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IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) PERSONS OTHER THAN US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) LOCATED OUTSIDE OF THE UNITED STATES.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER US JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. PROSPECTIVE PURCHASERS THAT ARE QIBS ARE HEREBY NOTIFIED THAT THE SELLER OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PURSUANT TO RULE 144A.

THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES.

Confirmation of your representation: In order to be eligible to view the attached Document or make an investment decision with respect to the securities being offered, prospective investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act) or (2) a person other than a US person (as defined in Regulation S under the Securities Act) located outside the United States. This Document is being sent to you at your request, and by accepting the email and accessing this Document you shall be deemed to have represented to the Company and the Joint Lead Managers that (1) either (a) you and any customers you represent are QIBs or (b) you are a person other than a US person (as defined in Regulation S under the Securities Act) located outside the United States and you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Document by electronic transmission.

You are reminded that this Document has been delivered to you on the basis that you are a person into whose possession this Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Document to any other person.

The materials relating to this offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this issuance of securities be made by a licensed broker or dealer, and the Joint Lead Managers or any affiliates of the Joint Lead Managers are licensed

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brokers or dealers in the relevant jurisdiction, this offering shall be deemed to be made by the Joint Lead Managers or such affiliates on behalf of the Company in such jurisdiction.

The attached Document may only be distributed to, and is only directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth bodies corporate falling within Article 49(2) of the Order, and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this Document or any of its contents.

The attached Document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company or the Joint Lead Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

OFFERING CIRCULAR

ARÇELIK A.Ş.

(Incorporated under the laws of the Republic of Turkey)

US$500,000,000
5.000 per cent. Notes due 2023

Issue Price: 99.031 per cent.

Arçelik A.Ş., a joint stock company (the "**Company**" or "**Issuer**"), is issuing US$500,000,000 5.000 per cent. Notes due 2023 (the "**Notes**"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities or "blue sky" laws of any state of the United States of America ("**United States**" or "**US**"), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale in the United States (the "**US Offering**") to qualified institutional buyers only (each a "**QIB**") as defined in, and in reliance upon, Rule 144A under the Securities Act ("**Rule 144A**") and (b) for sale to non-US persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) outside the United States (the "**International Offering**" and, with the US Offering, the "**Offering**") in reliance upon Regulation S. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the US Securities Act pursuant to Rule 144A. Investors in the Notes will be deemed to have made or be required to make certain representations and warranties in connection with purchasing the Notes. For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Plan of Distribution*", "*Selling Restrictions*" and "*Transfer Restrictions*" herein.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "*RISK FACTORS*" BEGINNING ON PAGE 21 OF THIS OFFERING CIRCULAR.

Interest on the Notes will be paid in arrear on the third day of each April and October; provided that, if any such date is not a Business Day (as defined below), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be paid on 3 April 2023, but may be paid earlier under certain circumstances as further described herein. The Notes initially will be sold to investors at a price equal to 99.031 per cent. of the principal amount thereof. For a more detailed description of the Notes, see "*Conditions of the Notes*".

This Offering Circular (the "**Offering Circular**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). The Central Bank of Ireland only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. References in this Offering Circular to the Notes being "**listed**" (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**") in its capacity as competent authority under Law No. 6362 of the Republic of Turkey ("**Turkey**") relating to capital markets (the "**Capital Markets Law**" or "**CML**") for the approval of the Notes by the CMB and the issuance and sale of the Notes by the Company outside Turkey. The Notes may not be sold outside Turkey before they are approved by the CMB. The issuance of the Notes was approved by the CMB on 22 February 2013, and the issuance certificate relating to the Notes is expected to be approved by the CMB on or about 28 March 2013.

Under current Turkish tax law, withholding tax at the rate of 0 per cent. applies to interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*".

The Notes are expected to be rated at issuance BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BB+ by Fitch Polska S.A. ("**Fitch**" and, together with S&P, the "**Rating Agencies**"). The Rating Agencies have also issued ratings in respect of the Turkish government. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Offering Circular, each of the Rating Agencies is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").

