	178,882
Associates	12	282,261	236,090
Property, plant and equipment	13	3,264,771	2,762,299
Intangible assets			
-Goodwill	15	438,112	393,752
-Other intangible assets	14	2,140,338	1,910,508
Deferred tax assets	32	648,007	426,746
Total non-current assets		**6,826,719**	**5,935,496**
Total assets		**20,436,495**	**16,909,368**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017

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

		Audited	
	Notes	December 31, 2017	December 31, 2016
LIABILITIES			
Current liabilities:			
Financial liabilities	7	1,034,417	1,239,158
Short term portion of long term financial liabilities	7	2,227,770	1,011,416
Trade payables			
-Due to related parties	34	550,948	506,164
-Trade payables, third parties	9	3,024,620	2,579,825
Derivative instruments	8	13,888	4,385
Employee benefit obligations	22	323,515	246,298
Other payables			
-Due to related parties	34	19,712	16,622
-Other payables, third parties	10	242,655	220,873
Current income tax liabilities	32	28,053	23,363
Provisions			
-Other provisions	18	430,630	412,360
Other current liabilities	23	506,812	345,624
Total current liabilities		**8,403,020**	**6,606,088**
Non-current liabilities			
Financial liabilities	7	4,113,916	3,407,081
Other payables			
-Due to related parties	34	40,246	56,292
Provisions			
-Provision for employee benefits	19	241,758	227,571
-Other provisions	18	232,163	140,236
Deferred tax liabilities	32	439,909	412,591
Other non-current liabilities		50,406	54,932
Total non-current liabilities		**5,118,398**	**4,298,703**
Total liabilities		**13,521,418**	**10,904,791**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017

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

		Audited	
	Notes	December 31, 2017	December 31, 2016
EQUITY			
Paid-in capital	24	675,728	675,728
Adjustment to share capital	24	468,811	468,811
Share premium/discount		889	889
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
Gains/ losses on revaluation and remeasurement			
-Actuarial gain/loss arising from defined benefit plans		(112,901)	(94,522)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
-Currency translation differences		1,622,125	1,022,912
Gains/ losses on hedge			
-Gains/ losses on hedges of net investment in foreign operations		(419,715)	(323,047)
-Gains/ losses on cash flow hedges		7,263	6,152
Gains/ losses on revaluation and reclassification			
-Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets		2,009	2,183
Balancing account for merger capital	24	14,507	14,507
Restricted reserves	24	368,993	329,872
Retained earnings		3,410,341	2,574,550
Net income for the period		842,949	1,299,912
Equity holders of the parent		6,880,998	5,977,947
Non-controlling interest		34,079	26,630
Total equity		**6,915,077**	**6,004,577**
Total liabilities and equity		**20,436,495**	**16,909,368**
Commitments, contingent assets and liabilities	17		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Audited	
	Notes	**2017**	**2016**
Net sales	4,25	20,840,613	16,096,172
Cost of sales	4,25	(14,334,414)	(10,756,612)
Gross profit		**6,506,199**	**5,339,560**
General administrative expenses	26	(936,579)	(762,791)
Marketing expenses	26	(4,027,699)	(3,227,324)
Research and development expenses	26	(170,177)	(151,668)
Other income from operating activities	28	711,838	690,067
Other expenses from operating activities	28	(371,751)	(389,773)
Operating profit		**1,711,831**	**1,498,071**
Income from investment activities	29	8,285	418,742
Expenses from investment activities	29	(7,347)	(2,413)
Income from associates (net)	12	39,090	34,857
Operating income before financial income/(expense)		**1,751,859**	**1,949,257**
Financial income	30	901,539	670,046
Financial expenses	31	(1,832,501)	(1,417,622)
Profit from continuing operations before tax		**820,897**	**1,201,681**
Tax income/(expense), continuing operations			
- Taxes on income	32	(194,034)	(100,195)
- Deferred tax income	32	218,440	202,664
Net income		**845,303**	**1,304,150**
Attributable to			
Non-controlling interest		2,354	4,238
Equity holders of the parent		**842,949**	**1,299,912**
Earnings per share (kurus)	33	**1,247**	**1.924**
Diluted earnings per share (kurus)	33	**1,247**	**1.924**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Audited	
	2017	**2016**
Net income	**845,303**	**1,304,150**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss	**(22,829)**	**(45,925)**
Actuarial gain/ loss arising from defined benefit plans	(22,491)	(45,089)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss	(338)	(836)
Other comprehensive income not to be reclassified to profit or loss, tax effect	**4,449**	**9,018**
Actuarial gain/ loss arising from defined benefit plans, tax effect	4,449	9,018
Other comprehensive income to be reclassified to profit or loss	**484,502**	**212,825**
Currency translation differences	604,410	679,530
Other comprehensive income related with hedges of net investments in foreign operations	(120,836)	(79,845)
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	(183)	(391,598)
Share of other comprehensive income of associates accounted for using equity method that wil be reclassified to profit or loss	1,111	4,738
Other comprehensive income to be reclassified to profit or loss, tax effect	**24,177**	**35,549**
Other comprehensive income related with hedges of net investments in foreign operations, tax effect	24,168	15,969
Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets, tax effect	9	19,580
Other comprehensive income (net of tax)	**490,299**	**211,467**
Total comprehensive income	**1,335,602**	**1,515,617**
Attributable to:		
Non-controlling interest	7,551	7,804
Equity holders of the parent	**1,328,051**	**1,507,813**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

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

					Other accumulated comprehensive income and expense not to be reclassified to profit or loss	Other accumulated comprehensive income and expense to be reclassified to profit or loss				Retained earnings				
	Paid-in capital	Adjustment to share capital	Share premium /discount	Balancing account for merger capital	Actuarial gain/(loss) arising from defined benefit plans	Gains/ (losses) on hedge	Gains/ (losses) on revaluation and reclassification / Gains/ losses on remeasuring and/or reclassification of available-for-sale financial assets	Currency translation differences	Restricted reserves	Accumulated profit	Net income	Equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2016	**675,728**	**468,811**	**889**	**14,507**	**(57,615)**	**(257,757)**	**374,201**	**346,948**	**307,051**	**1,893,107**	**891,141**	**4,657,011**	**18,826**	**4,675,837**
Other restatements	-	-	-	-	-	-	-	-	-	75,123	-	**75,123**	-	**75,123**
Restated balances	**675,728**	**468,811**	**889**	**14,507**	**(57,615)**	**(257,757)**	**374,201**	**346,948**	**307,051**	**1,968,230**	**891,141**	**4,732,134**	**18,826**	**4,750,960**
Transfers	-	-	-	-	-	-	-	-	22,821	868,320	(891,141)	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(36,907)**	**(59,138)**	**(372,018)**	**675,964**	**-**	**-**	**1,299,912**	**1,507,813**	**7,804**	**1,515,617**
Net income	-	-	-	-	-	-	-	-	-	-	1,299,912	**1,299,912**	4,238	**1,304,150**
Other comprehensive income	-	-	-	-	(36,907)	(59,138)	(372,018)	675,964	-	-	-	207,901	3,566	211,467
Dividends paid (Note 24)	-	-	-	-	-	-	-	-	-	(262,000)	-	**(262,000)**	-	**(262,000)**
As of December 31, 2016	**675,728**	**468,811**	**889**	**14,507**	**(94,522)**	**(316,895)**	**2,183**	**1,022,912**	**329,872**	**2,574,550**	**1,299,912**	**5,977,947**	**26,630**	**6,004,577**
Balance at January 1, 2017	**675,728**	**468,811**	**889**	**14,507**	**(94,522)**	**(316,895)**	**2,183**	**1,022,912**	**329,872**	**2,574,550**	**1,299,912**	**5,977,947**	**26,630**	**6,004,577**
Transfers	-	-	-	-	-	-	-	-	39,121	1,260,791	(1,299,912)	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(18,380)**	**(95,557)**	**(174)**	**599,213**	**-**	**-**	**842,949**	**1,328,051**	**7,551**	**1,335,602**
Net income	-	-	-	-	-	-	-	-	-	-	842,949	**842,949**	2,354	**845,303**
Other comprehensive income	-	-	-	-	(18,380)	(95,557)	(174)	599,213	-	-	-	485,102	5,197	490,299
Dividends paid (Note 24)	-	-	-	-	-	-	-	-	-	(425,000)	-	**(425,000)**	(102)	**(425,102)**
As of December 31, 2017	**675,728**	**468,811**	**889**	**14,507**	**(112,902)**	**(412,452)**	**2,009**	**1,622,125**	**368,993**	**3,410,341**	**842,949**	**6,880,998**	**34,079**	**6,915,077**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Audited	
	Notes	2017	2016
Cash flows from operating activities:			
Net income from continued operations:		**845,303**	**1,304,150**
Adjustments to reconcile net cash provided from operating activities to net income after taxes			
Adjustments for tax expense (income)	32	(24,406)	(102,469)
Adjustments for depreciation and amortisation expense	27	548,187	438,682
Adjustments for impairment loss	37	41,995	49,515
Adjustments for provisions	37	304,873	161,814
Adjustments for interest expense	31	574,914	440,986
Adjustments for interest income	30	(30,578)	(28,350)
Adjustments for undistributed profits of ınvestments accounted for using equity method	12	(39,090)	(34,857)
Adjustments for fair value (gains) losses on derivative financial ınstruments	30, 31	168,195	(35,782)
Adjustments for unrealised foreign exchange losses (gains)	30, 31	208,648	359,602
Other adjustments to reconcile profit (loss)	30, 31	9,783	11,120
Adjustments for ıncome arised from government grants	28	(67,314)	(198,860)
Adjustments for dividend (income) expenses	29	(93)	(59)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	29	-	(413,739)
Adjustments for losses (gains) on disposal of non-current assets	29	(845)	(2,531)
Net cash flow from operating activities before changes in operating assets and liabilities		**2,539,572**	**1,949,222**
Changes in operating assets and liabilities:			
Adjustments for decrease (increase) in trade receivables		(1,226,705)	(482,683)
Adjustments for decrease (increase) in inventories		(1,035,079)	(515,333)
Decrease (increase) in prepaid expenses		(96,609)	(44,210)
Adjustments for increase (decrease) in trade payables		489,579	955,788
Increase (decrease) in employee benefit liabilities		18,819	37,692
Adjustments for increase (decrease) in other operating payables		3,949	51,572
Increase (decrease) in government grants and assistance		81,749	182,966
Other adjustments for other increase (decrease) in working capital		(117,104)	67,252
Income taxes refund (paid)		(163,939)	(134,989)
Cash flows from operating activities		**494,232**	**2,067,277**
Investing activities:			
Cash flows used in obtaining control of subsidiaries or other businesses	3	-	(745,608)
Purchase of property, plant, equipment and intangible assets		(987,217)	(830,966)
Proceeds from sales of property, plant, equipment and intangible assets		18,730	7,007
Dividends received		13,178	12,809
Cash receipts from sales of equity or debt ınstruments of other entities	34	-	558,582
Cash Outflows from Participations and / or Joint Ventures Share acquisitions or capital increase	12	(19,002)	-
Cash flows from investing activities		**(974,311)**	**(998,176)**
Financing activities:			
Proceeds from borrowings		2,834,707	2,603,563
Repayments of borrowings		(1,529,456)	(3,043,217)
Dividends paid		(425,102)	(262,000)
Interest paid		(511,168)	(441,734)
Interest received		29,727	29,604
İhraç edilen tahviller		-	-
Cash receipts from future contracts, forward contracts, option contracts and swap contracts (net)		(22,387)	14,253
Other inflows (outflows) of cash		(9,782)	(11,120)
Cash flows from financing activities		**366,539**	**(1,110,651)**
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**(113,540)**	**(41,550)**
Effect of currency translation differences		252,781	317,049
Net increase/(decrease) in cash and cash equivalents		**139,241**	**275,499**
Cash and cash equivalents at January 1	5	**2,441,652**	**2,166,153**
Cash and cash equivalents at December 31	5	**2,580,893**	**2,441,652**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eighteen manufacturing plants in Turkey, Romania, Russia, China, Republic of South Africa, Thailand and Pakistan. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 24).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 1986. As of December 31, 2017, the publicly listed shares are 25.15% of the total shares. (December 31, 2016: 25.15%)

The average number of personnel employed by categories in the Group in 2017 is 6,433 white - collar (2016: 4,812) and 23,621 blue – collar (2016: 21,627) totaling to 30,054 (2016: 26,439).

