

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

# **Arçelik Anonim Şirketi**

**January 1- September 30, 2014 condensed interim consolidated financial statements**

**ARÇELİK ANONİM ŞİRKETİ**

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....</b>	<b>1-2</b>
<b>CONSOLIDATED STATEMENTS OF PROFIT OR LOSS .....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY .....</b>	<b>5-6</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS .....</b>	<b>7</b>
<b>NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>8-55</b>
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS .....	9-16
NOTE 3 SEGMENT REPORTING.....	17-18
NOTE 4 CASH AND CASH EQUIVALENTS .....	19
NOTE 5 FINANCIAL INVESTMENTS.....	20
NOTE 6 FINANCIAL LIABILITIES .....	20-23
NOTE 7 DERIVATIVE INSTRUMENTS.....	23
NOTE 8 TRADE RECEIVABLES AND PAYABLES.....	24
NOTE 9 INVENTORIES .....	25
NOTE 10 OTHER PAYABLES.....	25
NOTE 11 ASSOCIATES .....	26
NOTE 12 INVESTMENT PROPERTIES .....	27
NOTE 13 PROPERTY, PLANT AND EQUIPMENT .....	27
NOTE 14 OTHER INTANGIBLE ASSETS .....	28
NOTE 15 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES .....	28-30
NOTE 16 OTHER PROVISIONS .....	30-31
NOTE 17 PREPAID EXPENSES .....	31
NOTE 18 CURRENT INCOME TAX ASSETS .....	31
NOTE 19 EMPLOYEE BENEFIT OBLIGATIONS.....	31
NOTE 20 OTHER ASSETS AND LIABILITIES .....	32
NOTE 21 EQUITY .....	32-34
NOTE 22 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES .....	35
NOTE 23 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES.....	36
NOTE 24 FINANCIAL INCOME.....	36
NOTE 25 FINANCIAL EXPENSES.....	36
NOTE 26 TAX ASSETS AND LIABILITIES .....	37-38
NOTE 27 EARNINGS PER SHARE .....	39
NOTE 28 RELATED PARTY DISCLOSURES .....	40-43
NOTE 29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	44-54
NOTE 30 SUPPLEMENTARY CASH FLOW INFORMATION .....	55

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

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

		Unaudited	Audited
	Notes	September 30, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	1,491,072	1,266,575
Trade receivables			
-Due from related parties	28	20,819	27,219
-Trade receivables, third parties	8	4,602,796	4,154,921
Derivative instruments	7	6,441	6,651
Inventories	9	2,153,870	1,988,373
Prepaid expenses	17	78,581	46,932
Current income tax assets	18	38,781	34,337
Other current assets	20	90,025	125,274
<b>Subtotal</b>		<b>8,482,385</b>	<b>7,650,282</b>
Non-current assets held for sale		11,608	8,836
<b>Total current assets</b>		<b>8,493,993</b>	<b>7,659,118</b>
<b>Non-current assets:</b>			
Financial investments	5	638,741	539,170
Trade receivables			
-Trade receivables, third parties	8	9,907	27,456
Associates	11	194,042	192,404
Investment properties	12	6,132	6,346
Property, plant and equipment	13	1,842,215	1,836,789
Intangible assets			
-Goodwill		170,699	172,706
-Other intangible assets	14	908,449	886,268
Deferred tax assets	26	89,503	90,659
<b>Total non-current assets</b>		<b>3,859,688</b>	<b>3,751,798</b>
<b>Total assets</b>		<b>12,353,681</b>	<b>11,410,916</b>

These condensed interim consolidated financial statements as at and for the period ended September 30, 2014, have been approved for issue by the Board of Directors on October 24, 2014 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

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

	Notes	Unaudited September 30, 2014	Audited December 31, 2013
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Financial liabilities	6	740,537	612,048
Short term portion of long term financial liabilities	6	1,055,345	1,061,331
Trade payables			
-Due to related parties	28	306,093	437,457
-Trade payables, third parties	8	1,399,660	1,207,443
Derivative instruments	7	2,673	14,497
Employee benefit obligations	19	147,825	135,599
Other payables			
-Due to related parties	28	9,831	8,860
-Other payables, third parties	10	107,368	96,526
Current income tax liabilities	26	15,679	19,648
Provisions			
-Other provisions	16	300,357	258,548
Other current liabilities	20	349,757	239,186
<b>Total current liabilities</b>		<b>4,435,125</b>	<b>4,091,143</b>
<b>Non-current liabilities</b>			
Financial liabilities	6	3,032,281	2,581,159
Other payables			
-Due to related parties	28	59,236	62,427
Derivate instruments	7	15,403	51,180
Provisions			
-Provision for employee benefits		147,716	127,161
-Other provisions	16	89,961	93,707
Deferred tax liabilities	26	263,636	245,515
Other non-current liabilities		28,772	19,868
<b>Total non-current liabilities</b>		<b>3,637,005</b>	<b>3,181,017</b>
<b>Total liabilities</b>		<b>8,072,130</b>	<b>7,272,160</b>
<b>EQUITY</b>			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
-Actuarial gain/loss arising from defined benefit plans		(22,352)	(6,891)
Other comprehensive income/loss to be reclassified to profit or loss			
-Financial assets revaluation fund		468,794	374,201
-Non-current assets revaluation fund		68,927	70,002
-Foreign currency hedge of net investments in foreign operations		(224,827)	(210,776)
-Cash flow hedges		(1,642)	421
-Currency translation differences		279,421	308,266
Contribution to shareholders’ equity related to merger	21	14,507	14,507
Restricted reserves	21	275,430	248,809
Retained earnings		1,792,300	1,521,038
Net income for the period		448,078	597,845
Atributable to:			
Equity holders of the parent		4,244,064	4,062,850
Non-controlling interest		37,487	75,906
<b>Total equity</b>		<b>4,281,551</b>	<b>4,138,756</b>
<b>Total liabilities and equity</b>		<b>12,353,681</b>	<b>11,410,916</b>
Commitments, contingent assets and liabilities	15		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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

	Notes	Unaudited			
		January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Net sales	3	9,112,298	7,998,107	3,234,067	2,902,476
Cost of sales		(6,183,930)	(5,561,186)	(2,187,976)	(2,004,291)
<b>Gross profit</b>		<b>2,928,368</b>	<b>2,436,921</b>	<b>1,046,091</b>	<b>898,185</b>
General administrative expenses		(374,896)	(296,974)	(130,404)	(107,531)
Marketing, selling and distribution expenses		(1,733,350)	(1,463,931)	(626,158)	(531,544)
Research and development expenses		(78,940)	(62,598)	(27,728)	(22,457)
Other income from operating activities	22	155,365	270,923	49,018	129,127
Other expenses from operating activities	22	(140,606)	(123,094)	(30,001)	(30,357)
<b>Operating profit</b>		<b>755,941</b>	<b>761,247</b>	<b>280,818</b>	<b>335,423</b>
Income from investment activities	23	15,170	10,384	1,314	140
Expenses from investment activities	23	(1,211)	(1,344)	(151)	(696)
Income from associates	11	17,113	30,390	4,202	6,669
<b>Operating income before financial income/(expense)</b>		<b>787,013</b>	<b>800,677</b>	<b>286,183</b>	<b>341,536</b>
Financial income	24	329,651	312,644	132,172	111,063
Financial expenses	25	(572,090)	(568,513)	(224,494)	(246,381)
<b>Profit before tax from continued operations</b>		<b>544,574</b>	<b>544,808</b>	<b>193,861</b>	<b>206,218</b>
<b>Tax income/(expense) of continued operations</b>					
- Taxes on income	26	(65,377)	(81,747)	(17,389)	(40,979)
- Deferred tax income / (expense)	26	(16,935)	(5,548)	(16,052)	3,706
<b>Net income from continued operations</b>		<b>462,262</b>	<b>457,513</b>	<b>160,420</b>	<b>168,945</b>
<b>Attributable to:</b>					
Non-controlling interest		14,184	15,716	4,740	7,892
<b>Equity holders of the parent</b>		<b>448,078</b>	<b>441,797</b>	<b>155,680</b>	<b>161,053</b>
<b>Earnings per share (kr)</b>	27	<b>0.663</b>	<b>0.654</b>	<b>0.230</b>	<b>0.224</b>