The Notes are being offered under Rule 144A and Regulation S by each of J.P. Morgan Securities plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated and The Royal Bank of Scotland plc (each, a "**Joint Lead Manager**" and, collectively, the "**Joint Lead Managers**"), subject to their acceptance and right to reject orders in whole or in part.

The Notes will initially be represented by two global certificates in registered form (the "**Global Certificates**"), one of which will be issued in respect of the Notes ("**Rule 144A Notes**") offered and sold in reliance on Rule 144A (the "**Restricted Global Certificate**") and will be registered in the name of Cede & Co., as nominee for DTC, and the other of which will be issued in respect of the Notes ("**Regulation S Notes**") offered and sold in reliance on Regulation S (the "**Unrestricted Global Certificate**") and will be registered in the name of a nominee of a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Certificates will be made in immediately available funds on 3 April 2013 (i.e. the fifth Business Day following the date of pricing of the Notes (such date being referred to herein as the "**Issue Date**" and such settlement cycle being herein referred to as "**T+5**")).

Joint Lead Managers

BofA Merrill Lynch **J.P. Morgan** **The Royal Bank of Scotland**

The date of this Offering Circular is 28 March 2013.

This Offering Circular constitutes a prospectus for the purpose of Article 5 of the Prospectus Directive. This Offering Circular is to be read in conjunction with the Consolidated Financial Statements (as defined in "*Presentation of Information—Presentation of Financial Information*"), which form part of this Offering Circular and are included herein.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company and the Joint Lead Managers to subscribe for or purchase, any Notes (or beneficial interests therein). This Offering Circular is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Joint Lead Managers. The Notes (and beneficial interests therein) may not be offered or sold, directly or indirectly, and this Offering Circular may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

The distribution or delivery of this Offering Circular and the offer or sale of the Notes (or beneficial interests therein) in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes (or beneficial interests therein) and on the distribution or delivery of this Offering Circular and other offering material relating to the Notes, see "*Selling Restrictions*" and "*Transfer Restrictions*".

No person has been authorised in connection with the offering of the Notes (or beneficial interests therein) to give any information or make any representation regarding the Group (as defined below), the Joint Lead Managers or the Notes other than as contained in this Offering Circular. Any such representation or information must not be relied upon as having been authorised by the Company or the Joint Lead Managers. The delivery of this Offering Circular at any time does not imply that there has been no change in the Group's affairs or that the information contained in it is correct as of any time subsequent to its date or that any other information supplied in connection with the Offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. This Offering Circular may only be used for the purpose for which it has been published. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Company during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. No representation or warranty, express or implied, is made by the Joint Lead Managers as to the accuracy or completeness of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Joint Lead Managers assumes any responsibility or liability for the accuracy or completeness of the information set forth in this Offering Circular. No Joint Lead Manager accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Company in connection with the offer or sale of the Notes or their distribution.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Offering Circular or any other information supplied in connection with the offer or sale of the Notes should purchase the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Company and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

None of the Company, the Joint Lead Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other US jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described under "*Transfer Restrictions*". Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The sale of the Notes has been approved by the CMB only for the purpose of the sale of the Notes outside Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**") and the Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the "**Communiqué**"). The Notes (or beneficial interests therein) have to be offered or sold outside Turkey and the CMB has authorised the offering of the Notes; provided that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey; provided that they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations. The issuance certificate relating to the Notes is expected to be approved by the CMB on or about 28 March 2013. This Offering Circular is being provided on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes offered and sold to QIBs in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons. Notes offered and sold outside the United States to non-US persons pursuant to Regulation S will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons. Except as described in this Offering Circular, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Offering Circular, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form, and will not be considered holders of the Notes under the Notes and the Agency Agreement.

An application has been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Main Securities Market; however, no assurance can be given that such application will be accepted.

In connection with the issue of the Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than

that which might otherwise prevail; however, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Company may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

Other than authorisation by the CMB, the Notes have not been approved or disapproved by the US Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other US, Turkish, Irish, UK or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offence.

The distribution of this Offering Circular and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Circular are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction to the extent that such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, Ireland, the United Kingdom and numerous other jurisdictions.

In this Offering Circular, Arçelik A.Ş. on a stand alone basis is referred to as the "**Company**". References to the "**Group**" are to the Company together with its subsidiaries. Unless otherwise noted, references to "**management**" are to the members of the Company's board of directors, and statements as to the Company's or Group's beliefs, expectations, estimates and options are to those of the Company's management.