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Continuing operations as of reporting date			
Arçelik Pazarlama A.Ş. ("Pazarlama A.Ş.")	Turkey	Service/Sales/Marketing	Consumer Durables/Electronics
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 Appliances Malaysia Sdn Bhd. ("Beko Malaysia")	Malaysia	Sales	Consumer Durables
Beko Appliances Indonesia, PT ("Beko Indonesia")	Indonesia	Sales	Consumer Durables
Beko Balkans D.O.O ("Beko Balkans")	Serbia	Sales	Consumer Durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. ("Beko France")	France	Sales	Consumer Durables/Electronics
Beko Hong Kong Ltd. ("Beko Hong Kong")	Hong Kong, China	Purchase	Consumer Durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer Durables/Electronics
Beko LLC. ("Beko Russia")	Russia	Production/Sales	Consumer Durables/Electronics
Beko Plc. ("Beko UK") (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. ("Beko Polska") (*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer Durables/Electronics
Beko Thai Co. ("Beko Thailand")	Thailand	Production/Sales	Consumer Durables
Beko Ukraine LLC. ("Beko Ukraine")	Ukraine	Sales	Consumer Durables
Beko US INC. ("Beko US")	United States of America	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer Durables
Computer Vision Interaction S.A. ("CoVii")	Portugal	R&D	Software
Dawlance Electronics (Pvt.) Ltd. (DEL)	Pakistan	Sales	Consumer Durables
Dawlance (Private) Ltd. ("DPL")	Pakistan	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Ltd. ("Defy")	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Ltd. ("Defy Botswana")	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Ltd. ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy (Swaziland) (Proprietary) Ltd. ("Defy Swaziland")	Swaziland	Sales	Consumer Durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Consumer Durables/Electronics
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
United Refrigeration Industries Ltd. ("URIL")	Pakistan	Production/Sales	Consumer Durables
Pan Asia Private Equity Ltd. ("Pan Asia")	British Virgin Islands	Investment	Holding
Vietbeko Limited Liability Company ("Vietbeko")	Vietnam	Sales	Consumer Durables

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

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

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

Subsidiaries and branches	Country of incorporation	Core business	Nature of business
Ceased operations as of reporting date			
Archin Limited ("Archin")	Hong Kong, China	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-

Associates	Country of incorporation	Core business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. ("Koç Finansman")	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing /Communication
VoltBek Home Appliances Private Limited ("VoltBek")	India	Production/Sales	Consumer Durables

(*) Voltbek is founded in 2017 to manufacture major domestic appliances and perform sales activities in Indian domestic market.

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2017 has been approved for issue by the Board of Directors on 30 January 2018. These consolidated financial statements will be finalised following their approval in the General Assembly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

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

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

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

Amendments to IAS 7 Statement of cash flows

The amendment on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. These amendments applied but did not have a significant impact over consolidated financial statements and disclosures of the Group.

Amendments IAS 12 Income Taxes

The amendment is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment did not have a significant impact over consolidate consolidated financial position or performance of the Group.

Annual Improvements 2014-2016 Cycle

IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information. The amendment did not have a significant impact over consolidate consolidated financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to TFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). Effective date for TFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements to IFRS - 2014-2016 Cycle

POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

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

Annual Improvements to IFRSs - 2014-2016 Cycle (Continued)

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

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

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

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

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

The TASB issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

IFRIC 23 Uncertainty over income tax treatments

The amendment effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Commitee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

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

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

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

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2017 and December 31, 2016 (%) and their functional currencies:

		December 31, 2017		December 31, 2016	
	Functional currency	**Ownership interest**	**Effective shareholding**	**Ownership interest**	**Effective shareholding**
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei ("RON")	96.72	96.72	96.72	96.72
Ardutch	Euro ("EUR")	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar ("TWD")	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar ("AUD")/ New Zealand Dollar ("NZD")	100.00	100.00	100.00	100.00
Beko Balkans	Serbian Dinar ("SRD")	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan ("CYN")	100.00	100.00	100.00	100.00
Beko Deutschland	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Espana	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira ("EGP")	100.00	100.00	100.00	100.00
Beko France	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar ("USD")	100.00	100.00	100.00	100.00
Beko Indonesia (1)	Indonesian Rupiah ("IDR")	100.00	100.00	-	-
Beko Italy	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Malaysia	Malaysian Ringgit ("MYR")	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty ("PLN")/ Czech Koruna ("CZK")	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble ("RUB")	100.00	100.00	100.00	100.00
Beko Slovakia	Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan ("CNY")	100.00	100.00	100.00	100.00
Beko Thailand	Thai Baht ("THB")	100.00	100.00	100.00	100.00
Beko UK	British Pound ("GBP")/ Euro ("EUR")	100.00	100.00	100.00	100.00
Beko Ukraine	Ukrainian Hryvna ("UAH")	100.00	100.00	100.00	100.00
Beko US	US Dollar ("USD")	100.00	100.00	100.00	100.00
CoVii	Euro ("EUR")	51.00	51.00	51.00	51.00
Dawlance Electronics	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Dawlance (Private)	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Defy	South African Rand ("ZAR")	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula ("BWP")	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar ("NAD")	100.00	100.00	100.00	100.00
Defy Swaziland	Svazi Lilangeni ("SZL")	100.00	100.00	100,00	100,00
Elektra Bregenz	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro ("EUR")	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro("EUR")/ Croatian Kuna ("HRK")	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone ("NOK")	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona ("SEK")	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc ("CHF")	100.00	100.00	100.00	100.00
United Refrigeration Industries	Pakistani Rupee ("PKR")	100.00	100.00	100.00	100.00
Pan Asia	US Dollar ("USD")	100.00	100.00	100.00	100.00
Pazarlama A.Ş.	Turkish Lira ("TRY")	100.00	100.00	100.00	100.00
Vietbeko	Vietnamese Dong ("VND")	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00

(1) Founded as a sales company in 2017.

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

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership as of December 31, 2017 and 2016 (%):

	2017	**2016**
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00
Voltbek	49.00	-

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value. Any financial investment that is who has no fair value quoted in a stock exchange or whose fair value is not measured reliably are carried at cost value.

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

Going concern

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

Offsetting

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

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

Comparatives and restatement of prior periods' financial statements

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

In order to conform to changes in presentation in the current period consolidated financial statements, as of 31 December 2016, asset held for sale amounting to TRY 11.888, which had been classified in current assets, have been classified in fixed assets; fund amounting to TRY 88.438 which had been classified in revaluation of non current assets, have been classified in currency translation difference and retained earnings. Cash flow from operating activities amounting to TRY 2.399 has been classified in cash flow from investment activities. These reclassifications performed in order to conform to changes in presentation in the current period consolidated financial statements are not material to the consolidated financial statements.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group, and the companies controlled by Koç Holding are considered and referred to as related parties (Note 34).

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

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

Trade receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 28).

The Group collects some of its receivables via factoring. The Group follows related receivables in its consolidated financial statements since the collection risk of these receivables belongs to the Group until these ceded receivables are collected by the factoring company. Advance taken from factoring company against these receivables is recorded as factoring payable in "Financial Liabilities" account. Factoring expenses are accounted as accrual base in finance expenses account.

Inventories

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

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

Financial instruments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

Financial liabilities

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

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

Trade payables

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

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 35).

Cash and cash equivalents

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

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

Property, plant and equipment and related depreciation

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

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

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

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

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company (Note 13). All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

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

Other intangible assets

Other intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 14).

a) Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

c) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. Their estimated useful lives are between 4 -15 years.

d) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

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

e) Customer Relationships

Customer relationships that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (8, 22 and 50 years).

Business combinations and goodwill

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

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 15). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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

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

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

Financial leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset (Note 14). Other borrowing costs shall be recognized as an expense in the period it incurs (Note 30 and Note 31).

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 32).

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

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

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

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

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

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

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

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

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

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

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 19).

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

Foreign currency transactions

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

Revenue recognition

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

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 24).

Paid-in capital

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

Share premium

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

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

Waste Electrical and Electronic Equipment Control

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

Provisions

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

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 18).

Assembly provisions

As a result of forecasts that are based on past experience and future expectations, assembly provisions expenses are recognized in the period, which the products are sold to dealers but not yet installed in the sites of the end customers, against the costs of future free of charge aforementioned instalments (Note 18).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 17).

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

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

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 14 and 15). Impairment was not identified as a result of these tests.

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

NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31,2017.

On November 2, 2016, the Group has acquired 100% of the shares of Pan Asia Private Equity Ltd., who owns 100% share in DEL (Private) Limited, Dawlance Private Limited and United Refrigeration Industries Limited (together be called as "Dawlance Group" hereinafter).

Dawlance Group is the market leader in white goods and home appliances in Pakistan and with this acquisition that will contribute to the Group's goals to grow in emerging markets. The amount transferred for the acquisition includes; the synergy that will be created, revenue increase, the future benefits to be obtained as a result of growth in market and labor force. These benefits are not recorded apart from goodwill because they do not meet identifiable asset criteria. Since the acquisition includes transfer of control, goodwill is recognized during the acquisition.

Purchase price and the fair values of acquired assets and liabilities as of the acquisition date are as follows:

Consideration paid- cash	**749,545**
Cash and cash equivalents	3,937
Trade receivables	38,547
Inventories	132,438
Other current assets	28,743
Tangible assets (Note 13)	163,879
Intangible assets (Note 14)	633,838
Other non-current assets	959
Borrowings	(151,202)
Trade and other payables	(39,807)
Other liabilities	(10,552)
Deferred tax liabilities (Note 32)	(204,216)
Total fair value of identifiable net assets	**596,564**
Goodwill (Note 15)	**152,981**
Total consideration	**749,545**

The Group used independent professional assessment companies for the valuation of property plant equipment, brand and customer relationships. The acquisition accounting has been finalized as of 31 December 2016 and the assets, liabilities and contingent liabilities determined based on TFRS 3, have been recorded based on their fair values at the date of acquisition.

During the acquisition period about the assessed assets and liabilities cash flows income and expenses in the business plan with predicted values utilizing financial market data and used for discounting this values after tax effect WACC determined as 15.4 %. When 1% relative risk factor for brand and customer relationships were added to this rate, the discount rate was determined as 16.4%. Brand and customer relationships were valued with relief-from-royalty and discounted cash flow methods. If EBITDA growth rate had been -/+ 0.5% in calculation of discounted cash flows, amount of goodwill would have been 9.5% higher/lower. Originally, the discount rate is assumed to be 15.4%. Had the rate been assumed to be 0.5% higher and lower, goodwill amount would have been 10.9 % higher and 11.8% lower, respectively.

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

In the consolidated income statement, contribution to consolidated sales by Dawlance Group after the date of acquisition is TRY 88,787. In the same period, excluding the effects of inter-company sales profitability, the contribution by Dawlance Group to consolidated net profit of Arçelik Group amounts to TRY 5,736.

Had the financial statements of Dawlance Group been consolidated since January 1, 2016, the consolidated sales and net profit of Arçelik Group would have been higher TRY 648,111 and TRY 74,209, respectively.