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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

	Unaudited			
	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
<b>Net income for the period</b>	<b>462,262</b>	<b>457,513</b>	<b>160,420</b>	<b>168,945</b>
<b>Other comprehensive income /(expense):</b>				
<b>Items not to be reclassified to profit or loss in subsequent periods</b>	<b>(15,461)</b>	<b>(1,557)</b>	<b>(886)</b>	<b>-</b>
Actuarial loss arising from defined benefit plans	(19,527)	(1,946)	(1,107)	-
Tax effect other comprehensive income/loss not to be reclassified to profit or loss	3,905	389	221	-
Share of other comprehensive income of associates	161	-	-	-
<b>Items to be reclassified to profit or loss</b>	<b>49,877</b>	<b>62,612</b>	<b>(9,443)</b>	<b>65,542</b>
Foreign currency hedge of net investments in foreign operations	(17,563)	(130,416)	76	(77,158)
Share of other comprehensive income of associates	(2,063)	552	(76)	(272)
Fair value increase on financial assets	99,571	13,940	-	-
Currency translation differences	(28,602)	153,038	(9,428)	127,537
Tax effect of other comprehensive income/loss to be reclassified to profit or loss	(1,466)	25,498	(15)	15,435
<b>Other comprehensive income/(loss) (net of tax)</b>	<b>34,416</b>	<b>61,055</b>	<b>(10,329)</b>	<b>65,542</b>
<b>Total comprehensive income</b>	<b>496,678</b>	<b>518,568</b>	<b>150,091</b>	<b>234,487</b>
<b>Attributable to:</b>				
Non-controlling interest	15,502	24,557	4,919	13,681
<b>Equity holders of the parent</b>	<b>481,176</b>	<b>494,011</b>	<b>145,172</b>	<b>220,806</b>

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013**

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

					Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					
	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non- controlling interest	Total equity
Balance at January 1, 2014	675,728	468,811	889	14,507	(6,891)	(210,355)	444,203	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	448,078	448,078	14,184	462,262
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	94,593	-	-	-	-	94,593	-	94,593
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(14,051)	-	-	-	-	-	(14,051)	-	(14,051)
Share of other comprehensive income of associates	-	-	-	-	161	(2,063)	-	-	-	-	-	(1,902)	-	(1,902)
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(15,622)	-	-	-	-	-	-	(15,622)	-	(15,622)
Currency translation differences	-	-	-	-	-	-	(1,075)	(28,845)	-	-	-	(29,920)	1,318	(28,602)
<b>Total other comprehensive income</b>	-	-	-	-	<b>(15,461)</b>	<b>(16,114)</b>	<b>93,518</b>	<b>(28,845)</b>	-	-	-	<b>33,098</b>	<b>1,318</b>	<b>34,416</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>(15,461)</b>	<b>(16,114)</b>	<b>93,518</b>	<b>(28,845)</b>	-	-	<b>448,078</b>	<b>481,176</b>	<b>15,502</b>	<b>496,678</b>
Transfers	-	-	-	-	-	-	-	-	26,621	571,224	(597,845)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	-	-	38	-	38	(38)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	(53,883)	(353,883)
<b>As of September 30, 2014</b>	<b>675,728</b>	<b>468,811</b>	<b>889</b>	<b>14,507</b>	<b>(22,352)</b>	<b>(226,469)</b>	<b>537,721</b>	<b>279,421</b>	<b>275,430</b>	<b>1,792,300</b>	<b>448,078</b>	<b>4,244,064</b>	<b>37,487</b>	<b>4,281,551</b>

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013**

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

					Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					
	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non- controlling interest	Total equity
<b>Balance at December 31, 2012 - previously reported</b>	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,383,191	524,764	3,841,652	85,583	3,927,235
Change in accounting policy - TAS 19	-	-	-	-	247	-	-	-	-	4,802	(5,049)	-	-	-
<b>Balance at January 1, 2013 - as restated</b>	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,993	519,715	3,841,652	85,583	3,927,235
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	441,797	441,797	15,716	457,513
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	13,243	-	-	-	-	13,243	-	13,243
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(104,333)	-	-	-	-	-	(104,333)	-	(104,333)
Share of other comprehensive income of associates	-	-	-	-	-	552	-	-	-	-	-	552	-	552
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	112	-	-	-	-	112	-	112
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(1,557)	-	-	-	-	-	-	(1,557)	-	(1,557)
Currency translation differences	-	-	-	-	-	-	6,822	137,375	-	-	-	144,197	8,841	153,038
<b>Total other comprehensive income</b>	-	-	-	-	(1,557)	(103,781)	20,177	137,375	-	-	-	52,214	8,841	61,055
<b>Total comprehensive income</b>	-	-	-	-	(1,557)	(103,781)	20,177	137,375	-	-	441,797	494,011	24,557	518,568
Transfers	-	-	-	-	-	-	-	-	32,122	487,593	(519,715)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(439)	-	-	439	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(355,000)	-	(355,000)	(48,555)	(403,555)
<b>As of September 30, 2013 - as restated</b>	675,728	468,811	889	14,507	(1,310)	(161,312)	547,554	224,165	248,809	1,521,025	441,797	3,980,663	61,585	4,042,248

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



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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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

	Notes	Unaudited	
		January 1- September 30, 2014	January 1- September 30, 2013
<b>Operating activities:</b>			
<b>Net income from continued operations</b>		<b>462,262</b>	<b>457,513</b>
<i>Adjustments to reconcile net cash provided from operating activities to net income after taxes</i>			
Taxes expense	26	82,312	87,295
Depreciation and amortization		258,256	224,418
Changes in provisions	30	209,067	217,847
Interest expenses	25	230,827	145,535
Interest income	24	(16,983)	(29,416)
Income from associates (net)	11	(17,113)	(30,390)
(Income)/loss from derivative instruments (net)	24, 25	(35,260)	7,271
Income from claims and incentives	22	(27,450)	(24,349)
Dividend income from financial investments	23	(12,944)	(9,559)
(Gain)/loss from sales of tangible and intangible assets (net)	23	(1,015)	519
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>1,131,959</b>	<b>1,046,684</b>
<b>Changes in operating assets and liabilities (net):</b>			
Trade payables and due to related parties		60,853	323,588
Other non-current liabilities		(2,712)	41,828
Other current assets and liabilities		(8,634)	(81,086)
Inventories		(167,965)	(441,531)
Trade receivables and due from related parties		(434,839)	(918,843)
Payments of employee termination benefit obligation		(20,612)	(15,581)
Cash provided from incentives		28,441	19,620
Corporate and income taxes paid		(59,961)	(36,405)
<b>Cash flows from operating activities</b>		<b>526,530</b>	<b>(61,726)</b>
<b>Investing activities:</b>			
Acquisition of tangible and intangible assets		(309,863)	(348,930)
Cash provided from sales of tangible and intangible assets		2,470	3,073
Dividends received	11	14,100	22,475
Dividends received from financial investments	23	12,944	9,559
<b>Cash flows from investing activities</b>		<b>(280,349)</b>	<b>(313,823)</b>
<b>Financing activities:</b>			
Proceeds from bank borrowings		1,365,050	1,183,237
Repayment of bank borrowings		(1,879,068)	(1,571,262)
Dividends paid	21	(353,883)	(403,555)
Interest paid		(219,580)	(118,066)
Interest received		17,250	29,761
Bond issued		991,201	889,269
Derivative instruments		(12,131)	15,968
<b>Cash flows from financing activities</b>		<b>(91,161)</b>	<b>25,352</b>
<b>Net increase/(decrease) in cash and cash equivalents before currency translation differences</b>			
		<b>155,020</b>	<b>(350,197)</b>
Currency translation differences (net)		69,744	107,930
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>224,764</b>	<b>(242,267)</b>
<b>Cash and cash equivalents at January 1</b>	4	<b>1,265,726</b>	<b>1,739,277</b>
<b>Cash and cash equivalents at September 30</b>	4	<b>1,490,490</b>	<b>1,497,010</b>

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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

#### NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu İstanbul / Turkey

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1986. At September 30, 2014, the publicly listed shares are 25.19% of the total shares.