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect the import of such information.

The Company has extracted substantially all of the information contained in this Offering Circular concerning the Turkish market and its competitors from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye Istatistik Kurumu)* ("**TurkStat**") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "**Central Bank**") at www.tcmb.gov.tr or the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various different days and may be the result of calculations made by the Company, and therefore may not appear in the exact same form on such websites or elsewhere. Such websites are not, and should not, be deemed to be a part of, or to be incorporated into, this Offering Circular.

Where third-party information has been used in this Offering Circular, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Information regarding the Company's shareholders (including ownership levels and agreements) in "*Business Description*" and "*Ownership*" has been based upon public filings and announcements by such parties. Such data (including from the Central Registry Agency, TurkStat and the Central Bank), while believed to be reliable and accurately extracted by the Company for the purposes of this Offering Circular, has not been independently verified by the Company or any other party and prospective investors should not place undue reliance upon such

data included in this Offering Circular. As far as the Company is aware and able to ascertain from the information published by such third-party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

MARKET DATA

Included in this Offering Circular are various statements relating to the industries in which the Group operates. This information has been provided because the Group considers these markets to be the relevant markets for consideration of its market shares. Unless otherwise indicated, all information regarding the Group's markets in Turkey comes from the White Goods Manufacturers' Association of Turkey (TÜRKBESD), the leading industry group in Turkey, and internal company estimates. Unless otherwise indicated, all information regarding the Group's other markets comes from GfK, a leading market research firm, and internal company estimates. All positioning statements in this Offering Circular are based upon unit market share for major domestic appliances which consist of refrigerators, freezers, washing machines, dryers, dishwashers and cookers ("MDA6"), unless otherwise indicated. Unit market share refers to units sold.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (THE "**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

THE DISCUSSION OF US TAX MATTERS SET FORTH IN THIS OFFERING CIRCULAR WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THIS OFFERING AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER US FEDERAL, STATE OR LOCAL TAX LAW. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

TURKISH TAX CONSIDERATIONS

The withholding tax rates on interest payments of bonds issued by Turkish legal entities outside of Turkey vary depending upon the original maturity of such bonds as specified under Decree No. 2010/1182 dated 29 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the "**Decrees**"). According to the Decrees, the local withholding tax rate on interest payments is 0 per cent. for notes with an initial maturity of five years and more. See "*Taxation—Certain Turkish Tax Considerations*".

PRESENTATION OF INFORMATION

Presentation of Financial Information

Financial Information

As the Company is listed on the Istanbul Stock Exchange, the Consolidated Financial Statements are required to be prepared in Turkish in conformity with the financial reporting standards accepted by the CMB ("**CMB Financial Reporting Standards**"). The Consolidated Financial Statements have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002. There may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information of the Company. See "*Operating and Financial Review—Summary of Differences between IFRS and CMB Accounting Principles*" for a discussion of the significant differences between International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board ("**IASB**") and CMB Financial Reporting Standards.

The Group's consolidated financial statements include:

- the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2012, which include comparative financial information as at and for the year ended 31 December 2011; and
- the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2011, which include comparative financial information as at and for the year ended 31 December 2010.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) ("**E&Y**") audited and issued auditor's reports with respect to the annual consolidated financial statements as at and for the years ended 31 December 2012 and 2011.

The Group also prepares convenience translations into English of its audited annual financial statements. Convenience translations into English of the Group's (i) audited annual consolidated financial statements as at and for the year ended 31 December 2012, which include comparative financial information as at and for the year ended 31 December 2011 (the "**2012 Audited Consolidated Financial Statements**"), and (ii) audited annual consolidated financial statements as at and for the year ended 31 December 2011, which include comparative financial information as at and for the year ended 31 December 2010 (the "**2011 Audited Consolidated Financial Statements**" and, together with the 2012 Audited Consolidated Financial Statements, the "**Consolidated Financial Statements**"), and convenience translations of the audit reports thereon, are included in the Offering Circular beginning on page F-2.