As of December 31, 2016, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 7,655.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	749,545
Cash and cash equivalents – acquired	(3,937)
Cash outflow due to acquisition of subsidiary (net)	**745,608**

NOTE 4 - SEGMENT REPORTING

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2017 are as follows:

	White goods	**Consumer electronics**	**Other**	**Total**
Total segment revenue	15,255,309	2,726,021	2,859,283	20,840,613
Gross profit	5,052,607	555,007	898,585	6,506,199
Depreciation and amortization	423,232	93,181	42,469	558,882
Capital expenditures	819,701	136,764	41,447	997,912

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

NOTE 4 - SEGMENT REPORTING (Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2016(*) are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	11,509,970	2,102,246	2,483,957	16,096,172
Gross profit	4,104,743	612,857	621,960	5,339,560
Depreciation and amortization	361,726	67,462	17,455	446,643
Capital expenditures	668,545	141,257	29,181	838,983

(*) Prior period comparative industrial segment reports have been reclassified to comply with the current period in order to enable the determination of the financial position and performance.

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

2017	**Turkey**	**Europe**	**Africa**	**Other**	**Total**
Total segment revenue	8,125,012	8,953,340	1,413,628	2,348,633	20,840,613

2016	**Turkey**	**Europe**	**Africa**	**Other**	**Total**
Total segment revenue	6,449,459	7,190,997	1,107,561	1,348,155	16,096,172

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2017	**December 31,2016**
Cash in hand	592	608
Cash at banks		
- demand deposits	354,745	538,957
- time deposits	2,026,021	1,774,982
Cheques and notes	111,538	90,240
Other	87,997	36,865
Cash and cash equivalents in cash flow statement	**2,580,893**	**2,441,652**
Interest income accruals	1,071	219
	2,581,964	**2,441,871**

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

Up to 30 days	2,389,520	2,291,112
30-90 days	192,444	150,759
	2,581,964	**2,441,871**

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

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2017		December 31, 2016	
	(%)	TRY	(%)	TRY
Tat Gıda Sanayi A.Ş.	0.34	2,473	0.34	2,656
Other		79		79
		2,552		**2,735**

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

	2017	2016
As of January 1	**2,735**	**539,176**
Change in fair value	(183)	22,141
Sale of financial asset (Note 29, 34)	-	(558,582)
As of December 31	**2,552**	**2,735**

Available-for-sale investment of the Group includes shares of Tat Gıda Sanayi A.Ş., as a listed company, whose fair value is determined by using the remaining bid offer in BIST as of balance sheet date.

The unrealized gain (net) arising from the changes in the fair value of Tat Gıda Sanayi A.Ş.,the available for sale investment, amounting to TRY 174 (December 31, 2016: TRY 1,181) and net of deferred tax effect amounting to TRY 9 (December 31, 2016: TRY 62) have been recognized in consolidated shareholders' equity under the "Gain/losses on remeasuring and/or reclassification of available-for-sale financial assets " in the year ended December 31, 2017.

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2017	December 31, 2016
Short-term bank borrowings	945,262	1,169,875
Payables from factoring activities (*)	88,681	68,370
Other	474	913
Total short-term financial liabilities	**1,034,417**	**1,239,158**
Short-term portion of long-term bank borrowings and interest accruals	2,186,766	975,119
Interest accruals of long-term bond issued (**)	41,004	36,297
Total short-term portion of long-term financial liabilities	**2,227,770**	**1,011,416**

(*) Factoring liabilities are amounting to TRY 54,361 denominated in EUR (December 31, 2016: TRY 43,237), TRY 34,320 denominated in GBP (December 31,2016: TRY 23,398) and interest rates are between 0.6% for EUR (December 31,2016: 0.55%-0.62%) and 1.12% for GBP (December 31,2016: 1%). As of December 2017, 31 there is no factoring liability denominated in USD (December 31,2016: TRY 1,735 interest rate: 1.4%).

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

(**) Long term bonds issued:

2014:

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

2013:

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

As of December 31, 2017, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	12.1	439,846,256	439,847
EUR	0.5	60,274,542	272,170
PKR	6.5	5,916,135,178	200,675
ZAR	8.5	60,000,000	18,456
CNY	4.4	23,908,664	13,777
SEK	0.5	569,354	260
USD	2.2	20,366	77
			945,262

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.3	667,557,336	667,557
EUR	0.9	71,453,290	265,084
PKR	6.3	5,431,958,291	181,807
CNY	4.4	110,026,583	55,427
			1,169,875

b) Long-term financial liabilities

	December 31, 2017	December 31, 2016
Long-term bank borrowings	661,519	364,884
Long-term bonds issued	3,451,294	3,040,539
Other	1,103	1,658
	4,113,916	**3,407,081**

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2017, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.1	2,349,411,597	2,349,412
EUR	2.6	44,454,182	200,733
ZAR	9.5	750,000,000	230,003
PKR	6.3	2,008,803,835	68,137
			2,848,285
Short-term portion of long-term loans and interest accruals			(2,186,766)
			661,519

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	11.7	872,327,083	872,327
EUR	2.6	66,821,668	247,901
ZAR	9.9	750,000,000	192,548
RUB	8.9	475,000,000	27,227
			1,340,003
Short-term portion of long-term loans and interest accruals			(975,119)
			364,884

As of December 31, 2017, 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	504,201,724	1,901,799
EUR	4.0	352,231,061	1,590,499
			3,492,298
Interest accruals of long-term bonds issued			(41,004)
			3,451,294

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	503,674,810	1,772,532
EUR	4.0	351,573,811	1,304,304
			3,076,836
Interest accruals of long-term bonds issued			(36,297)
			3,040,539

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

	December 31, 2017	December 31, 2016
2018	-	282,442
2019	440,344	82,442
2020	221,175	-
2021	1,580,425	1,298,465
2023	1,885,950	1,759,600
	4,127,894	**3,422,949**

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

	December 31, 2017	December 31, 2016
Up to 3 months	1,730,745	923,813
3 - 12 months	1,482,809	547,688
1-5 years	2,088,609	2,323,349
Over 5 years	1,885,950	1,759,600
	7,188,113	**5,554,450**

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

Net financial debt reconciliation

As of December 31, 2017, and 2016, the net financial debt reconciliation is as follows:

	2017	2016
Cash and cash equivalents	2,581,964	2,441,871
Borrowings and bill of exchange – repayable within one year	(3,262,187)	(2,250,574)
Borrowings and bill of exchange – repayable after one year	(4,113,916)	(3,407,081)
Net debt	**(4,794,139)**	**(3,215,784)**

Cash and cash equivalents	2,581,964	2,441,871
Borrowings and bill of exchange - fixed interest rates	(6,800,998)	(4,815,401)
Borrowings and bill of exchange – floating interest rate	(575,105)	(842,254)
Net debt	**(4,794,139)**	**(3,215,784)**

2017	Borrowings and bonds issued due within 1 year	Borrowings and bonds issued due after 1 year	Total
Net debt as of January 1st	**(2,250,574)**	**(3,407,081)**	**(5,657,655)**
Cash flows	(985,436)	(383,561)	(1,368,997)
Changes in factoring liabilities	(20,311)	-	(20,311)
Currency translation adjustments	(5,866)	(323,274)	(329,141)
Net debt as of December 31th	**(3,262,187)**	**(4,113,916)**	**(7,376,103)**

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

	December 31, 2017			December 31, 2016		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
Held for trading:						
Short-term derivative instruments						
Forward transactions	1,539,368	2,607	(10,007)	1,035,792	2,039	(2,183)
Foreign currency swap contracts	2,868,887	6,526	(3,881)	2,403,272	2,765	(2,202)
	4,408,255	**9,133**	**(13,888)**	**3,439,064**	**4,804**	**(4,385)**
Long-term derivative instruments						
Cross-currency fixed interest rate swap (*)	2,596,351	38,249	-	2,294,713	178,882	-

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2017	December 31, 2016
Short-term trade receivables:		
Trade receivables	4,871,934	3,529,754
Notes receivables	1,545,334	1,649,614
Cheques receivables	273,545	273,467
Short-term trade receivables (gross)	**6,690,813**	**5,452,835**
Provision for doubtful receivables	(167,090)	(137,168)
Unearned credit finance income	(19,714)	(26,902)
Short-term trade receivables (net)	**6,504,009**	**5,288,765**

As of December 31, 2017, the Group has offsetted TRY 833,682 (December 31, 2016: TRY 615,332) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its trade receivables amounting to TRY 18,483 related with its local bank borrowings (December 31, 2016: TRY 51,331).

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2017	2016
As of January, 1	**137,168**	**110,601**
Current year additions (Note 28)	28,853	27,065
Provisions no longer required (Note 28)	(1,867)	(2,883)
Write-offs (*)	(4,932)	(8,867)
Acquisitions	-	4,368
Currency translation differences	7,868	6,884
As of December, 31	**167,090**	**137,168**

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

	December 31, 2017	December 31, 2016
Long-term trade receivables	12,429	24,484
Short-term trade payables:		
Trade payables	2,845,593	2,455,560
Debt accruals	216,562	140,455
Unearned credit finance charges	(37,535)	(16,190)
	3,024,620	**2,579,825**

NOTE 10 - OTHER PAYABLES

	December 31, 2017	December 31, 2016
Taxes and duties payable	162,273	173,224
Dividend payables to shareholders	6,141	5,242
Deposits and guarantees received	5,272	6,360
Other	68,969	36,047
	242,655	**220,873**

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

NOTE 11 - INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials and supplies	1,460,439	1,092,288
Work in progress	122,335	98,748
Finished goods	1,778,062	1,366,939
Trade goods	504,068	296,263
Inventories (gross)	**3,864,904**	**2,854,238**
Provision for impairment on inventories	(84,976)	(92,668)
Inventories (net)	**3,779,928**	**2,761,570**

In line with the general financial market convention in Pakistan, Dawlance has hypothecation on its inventories amounting to TRY 37,727 related with its local bank borrowings (December 31, 2016: TRY 130,476).

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

	December 31, 2017	December 31, 2016
Raw materials and supplies	58,060	62,709
Finished goods	21,587	26,850
Trade goods	5,329	3,109
	84,976	**92,668**

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

	2017	2016
As of January 1	**92,668**	**67,072**
Current year additions (Note 28)	13,142	22,450
Realized due to sales of inventory	(23,846)	(7,018)
Acquisitions	-	6,556
Currency translation differences	3,012	3,608
As of December 31	**84,976**	**92,668**

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

NOTE 12 - ASSOCIATES

	December 31, 2017		December 31, 2016	
	%	**TRY**	**%**	**TRY**
Koç Finansman	47,0	132,227	47.0	104,059
Arçelik - LG	45,0	116,480	45.0	114,280
Ram Dış Ticaret	33,5	11,055	33.5	10,372
Tanı Pazarlama	32,0	6,003	32.0	7,379
VoltBek	49,0	16,496	-	-
		282,261		**236,090**

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

	2017	**2016**
As of January 1	**236,090**	**209,881**
Shares of income/loss of associates	39,090	34,857
Shares of other comprehensive income/loss of associates	773	3,902
Gross profit elimination on inventory	567	200
Dividends received	(13,085)	(12,750)
Share participation in associates	19,002	-
Currency translation difference	(176)	-
As of December 31	**282,261**	**236,090**

Shares of income/loss from associates:

	2017	**2016**
Koç Finansman	36,408	19,297
Arçelik - LG	2,036	15,574
Ram Dış Ticaret	4,351	659
Tanı Pazarlama	(1,375)	(673)
VoltBek	(2,330)	-
	39,090	**34,857**

Aggregated summary figures of the financial statements of associates:

	December 31, 2017	**December 31, 2016**
Total assets	5,102,179	4,584,127
Total liabilities	4,476,576	4,054,751

	2017	**2016**
Net sales	2,763,719	2,108,567
Profit/loss for the period (net)	87,184	75,975

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2017	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2017
Cost						
Land	135,074	616	-	30	9,655	145,375
Land improvements	42,488	1,086	-	295	435	44,304
Buildings	888,448	9,814	(3,044)	5,172	59,506	959,896
Machinery, equipment and moulds	4,321,491	63,426	(88,201)	239,713	178,133	4,714,562
Motor vehicles and Fixtures	605,258	75,480	(9,270)	21,984	25,214	718,666
Leasehold improvements	53,867	7,383	(31)	168	3,587	64,974
Construction in progress	185,121	575,539	(119)	(267,362)	9,290	502,469
	6,231,747	**733,344**	**(100,665)**	**-**	**285,820**	**7,150,246**
Accumulated depreciation						
Land improvements	(26,277)	(1,977)	-	-	(5)	(28,259)
Buildings	(267,483)	(19,475)	13	-	(13,448)	(300,393)
Machinery, equipment and moulds	(2,766,735)	(307,973)	81,355	-	(81,119)	(3,074,472)
Motor vehicles and Fixtures	(365,894)	(62,041)	8,299	-	(14,117)	(433,753)
Leasehold improvements	(43,059)	(4,245)	2	-	(1,296)	(48,598)
	(3,469,448)	**(395,711)**	**89,669**	**-**	**(109,985)**	**(3,885,475)**
Net book value	**2,762,299**					**3,264,771**

There is no mortgage on property, plant and equipment as of December 31, 2017 (December 31, 2016: None).