The average number of personnel employed by categories in the Group for the period ended September 30, 2014 is 4,204 white - collar (1 January- 30 September 2013: 4,026) and 20,719 blue – collar (1 January- 30 September 2013: 20,075) totalling to 24,923 (1 January- 30 September 2013: 24,101).

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

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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
<b>Subsidiaries</b>			
<b>Ceased operations as of balance sheet date:</b>			
Archin Limited (“Archin”)	Hong Kong, China	-	-
ArcticPro SRL (“ArcticPro”)	Romania	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Beko S.A. Hungary (“Beko Hungary”)	Hungary	-	-
Blomberg Werke GmbH (“Blomberg Werke”)	Germany	-	-
Defy (Swaziland) (Proprietary) Limited (“Defy Swaziland”)	Swaziland	-	-
Grundig Ceska Republika S.r.o (“Grundig Czech Republic”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Grundig Slovakia s.r.o (“Grundig Slovakia”)	Slovakia	-	-
Raupach Wollert GmbH (“Raupach”)	Germany	-	-
<b>Associates</b>			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. (“Koç Finansman”)	Turkey	Finance	Consumer Finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign Trade
Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing /Communication

#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

##### Financial reporting standards

The condensed interim consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the 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 Group prepared its interim consolidated financial statements as at and for the period ended September 30, 2014, in accordance with the Turkish Accounting Standard No 34 “Interim Financial Reporting”.

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

##### New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at September 30, 2014 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2014 have no impact on the condensed interim consolidated financial statements of the Group.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

---

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

**Standards issued but not yet effective and not early adopted**

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

**TFRS 9 Financial Instruments – Classification and measurement**

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

**TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

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

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

---

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

**Annual Improvements to TAS/IFRS**

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

*Annual Improvements - 2010–2012 Cycle*

*IFRS 2 Share-based Payment:*

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

*IFRS 3 Business Combinations*

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

*IFRS 8 Operating Segments*

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

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

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

*TAS 24 Related Party Disclosures*

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

---

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

*Annual Improvements – 2011–2013 Cycle*

*TFRS 3 Business Combinations*

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

*Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement*

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

*TAS 40 Investment Property*

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

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

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

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

**IFRS 15 – Revenue from Contracts with Customers**

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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

---

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

##### **IFRS 9 Financial Instruments - Final standard (2014)**

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

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

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) or
- Using the equity method

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

##### ***Annual Improvements – 2010–2012 Cycle***

###### *IFRS 13 Fair Value Measurement*

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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

---

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

##### *Annual Improvements – 2012–2014 Cycle*

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

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

The amendments are effective for annual periods beginning on or after January1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### **Functional and presentation currency**

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

##### **Financial statements of subsidiaries operating in countries other than Turkey**

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

##### **Consolidation principles**

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



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

(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, at September 30, 2014 and December 31, 2013 (%) and their functional currencies:

	Functional currency	September 30, 2014		December 31, 2013	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
<b>Continuing operations as of balance sheet date:</b>					
Arctic	Romanian Lei	96.72	96.72	96.71	96.71
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/ New Zealand Dollar	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Hong Kong	US Dollar	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty/ Czech Koruna	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko UK (*)	British Pound/ Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/ Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland	Swiss Franc	100.00	100.00	100.00	100.00
<b>Ceased operations as of balance sheet date:</b>					
Archin	-	100.00	100.00	100.00	100.00
Arctic Pro	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Hungary	-	100.00	100.00	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron (**)	-	-	-	100.00	100.00
Defy Ocean (**)	-	-	-	100.00	100.00
Defy Swaziland	-	100.00	100.00	100.00	100.00
Grundig Czech Republic	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

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

(\*\*) Dissolved in 2014.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

---

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

##### Going concern

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

##### Offsetting

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

##### Comparatives and restatement of prior periods’ financial statements

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

Cash discounts amounting to TRY 9,229 which was disclosed under financial expenses is reclassified to other expenses from operating activities of the Group’s statement of profit or loss for the period ended September 30, 2013.

#### 2.2 Restatement and errors in the accounting policies and estimates

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

#### 2.3 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the nine month period ended September 30, 2014 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2014 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2013. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

**NOTE 3 - SEGMENT REPORTING**

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

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

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

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

- a) Operational segments which have been prepared in accordance with the reportable segments for the nine-month period between January 1- September 30, 2014 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	6,635,148	1,276,682	1,200,468	9,112,298
Gross profit	2,276,705	314,920	336,743	2,928,368
Depreciation and amortization	216,216	37,346	9,239	262,801
Capital expenditures	268,873	40,970	7,171	317,014
Income from associates	-	-	17,113	17,113

- b) Operational segments which have been prepared in accordance with the reportable segments for the nine-month period between January 1- September 30, 2013 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	5,596,998	1,054,458	1,346,651	7,998,107
Gross profit	1,886,066	191,275	359,580	2,436,921
Depreciation and amortization	184,333	36,125	7,863	228,321
Capital expenditures	308,323	36,251	8,259	352,833
Income from associates	-	-	30,390	30,390

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

**NOTE 3 - SEGMENT REPORTING (Continued)**

c) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between July 1 – September 30, 2014 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	2,443,775	415,577	374,715	3,234,067
Gross profit	851,507	101,469	93,115	1,046,091
Depreciation and amortization	74,045	13,224	3,056	90,325
Capital expenditures	111,313	11,035	2,446	124,794
Income from associates	-	-	4,202	4,202

d) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between July 1 – September 30, 2013 are as follows:

	<b>White goods</b>	<b>Consumer electronics</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	2,120,330	405,887	376,259	2,902,476
Gross profit	723,722	84,355	90,108	898,185
Depreciation and amortization	64,279	12,325	2,373	78,977
Capital expenditures	145,255	14,241	2,400	161,896
Income from associates	-	-	6,669	6,669

e) Sales revenue based on the location of the customers and income from associates for the nine-month period between January 1- September 30, are as below:

<b>January 1 – September 30, 2014</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	3,515,055	3,870,189	752,640	974,414	9,112,298
Income from associates	17,113	-	-	-	17,113

<b>January 1 – September 30, 2013</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	3,479,870	3,000,491	692,959	824,787	7,998,107
Income from associates	30,390	-	-	-	30,390

f) Sales revenue based on the location of the customers and income from associates for the period between July 1 – September 30, are as below:

<b>July 1 – September 30, 2014</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	1,337,477	1,361,597	248,132	286,861	3,234,067
Income from associates	4,202	-	-	-	4,202

<b>July 1 – September 30, 2013</b>	<b>Turkey</b>	<b>Europe</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Total segment revenue	1,211,477	1,198,652	228,508	263,839	2,902,476
Income from associates	6,669	-	-	-	6,669