Non-IFRS measures

In this Offering Circular, certain financial measures used by the Group are presented which are not recognised by IFRS, including EBITDA. The Group defines EBITDA as profit for the year before income tax expense, financial income, financial expense, income from associates (net) and depreciation and amortisation. Although EBITDA is not typically a measure of operating income, operating performance or liquidity under IFRS, it is presented in this Offering Circular because the Group believes it is used by some investors to determine a company's ability to service indebtedness and fund on-going capital expenditure. EBITDA should not, however, be considered in isolation or as a substitute for income from operations as determined in accordance with IFRS, or for cash flows from operating activities as determined in accordance with IFRS, or as an indicator of operating performance. A reconciliation of EBITDA to profit for the period is set out below.

	Year ended 31 December		
	2012	2011	2010
		(TRY '000)	
Profit for the year	551,688	541,087	549,247
Add back:			
Income tax expenses	77,684	74,322	107,391
Finance income	(336,798)	(415,558)	(287,046)
Finance expense	499,114	474,421	279,965
Income from associates (net)	(34,551)	(28,378)	(11,907)
Depreciation and amortization	260,788	217,834	192,538
EBITDA	**1,017,925**	**863,728**	**830,188**

Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in thousands and millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Circular may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set out in "*Operating and Financial Review*" are calculated using the numerical data in the Consolidated Financial Statements or the tabular presentation of other data (subject to rounding) contained in this Offering Circular, as applicable, and not using the numerical data in the narrative description thereof. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Offering Circular may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Offering Circular have also been rounded and accordingly the totals in these tables may not add up to 100 per cent.

Currency Presentation and Exchange Rate Information

In this Offering Circular, all references to "**Lira**", "**TRY**" or "**Kr**" are to the lawful currency of Turkey; all references to "**US dollars**", "**US$**" or "**USD**" are to the lawful currency of the United States; all references to "**Euro**", "**€**" or "**EUR**" are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; all references to "**pounds sterling**" or "**GBP**" are to the lawful currency of the United Kingdom; all references to "**ZAR**" or "**Rand**" are to the lawful currency of the Republic of South Africa; all references to "**RON**" or Lei are to the lawful currency of the Republic of Romania; all references to "**Ruble**" or "**RUR**" are to the lawful currency of the Russian Federation; all references to "**CNY**" are to the lawful currency of the People's Republic of China; all references to "**PLN**" are to lawful currency of Poland and all references to "**CZK**" are to the lawful currency of the Czech Republic.

Available Information

THE COMPANY IS NOT REQUIRED TO FILE PERIODIC REPORTS UNDER SECTION 13 OR 15 OF THE US SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**EXCHANGE ACT**"). IN ORDER TO PRESERVE THE EXEMPTION FOR RESALES AND TRANSFERS UNDER RULE 144A, THE COMPANY HAS AGREED THAT, FOR SO LONG AS ANY NOTES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT, THE COMPANY WILL, DURING ANY PERIOD IN WHICH IT IS NEITHER SUBJECT TO AND IN COMPLIANCE WITH SECTION 13 OR 15(D) OF THE EXCHANGE ACT, NOR EXEMPT FROM REPORTING PURSUANT TO RULE 12g3-2(b) THEREUNDER, FURNISH UPON REQUEST TO ANY HOLDER OR BENEFICIAL OWNER OF NOTES, OR ANY PROSPECTIVE PURCHASER DESIGNATED BY ANY SUCH HOLDER OR BENEFICIAL OWNER, THE INFORMATION SPECIFIED IN, AND MEETING THE REQUIREMENTS OF, RULE 144A(d)(4) UNDER THE SECURITIES ACT.

This Offering Circular is being furnished by the Company in connection with an offering exempt from the registration requirements of the Securities Act solely for the purpose of enabling a prospective investor to consider the acquisition of Notes described herein. The information contained in this Offering Circular has been provided by the Company and other sources identified herein. This

Offering Circular is being furnished on a confidential basis to QIBs in the United States. Any reproduction or distribution of this Offering Circular, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than considering an investment by the recipient in the Notes offered hereby, is prohibited. Each potential investor in the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains statements that may be considered to be "forward-looking statements" (as that term is defined in the US Private Securities Litigation Reform Act of 1995) relating to the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's businesses). When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "may", "will", "should" and any similar expression generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Offering Circular, including (without limitation) under "*Risk Factors*", "*Use of Proceeds*", "*Operating and Financial Review*" and "*Business Description*" and include, but are not limited to, statements regarding:

- strategy and objectives;
- trends affecting the Group's results of operations and financial condition;
- future developments in the markets in which the Group operates;
- anticipated regulatory changes in the markets in which the Group operates; and
- the Group's potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements.