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2016	Acquisitions	Additions	Disposals	Transfers	Currency Translation Differences	December 31, 2016
Cost	47,939	39,913	28	-	32,820	14,374	135,074
Land							
Land improvements	40,605	-	1,233	-	559	91	42,488
Buildings	614,813	66,907	89,993	(212)	35,938	81,009	888,448
Machinery, equipment and moulds	3,668,047	117,905	157,164	(69,991)	252,195	196,171	4,321,491
Motor vehicles and Fixtures	491,450	11,839	27,723	(12,236)	63,829	22,653	605,258
Leasehold improvements	48,635	-	4,211	-	(710)	1,731	53,867
Construction in progress	179,411	1,552	360,694	-	(372,157)	15,621	185,121
	5,090,900	**238,116**	**641,046**	**(82,439)**	**12,474**	**331,650**	**6,231,747**
Accumulated depreciation							
Land improvements	(24,354)	-	(1,923)	-	-	-	(26,277)
Buildings	(229,619)	(6,968)	(15,021)	142	(644)	(15,373)	(267,483)
Machinery, equipment and moulds	(2,433,425)	(61,230)	(248,993)	66,603	-	(89,690)	(2,766,735)
Motor vehicles and Fixtures	(307,779)	(6,039)	(51,930)	11,569	-	(11,715)	(365,894)
Leasehold improvements	(40,048)	-	(2,829)	-	58	(240)	(43,059)
	(3,035,225)	**(74,237)**	**(320,696)**	**78,314**	**(586)**	**(117,018)**	**(3,469,448)**
Net book value	**2,055,675**						**2,762,299**

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

NOTE 14 – OTHER INTANGIBLE ASSETS

	January 1, 2017	Additions	Disposals	Currency translation differences	December 31, 2017
Cost					
Brands	924,497	-	-	127,785	1,052,282
Development costs	894,593	224,704	-	-	1,119,297
Computer software and rights	212,335	39,864	(7,251)	4,778	249,726
Trademark licenses and patents	28,000	-	-	5,988	33,988
Customer relationships	482,599	-	-	6,489	489,088
	2,542,024	**264,568**	**(7,251)**	**145,040**	**2,944,381**
Accumulated amortization					
Development costs	(459,894)	(114,881)	-	-	(574,775)
Computer software and rights	(140,157)	(24,527)	362	(4,096)	(168,418)
Trademark licenses and patents	(27,673)	(114)	-	(5,961)	(33,748)
Customer relationships	(3,792)	(23,649)	-	339	(27,102)
	(631,516)	**(163,171)**	**362**	**(9,718)**	**(804,043)**
Net book value	**1,910,508**				**2,140,338**

Net carrying value of the development costs as of December 31, 2017 is TRY 544,522 (December 31, 2016: TRY 434,699) and capitalized development costs for the period is TRY 224,704 (January 1 - December 31, 2016: TRY 155,860).

As of December 31, 2017, total amount of borrowing costs capitalized is none. (December 31, 2016: TRY 56).

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

NOTE 14 – OTHER INTANGIBLE ASSETS(Continued)

	January 1, 2016	Acquisitions	Additions	Disposals	Transfers	Currency translation differences	December 31, 2016
Cost							
Brands	577,198	209,566	4	-	-	137,729	924,497
Development costs	738,677	-	155,916	-	-	-	894,593
Computer software and rights	168,187	1,848	41,950	(1,801)	(1,219)	3,370	212,335
Trademark licenses and patents	22,795	162	67	(206)	1,219	3,963	28,000
Customer relationships	-	424,058	-	-	-	58,541	482,599
	1,506,857	**635,634**	**197,937**	**(2,007)**	**-**	**203,603**	**2,542,024**
Accumulated amortization							
Development costs	(358,260)	-	(101,634)	-	-	-	(459,894)
Computer software and rights	(118,392)	(1,714)	(20,442)	1,451	1,059	(2,119)	(140,157)
Trademark licenses and patents	(22,725)	(82)	(79)	206	(1,059)	(3,934)	(27,673)
Customer relationships	-	-	(3,792)	-	-	-	(3,792)
	(499,377)	**(1,796)**	**(125,947)**	**1,657**	**-**	**(6,053)**	**(631,516)**
Net book value	**1,007,480**						**1,910,508**

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

NOTE 14 – OTHER INTANGIBLE ASSETS (Continued)

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

	December 31, 2017	**December 31, 2016**
Grundig (*)	388,613	319,280
Defy (*)	319,613	267,565
Dawlance	241,703	238,496
Beko	81,040	81,040
Other brands (*)	21,313	18,116
	1,052,282	**924,497**

(*) Values of brands in their original currencies are same as of December 31, 2017 and 2016 and the difference arises from foreign currency translation.

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2017. Sales forecasts which are based on financial plans approved by the board of directors covering five-year period were considered in the determination of the brand value, Sales forecasts beyond the three and five-year period are extrapolated with 3% expected growth rate, the estimated royalty income is calculated by applying the expected 3% royalty rate, the royalty income calculated with the aforementioned method has been discounted with 8.5% to 14.2% discount rates.

Fair value of brands is around 8.0 times of carrying value of these assets. If the estimated after-tax discount rate used for the calculation of discounted cash flows had been 1% higher than the management's estimate, fair value of brands would be 6.8 of carrying value of these asset. As a result of these sensitivity analysis, the Group did not identify any impairment.

NOTE 15 – GOODWILL

	2017	**2016**
As of January 1	**393,752**	**163,450**
Acquisitions (Note 3)	-	152,981
Currency translation differences	44,360	77,321
As of December 31	**438,112**	**393,752**

Details of goodwill are as follows:

	December 31, 2017	**December 31, 2016**
Defy and its subsidiaries	249,241	208,653
Dawlance and its subsidiaries	176,441	174,100
Other	12,430	10,999
	438,112	**393,752**

NOTE 15 – GOODWILL (Continued)

Goodwill impairment test

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

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2017.

The projection period for the purposes of goodwill impairment testing is approved by the board of directors as 5 years between January 1, 2018 and December 31, 2022.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 1% - 5% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 8.50% - 14.12% is used as after-tax discount rate in order to calculate the recoverable amount of the unit.

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

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

Recoverable value of cash generating unit is 18% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 5%. Had the compound average growth rate been assumed to be 4%, the recoverable amount would have been calculated as 11% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 3%. Had the rate been assumed to be 2%, the recoverable amount would have been 12% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 12.81%. Had the rate been assumed to be 13.81%, the recoverable amount would have been 6% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 15 – GOODWILL (Continued)

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

Recoverable value of cash generating unit is 142% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five-year compound average growth rate of EBITDA is 21.6%. Had the compound average growth rate been assumed to be 20.6%, the recoverable amount would have been calculated as 126% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long-term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 123% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 14.12%. Had the rate been assumed to be %15.12, the recoverable amount would have been 113% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 16 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Taxes and funds exemptions for R&D centres which are regulated under research and development law.
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive,
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Economy.
j) Grant has been received from the United Nations Industrial Development Organization (UNIDO) and from the Department of Trade and Industry of Romania and Republic of South Africa for the purchase of certain items of plant and equipment. All conditions of the grant have been fulfilled in 2017.

Grants which are accounted for under other income from operating activities for year ended December 31, 2017 are as follows:

i) Research and development incentive premiums taken or certain to be taken amounts to TRY 5,010 (December 31, 2016: TRY 4,783).

ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 51,010 (December 31, 2016: TRY 182,866).

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2017, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 301,896,261 (December 31, 2016: USD 422,783,406). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	December 31, 2017	**December 31, 2016**
Up to 1 year	57,426	40,247
1-5 years	139,473	87,753
Over 5 years	90,202	7,531
Operating lease commitments	**287,101**	**135,531**

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2017 and December 31, 2016 are as follows:

December 31, 2017	**Purchase Commitments**	**Sales Commitments**
TRY	138,257	565,523
USD	1,981,535	61,536
EUR	1,004,308	1,374,024
AUD	26,446	151,595
CZK	-	51,307
CNY	43,219	224,726
DKK	-	36,331
ZAR	-	92,961
GBP	-	503,539
SEK	31,696	-
CHF	130,967	-
CAD	-	5,255
MYR	-	24,756
NOK	36,577	-
PLN	-	1,828
ROL	-	139,810
RUB	125,833	12,582
RSD	31,534	42,946
THB	22,313	112,638
NZD	-	30,564
	3,572,685	**3,431,921**

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2016	**Purchase Commitments**	**Sales Commitments**
TRY	-	444,416
USD	1,662,437	50,904
EUR	879,118	1,147,516
AUD	14,712	83,071
CZK	-	35,101
CNY	47,685	128,183
DKK	-	38,864
ZAR	-	149,555
GBP	-	466,022
SEK	37,066	-
CHF	147,387	-
CAD	-	4,692
MYR	-	8,805
NOK	38,717	20,701
PLN	4,212	99,413
ROL	162,783	-
RUB	-	33,819
RSD	-	5,733
THB	7,087	-
NZD	-	15,778
	3,001,204	**2,732,573**

	December 31, 2017	**December 31, 2016**
Collaterals obtained	2,911,732	3,092,142

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of December 31, 2017 and December 31, 2016 are as follows:

CPMB's given by the Company	**December 31, 2017**	**December 31, 2016**
A. CPMB's given for Company's own legal personality	623,454	700,641
B. CPMB's given on behalf of fully consolidated companies	993	816
C. CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	**624,447**	**701,457**

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

TRY equivalents of CPMB given as of December 31, 2017 and December 31, 2016 are as follows on original currency basis are as follows:

CPMB's given by the Company	December 31, 2017	December 31, 2016
USD	532,667	632,996
TRY	59,250	51,173
EUR	14,814	11,868
Other currencies	17,716	5,420
	624,447	**701,457**

NOTE 18 – OTHER PROVISIONS

	December 31, 2017	December 31, 2016
Other short-term provisions		
Warranty provision	215,208	226,251
Assembly provision	98,210	73,118
Provision for transportation cost	49,303	31,260
Provision for returns	10,242	7,096
Provision for lawsuit risks	9,596	9,501
Other	48,071	65,134
	430,630	**412,360**
Other long-term provisions		
Warranty provision	232,137	139,855
Other	26	381
	232,163	**140,236**

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

Warranty provision	2017	2016
As of January 1	**366,106**	**303,277**
Acquisition	-	3,010
Additions	574,503	483,752
Disposals	(533,284)	(447,237)
Currency translation differences	40,020	23,304
As of December 31	**447,345**	**366,106**

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

NOTE 18 – OTHER PROVISIONS (Continued)

Assembly provision	**2017**	**2016**
As of January 1	**73,118**	**64,693**
Additions	309,784	278,181
Disposals	(284,692)	(269,756)
As of December 31	**98,210**	**73,118**

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	December 31, 2017	**December 31, 2016**
Provision for employment termination benefits	211,995	201,155
Provision for vacation pay liability	29,763	26,416
	241,758	**227,571**

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

The amount payable consists of one month's salary limited to a maximum of full TRY 4,732.48 as of December 31, 2017 (December 31, 2016: full TRY 4,297,21) for each period of service.