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2014	December 31, 2013
Cash in hand	367	315
Cash at banks		
- demand deposits	125,843	125,062
- time deposits	1,279,026	1,067,005
Cheques and notes	79,553	69,075
Other	5,701	4,269
<b>Cash and cash equivalents in cash flow statement</b>	<b>1,490,490</b>	<b>1,265,726</b>
Interest income accruals	582	849
	<b>1,491,072</b>	<b>1,266,575</b>

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

Up to 30 days	1,488,687	1,262,977
31-90 days	2,385	3,598
	<b>1,491,072</b>	<b>1,266,575</b>

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

TRY	-	7.0
USD	0.2	1.6
EUR	1.5	1.6
AUD	0.5	0.5
CNY	1.4	2.7
ZAR	5.0	4.5
GBP	0.3	0.3
CHF	0.1	0.1
EGP	6.1	4.0
NOK	0.6	0.6
PLN	2.2	2.3
RON	3.1	3.2
NZD	3.0	3.0

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 5 - FINANCIAL INVESTMENTS

*Available-for-sale investments*

	September 30, 2014		December 31, 2013	
	Share %	Amount	Share %	Amount
Koç Finansal Hizmetler A.Ş.	3.98	637,253	3.98	537,682
Other		1,488		1,488
		<b>638,741</b>		<b>539,170</b>

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	September 30, 2014	December 31, 2013
Short-term bank borrowings	739,791	611,625
Other	746	423
<b>Total short-term financial liabilities</b>	<b>740,537</b>	<b>612,048</b>
Short-term portion of long-term bank borrowings and interest accruals	1,025,564	1,048,288
Interest accruals of long-term bond issued (*)	29,781	13,043
<b>Total short-term portion of long-term financial liabilities</b>	<b>1,055,345</b>	<b>1,061,331</b>

(\*) Long term bonds issued:

**2014:**

The Company issued bond amounting to EUR 350 million, quoted in Ireland Stock Exchange, with re-offer yield 4.0% 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 September 30, 2014, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.2	493,803,452	493,803
EUR	0.8	56,333,498	162,883
ZAR	7.3	250,000,000	50,443
CNY	5.6	54,071,556	19,929
RUB	9.4	117,647,285	6,746
UAH	11.5	17,300,000	3,046
SEK	2.3	9,398,572	2,941
			<b>739,791</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

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

b) Long-term financial liabilities

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Long-term bank borrowings	902,300	1,526,555
Long-term bonds issued	2,129,316	1,054,461
Other	665	143
	<b>3,032,281</b>	<b>2,581,159</b>

As of September 30, 2014, the details of the long-term bank borrowings are as follows:

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY equivalent</b>
TRY	11.1	1,115,440,516	1,115,441
EUR	2.4	210,709,451	609,245
ZAR	8.3	750,000,000	151,328
RUB	8.7	904,255,822	51,850
			<b>1,927,864</b>
Less: Short-term portion of long-term loans and interest accruals			(1,025,564)
			<b>902,300</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

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

As of September 30, 2014, detail of discounted amounts of long-term bonds issued is given below:

<b>Currency</b>	<b>Effective interest rate per annum (%)</b>	<b>Original currency</b>	<b>TRY equivalent</b>
USD	5.1	507,244,428	1,155,959
EUR	4.0	346,938,378	1,003,138
			<b>2,159,097</b>
Less: Interest accruals of long-term bonds issued			(29,781)
			<b>2,129,316</b>

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

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



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	September 30, 2014	December 31, 2013
2015	32,127	1,148,071
2016	441,021	123,986
2017	300,646	123,986
2018	64,253	65,256
2019	64,253	65,256
2021	1,001,526	-
2023	1,127,790	1,054,461
	<b>3,031,616</b>	<b>2,581,016</b>

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

Up to 6 months	2,324,966	2,892,754
1- 5 years	310,562	228,459
Over 5 years	2,191,224	1,132,759
	<b>4,826,752</b>	<b>4,253,972</b>

NOTE 7 - DERIVATIVE INSTRUMENTS

	September 30, 2014			December 31, 2013		
	Contract amount	Fair value assets /(liabilities)		Contract amount	Fair value assets /(liabilities)	
<i>Held for trading:</i>						
<i>Short-term derivative instruments</i>						
Forward transactions	971,256	5,688	(762)	1,233,804	817	(8,822)
Foreign currency swap contracts	789,159	753	(1,911)	857,585	5,834	(5,675)
	<b>1,760,415</b>	<b>6,441</b>	<b>2,673</b>	<b>2,091,389</b>	<b>6,651</b>	<b>(14,497)</b>

*Long-term derivative instruments*

Cross-currency fixed interest rate swap (*)	1,655,941	-	(15,403)	1,583,318	-	(51,180)
--	-----------	---	----------	-----------	---	----------

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2014	December 31, 2013
<b>Short-term trade receivables:</b>		
Trade receivables	2,963,394	2,404,779
Notes receivables	1,512,984	1,651,986
Cheques receivables	238,528	227,891
<b>Short-term trade receivables (gross)</b>	<b>4,714,906</b>	<b>4,284,656</b>
Less: Provision for doubtful receivables	(97,143)	(113,281)
Less: Unearned credit finance income	(14,967)	(16,454)
<b>Short-term trade receivables (net)</b>	<b>4,602,796</b>	<b>4,154,921</b>

Movements in the provision for doubtful receivables for the nine month periods ended September 30 are as follows:

	2014	2013
<b>As of January 1</b>	<b>113,281</b>	<b>93,229</b>
Additions (Note 22)	10,913	8,159
Provisions released (Note 22)	(2,541)	(389)
Write-offs (*)	(24,006)	(2,184)
Currency translation differences	(504)	5,790
<b>As of September 30</b>	<b>97,143</b>	<b>104,605</b>

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

	September 30, 2014	December 31, 2013
Long-term trade receivables:	9,907	27,456
<b>Short-term trade payables:</b>		
Trade payables	1,311,130	1,165,156
Debt accruals	97,857	51,536
Unearned credit finance charges	(9,327)	(9,249)
	<b>1,399,660</b>	<b>1,207,443</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 9 - INVENTORIES

	September 30, 2014	December 31, 2013
Raw materials and supplies	912,445	899,869
Work in progress	67,635	60,299
Finished goods	919,905	792,747
Trade goods	310,930	295,645
<b>Inventories (gross)</b>	<b>2,210,915</b>	<b>2,048,560</b>
Less: Provision for impairment on inventories	(57,045)	(60,187)
<b>Inventories (net)</b>	<b>2,153,870</b>	<b>1,988,373</b>

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

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

	September 30, 2014	December 31, 2013
Raw materials and supplies	47,896	49,778
Finished goods	7,048	7,560
Trade goods	2,101	2,849
	<b>57,045</b>	<b>60,187</b>

Movements of provision for impairment on inventories for the periods ended September 30 are as follows:

	2014	2013
<b>As of January 1</b>	<b>60,187</b>	<b>59,785</b>
Additions (Note 22)	1,941	2,864
Realized due to sales of inventory	(4,306)	(1,911)
Currency translation differences	(777)	1,329
<b>As of September 30</b>	<b>57,045</b>	<b>62,067</b>

NOTE 10 - OTHER PAYABLES

	September 30, 2014	December 31, 2013
Taxes and duties payable	92,361	82,444
Dividend payables to non-controlling interest	4,330	4,370
Deposits and guarantees received	3,352	4,811
Other	7,325	4,901
	<b>107,368</b>	<b>96,526</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 11 - ASSOCIATES

	September 30, 2014		December 31, 2013	
	Share %	Amount	Share %	Amount
Koç Finansman	47.0	81,248	47.0	82,015
Arçelik - LG	45.0	94,418	45.0	94,202
Ram Dış Ticaret	33.5	11,591	33.5	9,654
Tanı Pazarlama	32.0	6,785	32.0	6,533
		<b>194,042</b>		<b>192,404</b>