The Company has identified some of the risks inherent in these forward-looking statements under "*Risk Factors*". Important factors that could cause actual results to differ materially from those in these forward-looking statements include, among others:

- *The Group operates in highly competitive markets*
- *The Group faces risks related to the current economic environment*
- *The Group is dependent on sales to retail chains and other large customers in its international markets, who may exercise pricing and other pressure on the Group*
- *Significant erosion of the Group's reputation or the reputation of one or more of its brands could have a material impact on its financial results*
- *The Group's dependence on suppliers makes it vulnerable to a disruption in the supply of its products*
- *The Group's business faces cost fluctuations and pressures which could affect its results*
- *The Group's ability to meet its growth targets depends on its ability to innovate and successfully respond to competition*
- *The Group may not be able to realise expected benefits and synergies from future acquisitions of businesses or product lines*
- *The Group is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate*
- *There are risks inherent in global manufacturing which could negatively affect the Group's business*
- *The Group's success depends on the ability to recruit and retain skilled technical employees and management professionals*
- *A deterioration in labour relations could adversely impact the Group's global business*
- *A failure of one or more key information technology systems, networks, processes, associated sites or service providers could have a material adverse impact on the Group's business or reputation*
- *As a result of the Group's international operations, the Group faces a number of risks related to exchange rates and foreign currencies*

- *Significant volatility or disruption in the global financial markets or a ratings downgrade may adversely affect the availability and cost of funding of the Group*
- *The Group may face risks related to interest rates*
- *The Group may be exposed to significant product liability claims or product recall costs which its insurance may not cover and which could harm its reputation*
- *The Group's insurance coverage may not be adequate*
- *The Group's business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions*
- *The Group is exposed to the risk of increased warranty expenses*
- *The Group is subject to a wide range of regulations due to the international nature of its operations*
- *The Group may not be able to adequately establish and protect its intellectual property rights*
- *The interests of the Group's principal shareholder, Koç Holding, may be inconsistent with the interests of the Noteholders*

Should one or more of these factors or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. There may be other risks, including some risks of which the Company is unaware, that could adversely affect the Group's results or the accuracy of forward-looking statements in this Offering Circular. Therefore, potential investors should not consider the factors discussed here or under "*Risk Factors*" to be a complete set of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. The Company does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Offering Circular not to occur or to occur in a manner different from what the Company currently expects.

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OVERVIEW

Overview of the Issuer

Arçelik is a leading producer of white goods and consumer electronics. Founded in 1955, the Company has grown to become the third largest white goods company in Europe. It has strong market positions in Turkey, Europe, the Middle East, Commonwealth of Independent States countries ("**CIS**") and Africa, where it generated approximately 98 per cent. of its revenues in 2012. The Group focuses on innovation and customer appeal in its product lines and places a particular emphasis on environmentally friendly and energy efficient technology. The Group had total revenues of TRY10,556.9 million and EBITDA of TRY1,018.0 million in the year ended 31 December 2012, which have grown from 2010 to 2012 at a compound annual growth rate ("**CAGR**") of 23 per cent. and 11 per cent., respectively. The Group had 22,552 employees as of 31 December 2012.

The Group owns 10 brands, including Arçelik, Turkey's leading white goods brand, Beko, the largest appliance brand in the UK and the number three brand in Europe, Arctic, the leading brand in Romania and Defy, the leading brand in the South African white goods market. The Group's principal product segments are:

- White goods: including refrigerators, freezers, washers and dryers, dishwashers, ranges and ovens, which generated revenues of TRY7,079.4 million (67.1 per cent. of total revenue) in the year ended 31 December 2012;
- Consumer electronics: including televisions ("**TVs**"), personal computers ("**PCs**"), audio, video and recording systems, which generated revenues of TRY1,798.2 million (17.0 per cent. of the total revenue) in the year ended 31 December 2012; and
- Other appliances: including air conditioners, personal care products and small kitchen appliances, which generated revenues of TRY1,679.2 million (15.9 per cent. of total revenue) in the year ended 31 December 2012.