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

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

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

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

	2017	**2016**
Net discount rate (%)	4.95	4.50
Turnover rate related the probability of retirement (%)	96.24	96.30

The principal assumption is that the maximum liability for each year of service will increase in line with inflation, Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, As the maximum liability is revised semi-annually, the maximum amount of full TRY 5,001.76 (January 1, 2016: full TRY 4,426.16) which is effective from January 1, 2018 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

NOTE 19 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

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

	2017	2016
As of January 1	**201,155**	**171,630**
Interest expense	15,122	14,209
Actuarial losses	22,491	45,089
Acquisitions	-	47
Service cost	14,569	11,244
Payments during the year	(42,562)	(41,908)
Currency translation differences	1,220	844
As of December 31	**211,995**	**201,155**

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

Turkey	207,952	197,742
Non – Turkey	4,043	3,413
	211,995	**201,155**

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2017 is below:

	Net discount rate		**Turnover rate related the probability of retirement**	
Sensitivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	(4.5%)	(5.5%)	(95.7%)	(96.7%)
Change in employee benefits liability	9,452	(8,739)	(4,691)	5,184

NOTE 20 – PREPAID EXPENSES

	December 31, 2017	December 31, 2016
Advances given for fixed assets	109,077	13,441
Short-term prepaid expenses	91,686	88,004
Advances given for inventories	15,000	17,709
	215,763	**119,154**

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

NOTE 21 – CURRENT INCOME TAX ASSETS

	December 31, 2017	December 31, 2016
Prepaid taxes and funds	106,532	74,629

NOTE 22 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2017	December 31, 2016
Payables to personnel	195,858	135,737
Social security payables	104,492	93,003
Accruals for bonuses and premiums	23,164	17,558
	323,515	**246,298**

NOTE 23 - OTHER ASSETS AND LIABILITIES

	December 31, 2017	December 31, 2016
Other current assets:		
Value added tax and private consumption tax receivable	291,663	149,004
Taxes and funds deductible	62,911	79,779
Income accruals	7,645	22,904
Other	36,619	24,888
	398,838	**276,575**
Other current liabilities:		
Accruals for customer premiums	431,528	292,914
Advances received	66,448	47,686
Other	8,836	5,024
	506,812	**345,624**

NOTE 24 - EQUITY

Paid-in capital

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

	December 31, 2017	December 31, 2016
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.

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

NOTE 24 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2017		December 31, 2016	
	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
Koç Family Members	8.67	58,590	8.67	58,590
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.17	1,137	0.17	1,137
Other	25.15	169,960	25.15	169,960
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

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

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

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

NOTE 24 – EQUITY (Continued)

Contribution to shareholders' equity related to the merger

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	December 31, 2017	December 31, 2016
General legal reserves	83,690	83,690
Other legal reserves	285,303	246,182
	368,993	**329,872**

As agreed in the ordinary general meeting dated March 23, 2017, the decision to pay dividend as cash has been taken and the payment was made in April 2017 (previous year in April 2016). The dividend details are as follows: 62.9% (2016: 38.8%) corresponding to gross TRY 0.62895 (full) (2016:TRY 0.38773 (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; 62.9% (2016: 38.8%) corresponding to gross TRY 0.62895 (full) (2016: gross TRY 0.38773 (full)) and net TRY 0.53461 (full) (2016: net TRY 0.32957 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

Retained earnings

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

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

NOTE 24 – EQUITY (Continued)

Dividend distribution

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

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

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

As of December 31, 2017, total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 715,105 (December 31, 2016: TRY 755,518).

NOTE 25 - SALES AND COST OF SALES

	2017	**2016**
Domestic sales	8,223,030	6,897,695
Foreign sales	15,450,158	11,204,569
Gross sales	**23,673,188**	**18,102,264**
Discounts	(2,832,575)	(2,006,092)
Net sales	**20,840,613**	**16,096,172**
Cost of sales	(14,334,414)	(10,756,612)
Gross profit	**6,506,199**	**5,339,560**

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

NOTE 26 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2017	**2016**
Marketing expenses:		
Transportation, distribution and storage expenses	1,220,581	915,471
Warranty and assembly expenses	884,287	761,933
Advertising and promotion expenses	656,153	574,109
Personnel expenses	645,432	500,292
Depreciation and amortization expenses	90,662	37,393
License expenses	57,241	52,838
Energy expenses	9,065	7,110
Other	464,278	378,178
	4,027,699	**3,227,324**
General administrative expenses:		
Personnel expenses	491,512	375,936
Information technology expenses	78,097	43,141
Insurance expenses	55,075	47,269
Depreciation and amortization expenses	44,608	56,828
Legal consultancy and audit expenses	38,674	40,257
Rent expenses	31,563	22,507
Duties, taxes and levies	20,777	17,121
Donations	13,016	15,407
Repair and maintenance expense	9,621	6,997
Energy expenses	8,580	6,619
Other	145,056	130,709
	936,579	**762,791**
Research and development expenses (*):		
Depreciation and amortization expenses	115,842	99,738
Personnel expenses	34,526	29,124
Energy expenses	3,016	2,961
Other	16,793	19,845
	170,177	**151,668**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 279,462 in 2017 (December 31, 2016: TRY 207,790).

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

NOTE 27 - EXPENSES BY NATURE

	2017	**2016**
Raw materials, supplies and trade goods	13,188,336	9,817,005
Changes in finished goods, work in process and trade goods	(642,515)	(501,482)
Personnel expenses	2,264,310	1,793,407
Transportation, distribution and storage expenses	1,322,636	1,001,071
Warranty and assembly expenses	884,287	761,933
Advertising and promotion expenses	656,153	574,109
Depreciation and amortization expenses	548,187	438,682
Foreign exchange loss arising from trading activities	232,840	245,602
Energy expenses	130,972	109,072
Repair and maintenance expenses	102,005	86,954
Insurance expenses	70,296	58,343
Legal consultancy and audit expenses	62,070	59,932
License expenses	57,241	52,838
Cash discounts expenses	39,320	24,912
Provision expense for doubtful receivables	28,853	27,065
Provision expense for impairment on inventories	13,142	22,450
Credit finance charges arising from trading activities	8,818	11,738
Other	873,669	704,537
	19,840,620	**15,288,168**

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

NOTE 28 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2017	2016
Other income from operating activities:		
Foreign exchange gains arising from trading activities	526,644	426,765
Income from claims and grants	67,314	198,860
Credit finance income arising from trading activities	61,506	25,557
Reversals of provisions	3,132	4,335
Reversal of provisions for doubtful receivables	1,867	2,883
Other	51,375	31,667
	711,838	**690,067**
Other expenses from operating activities:		
Foreign exchange losses arising from trading activities	(232,840)	(245,602)
Cash discounts expenses	(39,320)	(24,912)
Provision expense for doubtful receivables (Note 9)	(28,853)	(27,065)
Provision expense for impairment on inventories (Note 11)	(13,142)	(22,450)
Credit finance charges arising from trading activities	(8,818)	(11,738)
Other	(48,778)	(58,006)
	(371,751)	**(389,773)**

NOTE 29 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2017	2016
Income from investment activities:		
Income from sales of financial investment (*) (Note 6, 34)	-	413,739
Income from sales of property plant and equipment	8,192	4,944
Dividends received from financial investments	93	59
	8,285	**418,742**
Expenses from investment activities:		
Loss from sales of property plant and equipment	(7,347)	(2,413)
	(7,347)	**(2,413)**

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

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

NOTE 30- FINANCIAL INCOME

	2017	**2016**
Foreign exchange gains (*)	714,398	424,314
Gains on derivative instruments	156,014	216,863
Interest income	30,578	28,350
Other	549	519
	901,539	**670,046**

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

NOTE 31 - FINANCIAL EXPENSES

	2017	**2016**
Foreign exchange losses (*)	(923,046)	(783,916)
Interest expenses	(574,914)	(440,986)
Losses on derivative instruments	(324,209)	(181,081)
Other	(10,332)	(11,639)
	(1,832,501)	**(1,417,622)**

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

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

NOTE 32 - TAX ASSETS AND LIABILITIES

	December 31, 2017	December 31, 2016
Corporation and income taxes	121,925	115,379
Prepaid tax	(93,872)	(92,016)
Tax liabilities (net)	**28,053**	**23,363**
Deferred tax assets	648,007	426,746
Deferred tax liabilities	(439,909)	(412,591)
Deferred tax assets/(liabilities), net	**208,098**	**14,155**

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

The corporation tax rate is 20% in Turkey (December 31, 2016: 20%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

	2017	2016
Tax income		
- Current period tax expense	(194,034)	(100,195)
- Deferred tax income	218,440	202,664
Tax income	**24,406**	**102,469**

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.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

NOTE 32 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		**Deferred tax assets/ (liabilities)**	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Property, plant and equipment and intangible assets	2,762,388	2,533,773	(685,411)	(617,996)
Derivative instruments	38,158	180,057	(8,422)	(36,012)
Unearned credit finance income/expense (net)	58,370	36,463	(12,841)	(7,293)
Available-for-sale investments	2,116	2,298	(106)	(115)
Unused tax advantages (*)	-	-	588,183	441,982
Unused tax credits	(148,021)	(174,213)	66,312	47,704
Provision for warranty, assembly and transportation expenses	(404,231)	(338,062)	90,683	70,641
Provision for employment termination benefits	(208,146)	(197,805)	41,639	39,560
Provision for impairment on inventories	(69,609)	(83,547)	14,822	18,171
Provision for doubtful receivables	(22,818)	(14,868)	5,932	4,268
Other	(436,188)	(219,956)	107,307	53,245
Deferred tax assets/(liabilities), net			**208,098**	**14,155**

(*) Gains arising from investments under incentive certificate are subject to corporate income tax at reduced rates being effective from the financial year which the investment starts to be operated partially or entirely till the period that investment reaches the contribution amount. In this context, as of December 31, 2017 the tax advantage of TRY 588,183 (December 31, 2016: TRY 441,892) in which the corporate income tax at reduced rates is determined by deducting accumulated depreciation in the calculation of the net value of property plant and equipment, from which the Company predicts to benefit in the foreseeable future is recognized as deferred tax asset in the consolidated financial statements.

Movements in deferred tax asset / (liabilities) for the periods ended December 31 are as follows:

	2017	**2016**
Balance as of January 1	**14,155**	**49,012**
Deferred tax income recognized in statement of profit or loss	218,440	202,664
Deferred tax effect on sales of financial investment	-	19,642
Deferred tax income recognized directly in the shareholders' equity	4,458	8,956
Acquisitions (Note 3)	-	(204,216)
Currency translation differences	(28,955)	(61,903)
Balance as of December 31	**208,098**	**14,155**

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

NOTE 32 - TAX ASSETS AND LIABILITIES (Continued)

Group's total deductible loss of which deferred tax assets have not been calculated are TRY 538,564. Maturity analysis of this amount is as follows:

	December 31, 2017
2018	34,377
2019	30,544
2020	20,347
2021	82,034
2022 and after	371,262
	538,564

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2017, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 2,051,192 (December 31, 2016: TRY 1,307,428).