The movements of associates for the nine month periods ended September 30 are as follows:

	2014	2013
<b>As of January 1</b>	<b>192,404</b>	<b>182,614</b>
Shares of income/loss of associates	17,113	30,390
Shares of other comprehensive income of associates	(1,902)	552
Gross profit elimination on inventory	527	-
Dividends received	(14,100)	(22,475)
<b>As of September 30</b>	<b>194,042</b>	<b>191,081</b>

*Shares of income/loss from associates:*

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Koç Finansman	15,396	13,208	5,098	5,228
Arçelik – LG	(469)	14,607	(1,314)	(312)
Ram Dış Ticaret	1,937	2,250	428	1,248
Tanı Pazarlama	249	325	(10)	505
	<b>17,113</b>	<b>30,390</b>	<b>4,202</b>	<b>6,669</b>

*Aggregated summary figures of the financial statements of associates:*

	September 30, 2014		December 31, 2013	
Total assets	2,857,591		2,574,343	
Total liabilities	2,419,107		2,141,268	

  

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Net sales	1,217,630	1,345,588	354,028	360,508
Net profit for the period	39,447	68,294	9,576	15,734

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 12 - INVESTMENT PROPERTIES

	2014	2013
<b>As of January 1</b>		
Cost	15,651	12,268
Accumulated depreciation	(9,305)	(7,169)
<b>Net carrying value</b>	<b>6,346</b>	<b>5,099</b>
<b>Net carrying value at the beginning of the period</b>	<b>6,346</b>	<b>5,099</b>
Currency translation differences	(108)	952
Depreciation for the period	(106)	(114)
<b>Net carrying value at the end of the period</b>	<b>6,132</b>	<b>5,937</b>
<b>As of September 30</b>		
Cost	15,384	14,565
Accumulated depreciation	(9,252)	(8,628)
<b>Net carrying value</b>	<b>6,132</b>	<b>5,937</b>

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2014	2013
<b>As of January 1</b>		
Cost	4,466,236	4,017,756
Accumulated depreciation	(2,629,447)	(2,414,353)
<b>Net carrying value</b>	<b>1,836,789</b>	<b>1,603,403</b>
<b>Net carrying value at the beginning of the period</b>	<b>1,836,789</b>	<b>1,603,403</b>
Additions	226,333	268,878
Transfers <sup>(1)</sup>	-	11,015
Disposals	(1,455)	(3,224)
Currency translation differences	(20,660)	35,967
Depreciation for the period	(198,792)	(174,841)
<b>Net carrying value at the end of the period</b>	<b>1,842,215</b>	<b>1,741,198</b>
<b>As of September 30</b>		
Cost	4,604,434	4,336,869
Accumulated depreciation	(2,762,219)	(2,595,671)
<b>Net carrying value</b>	<b>1,842,215</b>	<b>1,741,198</b>

There is no mortgage on property, plant and equipment as of September 30, 2014 (December 31, 2013: None).

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 14 - OTHER INTANGIBLE ASSETS

	2014	2013
<b>As of January 1</b>		
Cost	1,199,395	1,023,120
Accumulated amortization	(313,127)	(235,519)
<b>Net carrying value</b>	<b>886,268</b>	<b>787,601</b>
<b>Net carrying value at the beginning of the period</b>	<b>886,268</b>	<b>787,601</b>
Additions	90,681	83,955
Disposals	-	(368)
Currency translation differences	(4,597)	26,732
Amortization for the period	(63,903)	(53,366)
<b>Net carrying value at the end of the period</b>	<b>908,449</b>	<b>844,554</b>
<b>As of September 30</b>		
Cost	1,285,353	1,137,542
Accumulated amortization	(376,904)	(292,988)
<b>Net carrying value</b>	<b>908,449</b>	<b>844,554</b>

Net carrying value of the development costs as of September 30, 2014 is TRY 311,488 (December 31, 2013: TRY 285,237) and capitalized development costs in the period is TRY 80,442 (January 1 – September 30, 2013: TRY 73,890).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2014, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 666,358,182 (December 31, 2013: USD 341,723,301). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

	September 30, 2014	December 31, 2013
Up to 1 year	20,211	20,014
1-5 years	36,732	43,036
Over 5 years	13,681	16,001
<b>Operating lease commitments</b>	<b>70,624</b>	<b>79,051</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

Derivative instruments contracts commitments

TRY equivalents of the Group’s foreign exchange purchase and sales commitments in terms of currencies as of September 30, 2014 and December 31, 2013 are as follows,

	Foreign exchange purchase commitments	Foreign exchange sale commitments
<b>September 30, 2014</b>		
TRY	-	212,164
USD	1,137,205	72,718
EUR	402,300	766,741
AUD	-	71,402
CZK	1,399	15,143
ZAR	15,099	81,006
GBP	-	311,399
SEK	17,722	31,289
CHF	28,885	-
CAD	-	1,367
NOK	8,762	2,921
PLN	1,728	41,543
RON	109,553	-
RUB	-	86,010
	<b>1,722,653</b>	<b>1,693,713</b>
	Foreign exchange purchase commitments	Foreign exchange sale commitments
<b>December 31, 2013</b>		
TRY	238,392	178,903
USD	1,184,209	96,689
EUR	279,253	859,818
AUD	-	41,549
CZK	-	10,733
ZAR	11,350	128,589
GBP	-	356,198
SEK	-	32,779
CHF	29,158	-
PLN	-	39,035
RON	61,531	-
RUB	16,395	110,126
	<b>1,820,288</b>	<b>1,854,419</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

	September 30, 2014	December 31, 2013
--	-----------------------	----------------------

Collaterals obtained 2,741,038 2,536,469

Collaterals, pledges and mortgages (“CPM”) given by the Group as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
<b>CPM’s given by the Company</b>		
A. CPM’s given for Company’s own legal personality	661,671	611,665
B. CPM’s given on behalf of fully consolidated companies	156,178	37,678
C. CPM’s given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPM’s	-	-
i) Total amount of CPM’s given on behalf of the majority shareholder	-	-
ii) Total amount of CPM’s given on behalf of other Group companies which are not in scope of B and C,	-	-
iii) Total amount of CPM’s given on behalf of third parties which are not in scope of C,	-	-
<b>Total</b>	<b>817,849</b>	<b>649,343</b>

TRY equivalents of collaterals, pledges and mortgages give as of September 30, 2014 and December 31, 2013 are as follows on original currency basis are as follows:

	September 30, 2014	December 31, 2013
<b>CPM's given by the Company</b>		
USD	630,038	577,306
EUR	126,464	15,002
TRY	39,956	51,639
Other currencies	21,391	5,396
	<b>817,849</b>	<b>649,343</b>

NOTE 16 – OTHER PROVISIONS

	September 30, 2014	December 31, 2013
<b>Other short-term provisions</b>		
Warranty provision	157,907	147,835
Assembly provision	46,659	53,712
Provision for transportation cost	12,784	9,748
Provision for returns	9,845	9,423
Provision for lawsuit risks	8,426	6,653
Other	64,736	31,177
	<b>300,357</b>	<b>258,548</b>



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 16 – OTHER PROVISIONS (Continued)

	September 30, 2014	December 31, 2013
<b>Other long-term provisions</b>		
Warranty provision	89,493	93,256
Other	468	451
	<b>89,961</b>	<b>93,707</b>

NOTE 17 – PREPAID EXPENSES

	September 30, 2014	December 31, 2013
Short-term prepaid expenses	63,901	31,299
Advances given for fixed assets	11,732	14,640
Advances given for inventories	2,948	993
	<b>78,581</b>	<b>46,932</b>