For the year ended 31 December 2012, the Group had an over 50 per cent. market share in Turkey. In the same period, it also had 8.1 per cent. market share in Eastern Europe and 7.2 per cent. market share in Western Europe. The Group, with its global and local brands, is one of the top three brands in many of its markets, including the UK, Ireland, Estonia, Lithuania, Croatia, Slovenia, Bosnia-Herzegovina, Romania, Bulgaria, Turkey, Algeria, Tunisia, Libya, Jordan, Iraq, Georgia, Azerbaijan, Turkmenistan, South Africa, Namibia, Botswana, Zambia and Malawi, and one of the top five brands in many others, including Belgium, Germany, Belarus, Serbia, Albania, Morocco and Kazakhstan.

The Group has 14 production facilities located in Turkey, Romania, Russia, China and South Africa, which generally benefit from relatively low labour costs as well as lower logistics costs for distribution as a result of their proximity to end consumers, which supports the Group's margins. The Group has sales and marketing organisations in 23 countries and distributes its products in over 100 countries. Going forward, the Group aims to improve retail channel penetration and shelf space in international markets to reach more consumers with a broader product range, covering the full product and price range. The Group also aims to improve its digital profile in global markets by leveraging its Internet presence.

The Group is majority owned and controlled by the Koç Group, Turkey's largest company. Koç Group ranked 222nd in the Fortune 500 in 2012 and had consolidated sales of US$47,327 million in 2012. Koç Group owns more than 100 companies in 27 countries and has over 80,000 employees.

Strengths

The Group believes it offers a number of key competitive advantages in the markets in which it operates, including:

Core market leadership

Turkey

The Group is Turkey's leading producer of white goods with over 50 per cent. market share in 2012. Arçelik is the Group's premium brand in the Turkish white goods market, and its Arçelik branded products are positioned in the premium price segment. The Group's international brand, Beko, is also among the top three brands in the Turkish market. The Group has a centrally managed business model of acting through exclusive dealers for each of its Arçelik and Beko brands across Turkey, many of whom have long-standing relationships with the Group,

stature in local communities and detailed knowledge of local markets. Exclusive dealers in Turkey operate on standard Group-wide sales contracts, which include recommended retail pricing guidance that is followed closely by the dealers but also provides for a range of other options. The Group also manages key aspects of the dealer's operations including marketing, store presentation, promotions and after-sale services, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms. The Group's market leading brand awareness and entrenched retail and after-sales infrastructure constitute a significant competitive advantage in the Turkish market and increases the Group's bargaining power. The Group also caters to price conscious consumers through its Altus brand of home appliances and televisions, which are sold through other retailers. The Group believes that, given expected continued growth in the Turkish economy, urbanization and other demographic factors, the white goods sector in Turkey remains underpenetrated and that there is significant growth potential in the near to medium term.

International

The Group also has market leading positions in many of its key international markets and has continued to grow its market share in regions outside of Turkey through organic and inorganic growth. The Group believes that it has experienced steady growth in market share in each of its key markets during recent years and going forward, intends to continue its focus on brand improvement and recognition in order to retain and grow its leadership positions. The Group's market share in Western Europe rose from 6.0 per cent. in 2011 to 7.2 per cent. in 2012, while its market share in Eastern Europe rose from 7.7 per cent. in 2011 to 8.1 per cent. in 2012. The Beko brand achieved significant market share increases in the UK, Germany, France, Belgium, Italy and Poland during 2012. It has the largest market share in the Western European refrigerator market. In 2012, the Group had a 39.7 per cent. market share in the South African white goods market, principally as a result of its acquisition of Defy in 2011. In addition to market share growth, the Group has also increased its penetration of key distribution channels, including technical superstores and internet outlets.