Reconciliation between tax expenses for the years ended December 31, 2017 and 2016 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2017	**2016**
Profit before tax	820,897	1,201,681
Tax expense calculated using 20% local tax rate	**(164,179)**	**(240,336)**
Exemptions	70,966	118,086
Effect of unused tax losses for which no deferred tax asset was recognized	(25,431)	(16,940)
Expenses not deductible for tax purposes	(9,011)	(39,789)
Impact of different tax rates in other countries	(1,166)	12,666
Adjustments with no tax effects	5,784	75,816
Effect on deferred tax balances due to change in income tax rate from 20% to 22%	927	-
Utilization of previously unrecognized tax advantages	156,061	196,138
Other	(9,545)	(3,172)
Taxation income recognized in statement of profit or loss	**24,406**	**102,469**

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

NOTE 33 - EARNINGS PER SHARE

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

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

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

	December 31, 2017	**December 31, 2016**
Net income	842,949	1,299,912
Weighted average number of ordinary shares with nominal value (kurus1 each one)	67,572,820,500	67,572,820,500
Earnings per share (kurus) (*)	**1.247**	**1.924**
Diluted earnings per share (kurus) (*)	**1.247**	**1.924**
Dividends distributed to the equity holders of the parent	425,102	262,000
Gross dividend distributed per share (kurus) (*)	**0.629**	**0.388**

(*) 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.

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

NOTE 34 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2017	December 31, 2016
(a) Due from related parties:		
Koçtaş Yapı Marketleri Ticaret A.Ş. [1]	4,466	2,318
Yapı ve Kredi Bankası A.Ş. [1]	4,209	2,818
Koç Üniversitesi [1]	2,034	-
Other	2.900	1,368
	13.609	**6,504**
(b) Due to related parties:		
Current:		
Arçelik-LG [2]	256,126	251,160
Zer Merkezi Hizmetler ve Ticaret A.Ş. [1]	153,813	133,419
Ram Dış Ticaret [2]	63,685	46,527
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. [1]	21,658	19,793
Koç Holding A.Ş. [3]	21,646	22,261
Other	34,020	33,004
	550,948	**506,164**

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

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2017	December 31, 2016
Other payables to related parties – Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	19,267	16,238
Other	445	384
	19,712	**16,622**
Other payables to related parties – Non-Current:		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	39,357	55,141
Other	889	1,151
	40,246	**56,292**

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2017. (December 31, 2016: TRY 81,040).

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

	December 31, 2017	December 31, 2016
Other payables to related parties (gross)		
Up to 1 year	20,436	20,021
1 to 5 years	40,872	61,046
	61,308	**81,067**
Future finance charges on other liabilities	(1,350)	(8,153)
Present value of other payables to related parties (net)	**59,958**	**72,914**

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

	December 31, 2017	December 31, 2016
Up to 1 year	19,712	16,622
1 to 5 years	40,246	56,292
	59,958	**72,914**

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	246,664	441,508

(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	18,773	129,985

(1) Koç Holding group companies

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

(e) Derivative instruments

December 31, 2017	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	377,713	158	(401)

December 31, 2016	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	260,924	1,558	(156)

(ii) Transactions with related parties

	2017	2016
(a) Sales of goods and services:		
Koçtaş Yapı Marketleri Ticaret A.Ş.	25,599	18,046
Yapı ve Kredi Bankası A.Ş.	19,611	17,696
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4,589	4,903
Arçelik-LG	4,170	5,387
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	27	17,048
Other	11,887	5,207
	65,883	**68,287**

(b) Other sales:		
Koç Holding A.Ş. (*)	-	558,582

(*) Group's available for sale financial asset Koç Finansal Hizmetler A.Ş. ("KFS") shares corresponding to 3.98% of the share capital is sold to Koç Holding A.Ş. as of June 30, 2016 with the approval of Banking Regulation and Supervision Agency with total remuneration in cash, and profit on sale transaction was booked under income from investment activities (Note 29). The transaction value is determined by taking into account the valuation range indicated in the valuation report prepared by an independent consulting company and the recent market value of Yapı Kredi Bankası shares held by KFS as of the Board Decision date.

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

	2017	2016
(c) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,009,125	857,589
Arçelik-LG	635,656	478,872
Ram Dış Ticaret	203,507	156,037
Bilkom Bilişim Hizmetleri A.Ş. (1)	190,324	144,281
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	78,391	82,597
Setur Servis Turistik A.Ş. (1)	45,798	43,262
Koç Holding A.Ş. (**)	35,774	38,039
Ram Sigorta Aracılık Hizmetleri A.Ş. (*) (2)	27,188	26,449
Other	142,303	80,083
	2,368,066	**1,907,209**

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

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

(*) The amount is composed of accrued premiums in the period ending December 31, 2017 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency.

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

(d) Key management compensation:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors directly reporting to General Manager by the Company during the year ended December 31, 2017 amounts to TRY 53,809 (December 31, 2016: TRY 61,152). TRY 2,034 (December 31, 2016: TRY 17,500) of the total compensation is redundancy payments made to the senior executives and the remaining amount is short-term benefits.

(1) Koç Holding group companies
(2) Associates

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

(e) Other transactions:

	2017	2016
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	18,134	11,894
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	4,934	4,882

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2017 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	7,376,103	8,331,021	1,775,048	1,775,945	2,846,929	1,933,099
Trade payables	3,575,568	3,613,103	3,432,579	180,524	-	-
Other payables, related parties	59,958	61,308	4,999	15,437	40,872	-
Other payables, third parties	242,655	242,655	228,738	13,917	-	-
	11,254,284	**12,248,087**	**5,441,364**	**1,985,823**	**2,887,801**	**1,933,099**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		3,929,507	2,084,238	181,861	271,577	1,391,831
Derivative cash outflows		(3,635,146)	(2,094,448)	(173,579)	(232,063)	(1,135,056)
Derivative instruments (net)	**33,494**	**294,360**	**(10,210)**	**8,282**	**39,514**	**256,775**

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2016 is as follows:

Total financial liabilities (non-derivative):	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Financial liabilities	5,657,655	6,576,871	1,021,178	1,428,891	2,235,232	1,891,570
Trade payables	3,085,989	3,103,876	2,996,165	107,711	-	-
Other payables, related parties	72,914	81,067	5,015	15,006	61,046	-
Other payables, third parties	220,873	220,873	211,594	9,279	-	-
	9,037,431	**9,982,687**	**4,233,952**	**1,560,887**	**2,296,278**	**1,891,570**

Derivative instruments	**Carrying value**	**Contractual cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year-5 years**	**More than 5 years**
Derivative cash inflows		3,685,320	2,006,662	63,346	253,382	1,361,930
Derivative cash outflows		(2,949,817)	(1,720,255)	(48,056)	(192,484)	(989,022)
Derivative instruments (net)	**179,301**	**735,503**	**286,407**	**15,290**	**60,898**	**372,908**

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

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

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

Average effective annual interest rates of statement of financial position accounts as of December 31, 2017 and 2016 are as follows:

December 31, 2017 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR	INR	HKD
Cureent Assets																						
Cash and cash equivalents	13.50	0.02	1.79	0.42	0.91	7.50	1.06	5.25	(0.56)	(0.75)	11.25	0.19	5.00	(0.75)	0,00	0,00	0.65	1.00	1.00	4.27	4.59	0.25
Trade receivables	4.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																						
Short-term bank borrowings	12.11	0.45	2.15	-	-	-	4.35	8.50	-	0.49	-	-	-	-	-	-	-	-	-	6.45	-	-
Trade payables	8.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																						
Long term bank borrowings	13.13	2.63	-	-	-	-	-	9.49	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

December 31, 2016 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	CZK	SEK	EGP	NOK	NAD	CHF	AUD	NZD	THB	BWP	VND	PKR
Cureent Assets																				
Cash and cash equivalents	-	0.09	0.72	0.02	0.67	8.31	1.73	5.25	0.00	0.00	5.06	0.00	5.00	0.00	0.00	0.00	0.70	1.00	1.00	4.16
Trade receivables	4.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities																				
Short-term bank borrowings	9.29	0.85	-	-	-	-	4.35	-	-	-	-	-	-	-	-	-	-	-	-	6.28
Trade payables	8.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities																				
Long term bank borrowings	11.75	2.62	-	-	-	8.90	-	9.86	-	-	-	-	-	-	-	-	-	-	-	-
Long term bonds issued	-	4.00	5.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2017	2016
Financial instruments with fixed interest rates		
Time deposits	587,579	708,381
Borrowings and bonds issued	6,710,740	4,744,460
Other	90,258	70,941
Financial instruments with variable interest rates		
Time deposits	1,439,513	1,066,820
Borrowings	575,105	842,254

At December 31, 2017, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes would have been TRY 8,644 (2016: TRY 2,246 lower/ higher) as a result of lower/higher interest income/expense arise from time deposits and borrowings with variable interest rates.

Funding risk

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

Credit risk

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

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

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

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

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2017 and December 31, 2016 are as follows:

	Trade receivables			
December 31, 2017	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**13,609**	**6,516,438**	**2,381,837**	**47,382**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(5,218,549)	-	-
A. Net book value of financial asset either are not due or not impaired	13,609	5,775,561	2,381,837	47,382
-Secured portion by guarantees, etc.	-	(4,665,645)	-	-
B. Financial assets with renegotiated conditions	-	195,148	-	-
- Secured portion by guarantees, etc.	-	(130,986)	-	-
C. Net book value of overdue but not impaired financial assets	-	500,799	-	-
- Secured portion by guarantees, etc.	-	(376,988)	-	-
D. Net book value of the impaired assets	-	44,930	-	-
- Overdue (Gross book value)	-	212,020	-	-
- Impairment (-)	-	(167,090)	-	-
- Secured portion of the net value by guarantees, etc.	-	(44,930)	-	-

	Trade receivables			
December 31, 2016	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**
Maximum exposed credit risk as of reporting date [1]	**6,504**	**5,313,249**	**2,314,158**	**183,686**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(4,101,459)	-	-
A. Net book value of financial asset either are not due or not impaired	6,504	4,651,762	2,314,158	183,686
-Secured portion by guarantees, etc.	-	(3,558,228)	-	-
B. Financial assets with renegotiated conditions	-	113,761	-	-
- Secured portion by guarantees, etc.	-	(99,232)	-	-
C. Net book value of overdue but not impaired financial assets	-	498,492	-	-
- Secured portion by guarantees, etc.	-	(394,765)	-	-
D. Net book value of the impaired assets	-	49,234	-	-
- Overdue (Gross book value)	-	186,402	-	-
- Impairment (-)	-	(137,168)	-	-
- Secured portion of the net value by guarantees, etc.	-	(49,234)	-	-

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2017	December 31, 2016
Group 1	11,628	12,859
Group 2	5,758,507	4,605,763
Group 3	214,183	153,405
	5,984,318	**4,772,027**

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

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

	December 31, 2017	December 31, 2016
0-1 month	292,347	262,254
1-3 months	100,657	166,955
3-12 months	79,743	37,057
1-5 years	28,052	32,226
	500,799	**498,492**

c) Geographical concentration of the trade receivables

	December 31, 2017	December 31, 2016
Turkey	3,417,146	2,941,721
Europe	1,782,084	1,329,242
Other	1,330,817	1,048,790
	6,530,047	**5,319,753**

Foreign exchange risk

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

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

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

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bonds issued as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in equity in foreign currency hedge of net investments in foreign operations fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2017, a portion of bank borrowings amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2016: EUR 150,000,000).