NOTE 18 – CURRENT INCOME TAX ASSETS

	September 30, 2014	December 31, 2013
Prepaid taxes and funds	38,781	34,337

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2014	December 31, 2013
Accruals for bonuses and premiums	61,400	7,169
Social security payables	45,878	56,322
Payables to personnel	40,547	72,108
	<b>147,825</b>	<b>135,599</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 20 - OTHER ASSETS AND LIABILITIES

	September 30, 2014	December 31, 2013
<b>Other current assets:</b>		
Value added tax and private consumption tax receivable	50,558	60,774
Taxes and funds deductible	19,751	50,428
Income accruals	9,219	4,681
Other	10,497	9,391
	<b>90,025</b>	<b>125,274</b>
<b>Other current liabilities:</b>		
Accruals for customer premiums	327,939	212,085
Advances received	19,268	24,558
Other	2,550	2,543
	<b>349,757</b>	<b>239,186</b>

NOTE 21 - EQUITY

**Paid-in capital**

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

	September 30, 2014	December 31, 2013
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 21 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	September 30, 2014		December 31, 2013	
	Share %	Amount	Share %	Amount
<b>Shareholders</b>				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S. Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M. Koç	2.44	16,474	2.44	16,474
Mustafa V. Koç	0.91	6,177	0.91	6,177
<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>51.93</b>	<b>350,909</b>	<b>51.93</b>	<b>350,909</b>
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
<b>Paid-in capital</b>	<b>100.00</b>	<b>675,728</b>	<b>100.00</b>	<b>675,728</b>
Adjustment to share capital (*)		468,811		468,811
<b>Total share capital</b>		<b>1,144,539</b>		<b>1,144,539</b>

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

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

**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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 21 – EQUITY (Continued)

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:

	September 30, 2014	December 31, 2013
General legal reserves	83,690	83,690
Other legal reserves	191,740	165,119
	<b>275,430</b>	<b>248,809</b>

As agreed in the ordinary general meeting dated March 27, 2014, the decision to pay dividend as cash has been taken and the payment was made in April 2014 (previous year in April 2013). The dividend details are as follows: 44.4% (2013: 52.5%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 37.7% (2013: 45.6%) corresponding to gross TRY 0.44396 (full) (2013: TRY 0.52536 (full)) and net TRY 0.37737 (full) (2013: TRY 0.45612 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOT 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
<b>Other income from operating activities:</b>				
Foreign exchange gains arising from trading activities	93,948	209,024	23,191	115,279
Income from claims and incentives	27,450	24,349	11,350	5,570
Credit finance income arising from trading activities	10,917	20,232	4,485	3,279
Reversal of provisions for doubtful receivables	2,541	389	127	58
Reversal of provisions	1,019	2,332	63	1,575
Other	19,490	14,597	9,802	3,366
	<b>155,365</b>	<b>270,923</b>	<b>49,018</b>	<b>129,127</b>

**Other expenses from operating activities:**

Foreign exchange losses arising from trading activities	(86,493)	(58,039)	(13,022)	(14,034)
Cash discounts expenses	(11,473)	(9,229)	(3,683)	(3,452)
Credit finance charges arising from trading activities	(11,207)	(475)	(3,424)	(215)
Provision expense for doubtful receivables	(10,913)	(8,159)	(999)	(5,618)
Product recall expenses	(2,412)	(14,688)	(1,268)	(2,780)
Provision expense for impairment on inventories	(1,941)	(2,864)	(715)	(128)
Other	(16,167)	(29,640)	(6,890)	(4,130)
	<b>(140,606)</b>	<b>(123,094)</b>	<b>(30,001)</b>	<b>(30,357)</b>

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOT 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
<b>Income from investment activities:</b>				
Dividends received from financial investments	12,944	9,559	-	-
Income from sales of property plant and equipment	2,226	825	1,314	140
	<b>15,170</b>	<b>10,384</b>	<b>1,314</b>	<b>140</b>
<b>Expenses from investment activities:</b>				
Loss from sales of property plant and equipment	(1,211)	(1,344)	(151)	(696)
	<b>(1,211)</b>	<b>(1,344)</b>	<b>(151)</b>	<b>(696)</b>

NOT 24 - FINANCIAL INCOME

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Foreign exchange gains (*)	218,338	238,297	57,397	98,528
Gains on derivative instruments	94,309	44,857	69,672	3,437
Interest income	16,983	29,416	5,089	9,055
Other	21	74	14	43
	<b>329,651</b>	<b>312,644</b>	<b>132,172</b>	<b>111,063</b>

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

NOT 25 – FINANCIAL EXPENSES

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Foreign exchange losses (*)	(275,080)	(363,401)	(141,755)	(153,964)
Interest expenses	(230,827)	(145,535)	(79,321)	(56,278)
Losses on derivative instruments	(59,049)	(52,128)	(1,520)	(33,107)
Other	(7,134)	(7,449)	(1,898)	(3,032)
	<b>(572,090)</b>	<b>(568,513)</b>	<b>(224,494)</b>	<b>(246,381)</b>

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 26 - TAX ASSETS AND LIABILITIES

	September 30, 2014	December 31, 2013
Corporation taxes	61,519	82,107
Less: Prepaid tax	(45,840)	(62,459)
<b>Taxes payable (net)</b>	<b>15,679</b>	<b>19,648</b>
Deferred tax assets	89,503	90,659
Deferred tax liabilities	(263,636)	(245,515)
<b>Deferred tax liabilities (net)</b>	<b>(174,133)</b>	<b>(154,856)</b>

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

The corporation tax rate is 20% in Turkey (December 31, 2013: 20%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

The taxes on income for the periods ended September 30 are summarized as follows:

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Tax income / (expense)				
- Current period tax expense	(65,377)	(81,747)	(17,389)	(40,979)
- Deferred tax expense	(16,935)	(5,548)	(16,052)	3,706
<b>Tax expenses (net)</b>	<b>(82,312)</b>	<b>(87,295)</b>	<b>(33,441)</b>	<b>(37,273)</b>

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Property, plant and equipment and intangible assets	1,413,222	1,362,408	(303,493)	(289,422)
Available-for-sale investments	493,467	393,896	(24,672)	(19,694)
Unearned credit finance income/(expense) (net)	44,236	58,473	(8,847)	(11,695)
Unused tax credits	(242,852)	(255,047)	54,082	53,051
Provision for warranty, assembly and transportation expenses	(201,241)	(194,471)	41,641	40,659
Provision for employment termination	(132,160)	(116,017)	26,432	23,225
Provision for impairment on inventories	(48,756)	(49,761)	9,763	10,017
Derivative instruments	(11,797)	(63,199)	2,377	12,604
Accrual for licences	(9,819)	(6,008)	1,964	1,202
Provision for doubtful receivables	(3,613)	(17,228)	702	3,426
Other	(106,617)	(87,992)	25,918	21,771
<b>Deferred tax liabilities (net)</b>			<b>(174,133)</b>	<b>(154,856)</b>

Movements in the net deferred tax assets / (liabilities) for the nine month periods ended September 30, are as follows:

	2014	2013
<b>As of January 1</b>	<b>(154,856)</b>	<b>(150,438)</b>
Tax expense recognized in income statement	(16,935)	(5,548)
Tax recognized directly in the shareholders' equity	(1,074)	(196)
Currency translation differences	(1,268)	(1,501)
<b>As of September 30</b>	<b>(174,133)</b>	<b>(157,683)</b>



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 27 – EARNINGS PER SHARE

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

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

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

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Net income attributable to the equity holders of the parent	448,078	441,797	155,680	161,053
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
<b>Earnings per share (Kr) (*)</b>	<b>0.663</b>	<b>0.654</b>	<b>0.230</b>	<b>0.238</b>
Dividends distributed to the equity holders of the parent	300,000	355,000	-	-
<b>Gross dividend distributed per share (*)</b>	<b>0.444</b>	<b>0.525</b>	<b>-</b>	<b>-</b>