Foreign currency position

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

	December 31, 2017	December 31, 2016
Assets	4,582,379	3,913,700
Liabilities	(5,639,134)	(4,962,169)
Net position of financial statement	**(1,056,755)**	**(1,048,469)**
Net position of derivative instruments	1,086,338	901,901
Foreign currency position (net)	**29,583**	**(146,568)**

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent as of December 31, 2017 are as follows:

	EUR	USD	GBP	RUB	PLN	ROL	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	TRY Equivalent
Current Assets																				
Trade receivables	435,133	183,215	102,917	629,106	126,235	-	292,599	-	-	6	63,538	46,867	689	-	2,633	-	384,145	-	385	3,815,591
Monetary financial assets	76,305	29,881	22	-	-	48	7	4	144	5	1,446	(100)	7	-	1	-	1	1	-	458,101
Other	14,284	63,451	42	-	-	-	-	-	-	-	-	-	-	26,145	-	-	2,549	597	-	308,687
Total Assets	**525,722**	**276,547**	**102,981**	**629,106**	**126,235**	**48**	**292,606**	**4**	**144**	**11**	**64,984**	**46,767**	**696**	**26,145**	**2,634**	**-**	**386,695**	**598**	**385**	**4,582,379**
Current Liabilities																				
Trade payables	172,891	265,000	1,188	8	-	-	-	10	1,518	13,431	288	9,894	148	27,191	-	584	47,684	635	-	1,851,643
Financial liabilities	26,228	11,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,558
Other monetary liabilities	60	5,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,858
Non-Current Liabilities																				
Financial liabilities	372,222	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,566,718
Other monetary liabilities	-	10,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,357
Total Liabilities	**571,401**	**792,060**	**1,188**	**8**	**-**	**-**	**-**	**10**	**1,518**	**13,431**	**288**	**9,894**	**148**	**27,191**	**-**	**584**	**47,684**	**635**	**-**	**5,639,134**
Net Position of Financial Statement	**(45,679)**	**(515,513)**	**101,793**	**629,098**	**126,235**	**48**	**292,606**	**(6)**	**(1,374)**	**(13,420)**	**64,696**	**36,873**	**548**	**(1,046)**	**2,634**	**(584)**	**339,011**	**(37)**	**385**	**(1,056,755)**
Off-balance sheet derivative assets (*)	366,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	3,663,917
Off-balance sheet derivative liabilities (*)	(304,291)	(16,314)	(99,116)	(660,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(47,000)	-	-	(1,750)	-	(390,000)	-	-	(2,577,579)
Net position of off-balance sheet items	61,856	509,027	(99,116)	(620,000)	(129,000)	-	(290,000)	-	-	-	(60,000)	(38,000)	-	-	(1,750)	-	(390,000)	-	-	1,086,338
Net Asset/(Liability) Position of Foreign Currency	**16,177**	**(6,486)**	**2,677**	**9,098**	**(2,765)**	**48**	**2,606**	**(6)**	**(1,374)**	**(13,420)**	**4,696**	**(1,127)**	**548**	**(1,046)**	**884**	**(584)**	**(50,989)**	**(37)**	**385**	**29,583**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(59,963)	(578,964)	101,751	629,098	126,235	48	292,606	(6)	(1,374)	(13,420)	64,696	36,873	548	(27,191)	2,634	(584)	336,462	(634)	385	(1,365,442)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																				33,494
Hedged Amount of Foreign Currency Assets	304,291	16,314	99,116	660,000	129,000	-	290,000	-	-	-	60,000	47,000	-	-	1,750	-	390,000	-	-	2,577,579
Hedged Amount of Foreign Currency Liabilities	216,146	525,341	-	40,000	-	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	2,986,592

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2017	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	THB	CNY	CHF	PKR	equivalent
Against TRY	17,269	49,031	3,194	9,098	(2,765)	48	2,599	4	(49)	-	-	(466)	-	-	884	(389)	(5,854)	(37)	385	274,963
Against EUR	-	238	-	-	-	-	-	-	-	11	-	-	-	-	-	-	-	-	-	901
Against RUB	81	144	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	909
Against PLN	2,488	10	(1)	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	11,269
Against GBP	2,431	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,860
Against RON	(8,793)	(541)	264	-	-	-	-	-	-	-	-	-	-	(727)	-	-	-	-	-	(40,429)
Against CZK	(584)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,637)
Against NOK	453	-	-	-	-	-	-	-	(1,325)	-	4,696	-	-	-	-	-	-	-	-	4,284
Against SEK	1,699	-	-	-	-	-	-	(10)	-	-	-	-	-	-	-	-	-	-	-	7,667
Against CNY	270	107	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,679
Against ZAR	(256)	(522)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,125)
Against AUD	593	54	-	-	-	-	-	-	-	-	-	-	548	-	-	-	-	-	-	4,355
Against EGP	2	(26,074)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(102,374)
Against UAH	(3,418)	(27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,536)
Against CHF	742	672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,886
Against BWP	-	-	-	-	-	-	-	-	-	(13,431)	-	-	-	-	-	-	-	-	-	(4,120)
Against NZD	(61)	(90)	-	-	-	-	-	-	-	-	-	(661)	-	-	-	-	-	-	-	(2,556)
Against USD	302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,364
Against RSD	4,098	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,350
Against THB	(392)	(971)	-	-	-	-	-	-	-	-	-	-	-	(320)	-	-	-	-	-	(5,444)
Against MYR	-	(850)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,206)
Against VND	-	(11,447)	-	-	-	-	-	-	-	-	-	-	-	-	-	(195)	-	-	-	(43,200)
Against PKR	(747)	(16,148)	3	-	-	-	-	-	-	-	-	-	-	1	-	-	(45,135)	-	-	(90,277)
	16,177	**(6,486)**	**2,677**	**9,098**	**(2,765)**	**48**	**2,606**	**(6)**	**(1,374)**	**(13,420)**	**4,696**	**(1,127)**	**548**	**(1,046)**	**884**	**(584)**	**(50,989)**	**(37)**	**385**	**29,583**

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	CNY	CHF	TRY Equivalent
Current Assets																	
Trade receivables	358,701	165,603	101,309	561,181	107,145	263,809	-	31	297,795	60,298	33,167	399	-	1,780	177,304	-	2,795,401
Monetary financial assets	172,062	29,058	10	-	1	18	-	3,836	6	21,959	15	5	-	-	1	1	753,117
Other	30,210	66,901	78	-	-	-	-	-	-	-	11	-	1,099	-	30,056	618	365,182
Total Assets	**560,973**	**261,562**	**101,397**	**561,181**	**107,146**	**263,827**	**-**	**3,867**	**297,801**	**82,257**	**33,193**	**404**	**1,099**	**1,780**	**207,361**	**619**	**3,913,700**
Current Liabilities																	
Trade payables	204,657	202,719	1,269	-	-	-	240	334	9,156	1,186	6,637	148	73,754	-	61,427	643	1,533,887
Financial liabilities	27,372	8,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,105
Other monetary liabilities	781	4,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,011
Non-Current Liabilities																	
Financial liabilities	394,465	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,223,026
Other monetary liabilities	-	15,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,140
Total Liabilities	**627,275**	**731,365**	**1,269**	**-**	**-**	**-**	**240**	**334**	**9,156**	**1,186**	**6,637**	**148**	**73,754**	**-**	**61,427**	**643**	**4,962,169**
Net Position of Financial Statement	**(66,302)**	**(469,803)**	**100,128**	**561,181**	**107,146**	**263,827**	**(240)**	**3,533**	**288,645**	**81,071**	**26,556**	**256**	**(72,655)**	**1,780**	**145,934**	**(24)**	**(1,048,469)**
Off-balance sheet derivative assets (*)	355,677	472,391	-	-	5,000	-	-	-	-	-	5,800	-	-	-	-	-	3,000,886
Off-balance sheet derivative liabilities (*)	(303,812)	(14,465)	(107,903)	(590,000)	(118,000)	(255,000)	-	-	(297,000)	(78,000)	(32,000)	-	-	(1,800)	(170,000)	-	(2,098,985)
Net position of off-balance sheet items	51,865	457,926	(107,903)	(590,000)	(113,000)	(255,000)	-	-	(297,000)	(78,000)	(26,200)	-	-	(1,800)	(170,000)	-	901,901
Net Asset/(Liability) Position of Foreign Currency	**(14,437)**	**(11,877)**	**(7,775)**	**(28,819)**	**(5,854)**	**8,827**	**(240)**	**3,533**	**(8,355)**	**3,071**	**356**	**256**	**(72,655)**	**(20)**	**(24,066)**	**(24)**	**(146,568)**
Net Asset/(Liability) Position of Foreign Currency Monetary Items	(96,512)	(536,704)	100,050	561,181	107,146	263,827	(240)	3,533	288,645	81,071	26,545	256	(73,754)	1,780	115,878	(642)	(1,413,651)
Fair Value of Financial Instruments Used for Foreign Exchange Hedge																	179,301
Hedged Amount of Foreign Currency Assets	303,812	14,465	107,903	590,000	118,000	255,000	-	-	297,000	78,000	32,000	-	-	1,800	170,000	-	2,098,985
Hedged Amount of Foreign Currency Liabilities	205,677	472,391	-	-	5,000	-	-	-	-	-	5,800	-	-	-	-	-	2,444,401

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

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2016	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	CNY	CHF	TRY equivalent
Against TRY	(6,935)	26,836	(7,208)	(28,819)	(5,854)	8,809	-	-	-	-	767	-	(69,912)	(20)	7,305	(24)	35,601
Against EUR	-	2,905	-	-	-	-	-	-	801	-	-	-	-	-	-	-	10,429
Against RUB	5,556	1,119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,550
Against PLN	(345)	102	-	-	-	18	-	-	-	-	-	-	-	-	-	-	(919)
Against GBP	758	863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,849
Against RON	1,583	(4,232)	179	-	-	-	-	-	-	-	-	-	(2,697)	-	-	-	(8,328)
Against CZK	755	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,801
Against NOK	3,446	-	-	-	-	-	-	3,533	-	2,880	-	-	-	-	-	-	15,582
Against SEK	(4,974)	(2)	-	-	-	-	(240)	-	-	191	-	-	-	-	-	-	(18,463)
Against CNY	1,025	2,021	42	-	-	-	-	-	-	-	-	-	-	-	-	-	11,096
Against ZAR	(2,595)	(1,528)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,004)
Against AUD	(57)	68	-	-	-	-	-	-	-	-	-	256	-	-	-	-	656
Against EGP	6	(29,839)	(794)	-	-	-	-	-	-	-	-	-	-	-	-	-	(108,416)
Against HRV	(3,061)	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,187)
Against CHF	(3,129)	672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,243)
Against BWP	-	-	-	-	-	-	-	-	(9,156)	-	-	-	-	-	-	-	(2,352)
Against NZD	(32)	(12)	-	-	-	-	-	-	-	-	(411)	-	-	-	-	-	(1,204)
Against USD	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	927
Against RSD	(5,575)	(301)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,742)
Against THB	(649)	(953)	-	-	-	-	-	-	-	-	-	-	(46)	-	-	-	(5,763)
Against MYR	-	(1,068)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,759)
Against VND	-	(3,072)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,811)
Against PKR	(464)	(5,504)	6	-	-	-	-	-	-	-	-	-	-	-	(31,371)	-	(36,868)
	(14,437)	**(11,877)**	**(7,775)**	**(28,819)**	**(5,854)**	**8,827**	**(240)**	**3,533**	**(8,355)**	**3,071**	**356**	**256**	**(72,655)**	**(20)**	**(24,066)**	**(24)**	**(146,568)**

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2017, and December 31, 2016, if related currencies had appreciated by 10% against TRY with all other variables held constant, profit before tax and other comprehensive income (before tax) as a result of foreign exchange losses on the translation of foreign exchange position is presented in the tables below. Secured portions include impact of derivative instruments.

	Gain/Loss		**Other Comprehensive Income**	
December 31, 2017	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(194,446)	194,446	(192,306)	192,306
Secured portion from USD risk	192,000	(192,000)	192,000	(192,000)
USD Net effect	**(2,446)**	**2,446**	**(306)**	**306**
EUR net asset/liability	47,107	(47,107)	54,245	(54,245)
Secured portion from EUR risk	(39,802)	39,802	27,931	(27,931)
EUR Net effect	**7,305**	**(7,305)**	**82,176**	**(82,176)**
GBP net asset/liability	51,714	(51,714)	66,251	(66,251)
Secured portion from GBP risk	(50,354)	50,354	(50,354)	50,354
GBP Net effect	**1,360**	**(1,360)**	**15,897**	**(15,897)**
RUB net asset/liability	4,094	(4,094)	47,505	(47,505)
Secured portion from RUB risk	(4,034)	4,034	(4,034)	4,034
RUB Net effect	**60**	**(60)**	**43,471**	**(43,471)**
RON net asset/liability	5	(5)	102,933	(102,933)
Secured portion from RON risk	-	-	-	-
RON Net effect	**5**	**(5)**	**102,933**	**(102,933)**
PLN net asset/liability	13,681	(13,681)	23,801	(23,801)
Secured portion from PLN risk	(13,981)	13,981	(13,981)	13,981
PLN Net effect	**(300)**	**300**	**9,820**	**(9,820)**
CZK net asset/liability	5,177	(5,177)	10,219	(10,219)
Secured portion from CZK risk	(5,131)	5,131	(5,131)	5,131
CZK Net effect	**46**	**(46)**	**5,088**	**(5,088)**
NOK net asset/liability	-	-	410	(410)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	-	-	**410**	**(410)**
SEK net asset/liability	(63)	63	5,396	(5,396)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	**(63)**	**63**	**5,396**	**(5,396)**
NZD net asset/liability	147	(147)	147	(147)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	**147**	**(147)**	**147**	**(147)**
ZAR net asset/liability	(412)	412	80,878	(80,878)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	**(412)**	**412**	**80,878**	**(80,878)**
AUD net asset/liability	10,835	(10,835)	8,036	(8,036)
Secured portion from AUD risk	(11,166)	11,166	(11,166)	11,166
AUD Net effect	**(331)**	**331**	**(3,130)**	**3,130**
DKK net asset/liability	3,917	(3,917)	3,917	(3,917)
Secured portion from DKK risk	(3,633)	3,633	(3,633)	3,633
DKK Net effect	**284**	**(284)**	**284**	**(284)**
JPY net asset/liability	(3)	3	(3)	3
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(3)**	**3**	**(3)**	**3**
CAD net asset/liability	791	(791)	791	(791)
Secured portion from CAD risk	(526)	526	(526)	526
CAD Net effect	**265**	**(265)**	**265**	**(265)**
THB net asset/liability	(7)	7	24,344	(24,344)
Secured portion from THB risk	-	-	-	-
THB Net effect	**(7)**	**7**	**24,344**	**(24,344)**
EGP net asset/liability	-	-	(8,965)	8,965
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	**(8,965)**	**8,965**
UAH net asset/liability	-	-	798	(798)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	**798**	**(798)**
CNY net asset/liability	19,534	(19,534)	28,866	(28,866)
Secured portion from CNY risk	(22,473)	22,473	(22,473)	22,473
CNY Net effect	**(2,939)**	**2,939**	**6,393**	**(6,393)**
CHF net asset/liability	(14)	14	27,098	(27,098)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	**(14)**	**14**	**27,098**	**(27,098)**
BWP net asset/liability	-	-	135	(135)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	-	-	**135**	**(135)**
RSD net asset/liability	-	-	4,221	(4,221)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	-	-	**4,221**	**(4,221)**
MYR net asset/liability	-	-	(1,330)	1,330
Secured portion from MYR risk	-	-	-	-
MYR Net effect	-	-	**(1,330)**	**1,330**
VND net asset/liability	-	-	(944)	944
Secured portion from VND risk	-	-	-	-
VND Net effect	-	-	**(944)**	**944**
PKR net asset/liability	1	(1)	93,687	(93,687)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	**1**	**(1)**	**93,687**	**(93,687)**
IDR net asset/liability	-	-	1,799	(1,799)
Secured portion from IDR risk	-	-	-	-
IDR Net effect	-	-	**1,799**	**(1,799)**
	2,958	**(2,958)**	**490,562**	**(490,562)**

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

	Gain/Loss		Other Comprehensive Income	
December 31, 2016	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**	**Foreign exchange appreciation by 10%**	**Foreign exchange depreciation by 10%**
USD net asset/liability	(165,333)	165,333	(163,093)	163,093
Secured portion from USD risk	161,153	(161,153)	161,153	(161,153)
USD Net effect	**(4,180)**	**4,180**	**(1,940)**	**1,940**
EUR net asset/liability	31,052	(31,052)	42,429	(42,429)
Secured portion from EUR risk	(36,408)	36,408	19,241	(19,241)
EUR Net effect	**(5,356)**	**5,356**	**61,670**	**(61,670)**
GBP net asset/liability	43,244	(43,244)	50,996	(50,996)
Secured portion from GBP risk	(46,602)	46,602	(46,602)	46,602
GBP Net effect	**(3,358)**	**3,358**	**4,394**	**(4,394)**
RUB net asset/liability	3,217	(3,217)	39,247	(39,247)
Secured portion from RUB risk	(3,382)	3,382	(3,382)	3,382
RUB Net effect	**(165)**	**165**	**35,865**	**(35,865)**
RON net asset/liability	-	-	80,689	(80,689)
Secured portion from RON risk	-	-	-	-
RON Net effect	**-**	**-**	**80,689**	**(80,689)**
PLN net asset/liability	9,027	(9,027)	15,336	(15,336)
Secured portion from PLN risk	(9,520)	9,520	(9,520)	9,520
PLN Net effect	**(493)**	**493**	**5,816**	**(5,816)**
CZK net asset/liability	3,632	(3,632)	6,726	(6,726)
Secured portion from CZK risk	(3,510)	3,510	(3,510)	3,510
CZK Net effect	**122**	**(122)**	**3,216**	**(3,216)**
NOK net asset/liability	(10)	10	407	(407)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**(10)**	**10**	**407**	**(407)**
SEK net asset/liability	136	(136)	4,264	(4,264)
Secured portion from SEK risk	-	-	-	-
SEK Net effect	**136**	**(136)**	**4,264**	**(4,264)**
NZD net asset/liability	63	(63)	63	(63)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	**63**	**(63)**	**63**	**(63)**
ZAR net asset/liability	7,410	(7,410)	69,400	(69,400)
Secured portion from ZAR risk	(7,625)	7,625	(7,625)	7,625
ZAR Net effect	**(215)**	**215**	**61,775**	**(61,775)**
AUD net asset/liability	6,736	(6,736)	5,855	(5,855)
Secured portion from AUD risk	(6,646)	6,646	(6,646)	6,646
AUD Net effect	**90**	**(90)**	**(791)**	**791**
DKK net asset/liability	4,039	(4,039)	4,039	(4,039)
Secured portion from DKK risk	(3,886)	3,886	(3,886)	3,886
DKK Net effect	**153**	**(153)**	**153**	**(153)**
JPY net asset/liability	(218)	218	(218)	218
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(218)**	**218**	**(218)**	**218**
CAD net asset/liability	464	(464)	464	(464)
Secured portion from CAD risk	(469)	469	(469)	469
CAD Net effect	**(5)**	**5**	**(5)**	**5**
THB net asset/liability	-	-	26,214	(26,214)
Secured portion from THB risk	-	-	-	-
THB Net effect	**-**	**-**	**26,214**	**(26,214)**
EGP net asset/liability	-	-	(8,141)	8,141
Secured portion from EGP risk	-	-	-	-
EGP Net effect	**-**	**-**	**(8,141)**	**8,141**
UAH net asset/liability	-	-	607	(607)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	**-**	**-**	**607**	**(607)**
CNY net asset/liability	7,351	(7,351)	15,468	(15,468)
Secured portion from CNY risk	(8,564)	8,564	(8,564)	8,564
CNY Net effect	**(1,213)**	**1,213**	**6,904**	**(6,904)**
CHF net asset/liability	(8)	8	26,697	(26,697)
Secured portion from CHF risk	-	-	-	-
CHF Net effect	**(8)**	**8**	**26,697**	**(26,697)**
BWP net asset/liability	-	-	89	(89)
Secured portion from BWP risk	-	-	-	-
BWP Net effect	**-**	**-**	**89**	**(89)**
RSD net asset/liability	-	-	1,573	(1,573)
Secured portion from RSD risk	-	-	-	-
RSD Net effect	**-**	**-**	**1,573**	**(1,573)**
MYR net asset/liability	-	-	11	(11)
Secured portion from MYR risk	-	-	-	-
MYR Net effect	**-**	**-**	**11**	**(11)**
VND net asset/liability	-	-	400	(400)
Secured portion from VND risk	-	-	-	-
VND Net effect	**-**	**-**	**400**	**(400)**
PKR net asset/liability	-	-	85,906	(85,906)
Secured portion from PKR risk	-	-	-	-
PKR Net effect	**-**	**-**	**85,906**	**(85,906)**
	(14,657)	**14,657**	**395,618**	**(395,618)**

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

NOTE 35 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Original Amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	1,022,753,060	4,232,762	1,000,603,460	3,348,985
USD	300,429,459	1,093,807	329,703,181	994,189
GBP	268,704,759	1,263,008	272,859,689	1,108,634
Other		787,646		578,237
Total exports		**7,377,223**		**6,030,045**
EUR	384,280,363	1,563,160	358,994,291	1,198,790
USD	925,028,469	3,353,607	742,971,249	2,236,634
GBP	1,030,303	4,833	914,558	3,722
Other		5,359		13,706
Total imports		**4,926,959**		**3,452,852**

Capital Risk Management

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

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

The gearing ratios as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	**December 31, 2016**
Total financial liabilities (Note 7)	7,376,103	5,657,655
Cash and cash equivalents (Note 5)	(2,581,964)	(2,441,871)
Net financial liabilities	4,794,139	3,215,784
Equity	6,915,077	6,004,577
Total capital invested	**11,709,216**	**9,220,361**
Gearing ratio	**41%**	**35%**

NOTE 36 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of December 31, 2017, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY 6,341,686 (December 31, 2016: TRY 4,418,497) (Note 7), and TRY 6,338,517 (December 31, 2016: TRY 4,418,228) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

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

NOTE 36 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs

Fair value hierarchy table as of December 31, 2017 is as follows:

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 8)	-	47,382	-
Financial investments (Note 6)	2,473	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	13,888	-

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

Financial assets carried at fair value in statement of financial position	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (assets) (Note 8)	-	183,686	-
Financial investments (Note 6)	2,656	-	-
Financial liabilities carried at fair value in statement of financial position			
Derivative instruments (liabilities) (Note 8)	-	4,385	-

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

NOTE 37 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	1 January-December 31, 2017	**1 January-December 31, 2016**
Adjustments for provisions:		
Accrual for customer premiums	138,614	44,976
Warranty provision	81,239	62,829
Provision for assembly and transportation cost	43,135	21,031
Provision for employment termination benefits	29,691	25,453
Accrual for bonuses and premiums	5,606	3,862
Return provisions	3,146	(2,426)
Provision for vacation pay liability	3,347	5,576
Provision for legal claims	95	513
	304,873	**161,814**

	1 January-December 31, 2017	**1 January-December 31, 2016**
Adjustments for impairment loss:		
Provision for doubtful receivables	28,853	27,065
Provision for impairment on inventories	13,142	22,450
	41,995	**49,515**

NOTE 38 – EVENTS AFTER BALANCE SHEET DATE

The negotiation process of the Collective Labour Agreement between Turkish Metal Industrialists Union (MESS) of which our Company is a member and the Turkish Metal Union is signed on January 30, 2018, effective period of the agreement is between 01 September 2017 – 31 August 2019.

………………………