(\*) 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.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	September 30, 2014	December 31, 2013
<b>(a) Due from related parties:</b>		
Yapı ve Kredi Bankası A.Ş. <sup>(1)</sup>	8,758	3,242
Akpa Dayanımlı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş. <sup>(1)</sup>	5,054	22,114
Ark İnşaat San. ve Tic. A.Ş. <sup>(2)</sup>	3,565	-
Koçtaş Yapı Marketleri Tic. A.Ş. <sup>(1)</sup>	3,337	1,052
Other	105	811
	<b>20,819</b>	<b>27,219</b>
<b>(b) Due to related parties:</b>		
<b>Current:</b>		
Arçelik-LG <sup>(3)</sup>	169,429	270,661
Zer Merkezi Hizmetler ve Ticaret A.Ş. <sup>(1)</sup>	84,971	107,972
Ram Dış Ticaret <sup>(3)</sup>	41,234	36,030
Other	10,459	22,794
	<b>306,093</b>	<b>437,457</b>

	September 30, 2014	December 31, 2013
<b>Other liabilities – Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	9,831	8,860
<b>Other liabilities – Non Current:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	59,236	62,427

(\*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of September 30, 2014. (December 31, 2013: TRY 81,040).

- <sup>(1)</sup> Koç Holding group companies  
<sup>(2)</sup> Company controlled by Koç Family  
<sup>(3)</sup> Associates

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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

	September 30, 2014	December 31, 2013
<b>Other payables to related parties (gross)</b>		
Up to 1 year	13,217	12,379
1 to 5 years	51,790	48,663
Over 5 years	16,236	24,331
	<b>81,243</b>	<b>85,373</b>
Less: future finance charges on other liabilities	(12,176)	(14,086)
<b>Present value of other payables to related parties (net)</b>	<b>69,067</b>	<b>71,287</b>

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

	September 30, 2014	December 31, 2013
Up to 1 year	9,831	8,860
1 to 5 years	43,611	39,449
Over 5 years	15,625	22,978
	<b>69,067</b>	<b>71,287</b>

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	745,262	294,694
---	---------	---------

(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	27,237	108,144
---	--------	---------

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

**NOTE 28 - RELATED PARTY DISCLOSURES (Continued)**

**e) Derivative instruments**

<b>September 30, 2014</b>	<b>Contract value</b>	<b>Fair value asset/(liability)</b>	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	500,379	16	(510)

<b>December 31, 2013</b>	<b>Contract value</b>	<b>Fair value asset/(liability)</b>	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484	-

**(ii) Transactions with related parties**

**(a) Sales of goods and services**

	<b>January 1- September 30, 2014</b>	<b>January 1- September 30, 2013</b>	<b>July 1- September 30, 2014</b>	<b>July 1- September 30, 2013</b>
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Paz. A.Ş.	23,876	63,952	2,543	14,433
Koçtaş Yapı Marketleri Tic. A.Ş.	10,959	17,487	3,786	5,627
Yapı ve Kredi Bankası A.Ş.	8,475	5,235	2,653	1,263
Ark İnşaat San. ve Tic. A.Ş.	3,285	1,855	2,301	17
Arçelik-LG	2,561	2,924	1,350	1,275
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,991	809	607	200
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. <sup>(1)</sup>	125	924	10	44
Other	290	366	101	239
	<b>51,562</b>	<b>93,552</b>	<b>13,351</b>	<b>23,098</b>

<sup>(1)</sup> Koç Holding group company

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

(b) Purchases of goods and services

	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
Zer Merkezi Hizmetler ve Ticaret A.Ş.	467,798	394,458	181,378	160,667
Arçelik-LG	205,944	379,066	77,365	58,110
Ram Dış Ticaret	119,102	79,297	47,258	37,853
Koç Sistem Bilgi ve İletişim Hiz. A.Ş.	24,069	17,369	9,398	4,508
Ram Sigorta Aracılık Hiz. A.Ş. <sup>(1)</sup> (*)	23,687	20,975	609	429
Setur Servis Turistik A.Ş. <sup>(2)</sup>	19,844	13,332	11,711	5,334
Ark İnşaat San. ve Tic. A.Ş.	12,574	-	2,950	-
Other	51,765	30,074	19,388	9,017
	<b>924,783</b>	<b>934,571</b>	<b>350,057</b>	<b>275,918</b>

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

The Group purchases air conditioners, produced by Arçelik-LG. Purchasing conditions are determined in line with the due dates periods and rates pertaining to trade receivables from third parties.

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the nine month period ended September 30, 2014 amounts to TRY 9,392 (January 1 - September 30, 2013: TRY 5,013). The compensation includes only short-term benefits.

(d) Other transactions	January 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2014	July 1- September 30, 2013
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,194	17,352	2,329	5,769
<i>Interest expenses:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	3,641	6,381	1,002	2,039

<sup>(1)</sup> Company controlled by Koç family members

<sup>(2)</sup> Koç Holding group company

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

---

**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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

***Hedging operations and derivative financial instruments***

***Liquidity risk***

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

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

***Interest rate risk***

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

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

***Funding risk***

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

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

##### *Credit risk*

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

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

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

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

Individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

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

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

Details of credit and receivable risk as of September 30, 2014 and December 31, 2013 are as follows:

	Trade receivables		Bank deposits	Derivative Instruments
	Related party	Third party		
<b>September 30, 2014</b>				
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>20,819</b>	<b>4,612,703</b>	<b>1,405,451</b>	<b>6,441</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(3,494,528)	-	-
A. Net book value of financial asset either are not due or not impaired	20,819	4,264,659	1,405,451	6,441
-Secured portion by guarantees, etc.	-	(3,220,995)	-	-
B. Financial assets with renegotiated conditions	-	31,359	-	-
-Secured portion by guarantees, etc.	-	(23,350)	-	-
C. Net book value of overdue but not impaired financial assets	-	277,116	-	-
-Secured portion by guarantees, etc.	-	(210,614)	-	-
D. Net book value of the impaired assets	-	39,569	-	-
-Overdue (Gross book value)	-	136,712	-	-
-Impairment (-)	-	(97,143)	-	-
-Secured portion of the net value by guarantees, etc.	-	(39,569)	-	-

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

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

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

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

	September 30, 2014	December 31, 2013
Group 1	9,410	11,281
Group 2	3,879,770	3,808,259
Group 3	427,657	136,468
	<b>4,316,837</b>	<b>3,956,008</b>

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

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

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

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

	September 30, 2014	December 31, 2013
0-1 month	79,914	139,078
1-3 months	139,982	33,547
3-12 months	43,858	22,735
1-5 years	13,362	7,745
	<b>277,116</b>	<b>203,105</b>



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

*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.

*Foreign currency hedge of net investments in foreign operations*

The Group designated some portion of the Euro denominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of September 30, 2014, a portion of bank borrowings in Euro amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2013: EUR 328,750,000).

*Foreign currency position*

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Assets	3,019,787	2,808,426
Liabilities	(3,502,350)	(3,190,616)
<b>Statement of financial position (net)</b>	<b>(482,563)</b>	<b>(382,190)</b>
Net position of derivative instruments	493,838	491,604
<b>Net foreign currency position</b>	<b>11,275</b>	<b>109,414</b>

## ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at September 30, 2014 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
<b>Current assets</b>															
Trade receivables	368,399	127,237	92,066	1,251,330	61,024	147,431	11,599	95,942	-	12,303	31,782	-	-	760	1,928,145
Monetary financial assets	281,971	11,349	90	20	-	-	-	1,058	-	1,001	14	1,061	-	-	844,114
Other	18,159	62,268	107	-	-	-	-	-	261,308	-	-	-	-	-	247,528
<b>Total assets</b>	<b>668,529</b>	<b>200,854</b>	<b>92,263</b>	<b>1,251,350</b>	<b>61,024</b>	<b>147,431</b>	<b>11,599</b>	<b>97,000</b>	<b>261,308</b>	<b>13,304</b>	<b>31,796</b>	<b>1,061</b>	<b>-</b>	<b>760</b>	<b>3,019,787</b>
<b>Current liabilities</b>															
Trade payables	107,709	136,540	1,167	-	-	-	53	57,118	6,261	-	3,941	-	10,671	-	654,093
Financial liabilities	21,456	12,447	-	-	-	-	-	-	-	-	-	-	-	-	90,403
Other monetary liabilities	31	4,415	-	-	-	-	-	-	-	-	-	-	-	-	10,151
<b>Non-Current liabilities</b>															
Financial liabilities	536,613	498,883	-	-	-	-	-	-	-	-	-	-	-	-	2,688,467
Other monetary liabilities	-	25,993	-	-	-	-	-	-	-	-	-	-	-	-	59,236
<b>Total liabilities</b>	<b>665,809</b>	<b>678,278</b>	<b>1,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>57,118</b>	<b>6,261</b>	<b>-</b>	<b>3,941</b>	<b>-</b>	<b>10,671</b>	<b>-</b>	<b>3,502,350</b>
<b>Statement of financial position (net)</b>	<b>2,720</b>	<b>(477,424)</b>	<b>91,096</b>	<b>1,251,350</b>	<b>61,024</b>	<b>147,431</b>	<b>11,546</b>	<b>39,882</b>	<b>255,047</b>	<b>13,304</b>	<b>27,855</b>	<b>1,061</b>	<b>(10,671)</b>	<b>760</b>	<b>(482,563)</b>
Off-balance sheet derivative assets (*)	272,103	499,015	-	-	2,495	13,308	-	56,639	-	-	-	-	-	-	1,944,813
Off-balance sheet derivative liabilities (*)	(265,180)	(31,909)	(84,315)	(1,500,000)	(60,000)	(144,000)	(8,300)	(100,000)	(250,000)	-	(36,000)	-	-	(670)	(1,450,975)
Net position of off-balance sheet items	6,923	467,106	(84,315)	(1,500,000)	(57,505)	(130,692)	(8,300)	(43,361)	(250,000)	-	(36,000)	-	-	(670)	493,838
<b>Foreign currency position (net)</b>	<b>9,643</b>	<b>(10,318)</b>	<b>6,781</b>	<b>(248,650)</b>	<b>3,519</b>	<b>16,739</b>	<b>3,246</b>	<b>(3,479)</b>	<b>5,047</b>	<b>13,304</b>	<b>(8,145)</b>	<b>1,061</b>	<b>(10,671)</b>	<b>90</b>	<b>11,275</b>
Net asset/(liability) position of foreign currency monetary items	(15,439)	(539,692)	90,989	1,251,350	61,024	147,431	11,546	39,882	(6,261)	13,304	27,855	1,061	(10,671)	760	(730,091)
Fair value of financial instruments used for foreign exchange edge															(11,634)
Hedged amount of foreign currency assets	265,180	31,909	84,315	1,500,000	60,000	144,000	8,300	100,000	250,000	-	36,000	-	-	-	1,449,608
Hedged amount of foreign currency liabilities	122,103	499,015	-	-	2,495	13,308	-	56,639	-	-	-	-	-	-	1,511,103

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

## ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

September 30, 2014	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Against TRY	(4,686)	21,287	1,596	(248,650)	3,519	16,739	3,300	6,421	-	-	(4,274)	-	(9,829)	90	25,472
Against EUR	-	7,435	-	-	-	-	-	-	11,308	-	-	-	-	-	19,226
Against RUB	1,567	783	-	-	-	-	-	-	-	-	-	-	-	-	6,315
Against PLN	(2,493)	62	-	-	-	-	-	-	-	-	-	-	-	-	(7,067)
Against GBP	(67)	-	-	-	-	-	-	-	-	-	-	-	-	-	(194)
Against RON	(914)	2,251	1,970	-	-	-	-	-	-	(106)	-	-	(842)	-	9,705
Against CZK	(931)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,692)
Against NOK	3,741	(176)	-	-	-	-	-	(9,900)	-	13,410	-	-	-	-	12,519
Against SEK	3,759	(22)	-	-	-	-	(54)	-	-	-	-	-	-	-	10,800
Against CNY	1,194	(10,230)	3,215	-	-	-	-	-	-	-	-	-	-	-	(7,987)
Against ZAR	174	(6,541)	-	-	-	-	-	-	-	-	-	-	-	-	(14,403)
Against AUD	(264)	77	-	-	-	-	-	-	-	-	-	1,061	-	-	1,292
Against EGP	6	(19,319)	-	-	-	-	-	-	-	-	-	-	-	-	(44,009)
Against UAH	(31)	(6,799)	-	-	-	-	-	-	-	-	-	-	-	-	(15,584)
Against CHF	8,594	874	-	-	-	-	-	-	-	-	-	-	-	-	26,841
Against BWP	-	-	-	-	-	-	-	-	(6,261)	-	-	-	-	-	(1,264)
Against NZD	-	-	-	-	-	-	-	-	-	-	(3,871)	-	-	-	(7,678)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)
	<b>9,643</b>	<b>(10,318)</b>	<b>6,781</b>	<b>(248,650)</b>	<b>3,519</b>	<b>16,739</b>	<b>3,246</b>	<b>(3,479)</b>	<b>5,047</b>	<b>13,304</b>	<b>(8,145)</b>	<b>1,061</b>	<b>(10,671)</b>	<b>90</b>	<b>11,275</b>

## ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

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

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

## ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

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



ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

Imports and exports to / from Turkey for the periods ended as of September 30, 2014 and 2013 are as follows:

	September 30, 2014		September 30, 2013	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	750,434,171	2,200,273	680,623,228	1,680,877
USD	235,505,236	510,372	260,057,655	482,735
GBP	190,032,560	684,975	193,145,564	563,722
Other		400,807		316,763
<b>Total exports</b>		<b>3,796,427</b>		<b>3,044,097</b>
EUR	276,577,566	808,192	340,583,654	833,995
USD	675,862,127	1,464,203	638,724,790	1,191,122
GBP	747,743	2,682	491,172	1,429
Other		29,438		4,462
<b>Total imports</b>		<b>2,304,515</b>		<b>2,031,008</b>

**Fair value hierarchy table**

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at September 30, 2014 is as follows:

<b>Financial assets carried at fair value in statement of financial position:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative financial assets(Note 7)	-	6,441	-
Financial assets (Note 5)	-	637,253	-

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

Derivative financial liabilities(Note 7)	-	18,076	-
--	---	--------	---

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

<b>Financial assets carried at fair value in statement of financial position:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative financial assets(Note 7)	-	6,651	-
Financial assets(Note 5)	-	537,682	-

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

Derivative financial liabilities(Note 7)	-	65,677	-
--	---	--------	---



**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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

**NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION**

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

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
<b>Changes in provisions:</b>		
Accrual for customer premiums	115,854	84,773
Accrual for bonuses and premiums	54,231	38,579
Provision for employment termination benefits	17,879	23,179
Provision for doubtful receivables	10,913	8,159
Warranty provision	6,309	35,494
Provision for vacation pay liability	3,762	3,444
Provision for impairment on inventories	1,941	2,864
Provision for legal claims	1,773	376
Return provisions	422	1,655
Provision for assembly and transportation cost	(4,017)	19,324
	<b>209,067</b>	<b>217,847</b>