Strong brand portfolio in local and international markets

The Group has one of the top three brands in many of its markets, including the UK, Ireland, Estonia, Lithuania, Croatia, Slovenia, Bosnia-Herzegovina, Romania, Bulgaria, Turkey, Algeria, Tunisia, Libya, Jordan, Iraq, Georgia, Azerbaijan, Turkmenistan, South Africa, Namibia, Botswana, Zambia and Malawi, and one of the top five brands in many others, including Belgium, Germany, Belarus, Serbia, Albania, Morocco and Kazakhstan. The Group has a comprehensive global and local brand portfolio including Arçelik, Beko, Grundig, Altus, Blomberg, Arctic, Leisure, Elektrabregenz, Flavel and Defy. The Group believes that it has powerful brand awareness across its portfolio, but particularly with its Arçelik and Beko brands. Arçelik was cited by AC Nielsen as having the highest level of brand recognition in Turkey in 2010. In Europe, the Beko brand has become the third largest white goods brand. The Group has invested continuously in the development of its brands to gain market share across the geographies in which it operates. The Group's brand portfolio has been strategically deployed across its key markets to ensure coverage at different price points and product mix through a combination of its global brands, such as Beko and Grundig and its local brands such as Arctic in Romania and Defy in South Africa, with a key objective of ensuring no cannibalisation of market share.

Sustainable cost competitiveness

The Group has been able to manage its costs by focusing on low cost labour jurisdictions, achieving economies of scale in production and by locating production facilities near its customer base. It also benefits from Turkey's customs union with the EU. The Group believes that by locating its manufacturing operations in low cost countries, it is also able to achieve higher utilisation rates in its operations than many of its competitors. The Group manufactures its products in low labour cost countries including Turkey, Romania, China, Russia and South Africa, and believes this offers an advantage against its Western competitors, many of whom have legacy manufacturing operations in European jurisdictions which were historically considered to be low cost, but which, for a variety of reasons including membership in the EU, are no longer low cost when compared to the jurisdictions where the Group's manufacturing facilities are located. The Group also believes that many of its manufacturing facilities are the largest of their kind, providing benefits from economies of scale. The Group also manages its

raw materials and components purchasing centrally to help control costs. The Group seeks to purchase raw materials and components from low cost countries, and the share of total purchases of raw materials and components made in low cost countries increased to 19.4 per cent. for the year ended 31 December 2012. These factors have allowed the Group to support its margins even during periods of competitive price reduction.

Diversification across product range and geography

The Group has built a diversified presence across geographic end markets, products and customers with a presence in multiple retail distribution channels such as its exclusive dealer network in Turkey, large retail chains both in Turkey and international markets, buying groups, internet sales outlets and specialist retail outlets. It has 14 production facilities in five countries, sales and marketing organisations operating in 23 countries, and offers its products and services in over 100 countries. The Group's brand portfolio targets a wide range of customers and the Group believes that its strong portfolio diversification provides a natural hedge against individual country or product risk. This has been particularly apparent during the global financial crisis, which has impacted the Group's key markets differently. The Group has been able to respond to the varied conditions and consumer demands and continue to grow its sales in its different geographies and its market share, which has been reflected in its distribution of revenues in the periods under review. The Group continues to capitalise on its ability to diversify its branding and product range and has recently launched a high end white goods line under its Grundig brand, which previously focused on consumer electronics.

Leading R&D capabilities

The Group differentiates itself with its innovative, high-quality and state-of-the-art products. The technological capability of its research and development department is one of the key drivers of its success. The Group's principal focus in product and technology development in its white goods segment has been on technology promoting energy efficiency, diminishing water consumption and decreasing noise levels. In Turkey, the brand awareness of Arçelik is such that it has become strongly associated with high quality, energy efficient products which are supported by comprehensive after-sale service. The Group has had several world-leading products recognised by independent organisations, such as Which?, Stiwa and the Energy Savings Trust, whose recognition has led to increases in product sales, particularly as such endorsements tend to increase the online presence of the relevant product and its brand. The Group currently has 1,200 patents and 2,000 patent applications pending and accounts for approximately 45 per cent. of all patent applications originating from Turkey. It is the only Turkish company to be repeatedly named in the "Top 500 PCT Applicants" list prepared by the World Intellectual Property Organization. The Group has several ongoing cooperation projects with leading universities and has opened dedicated R&D centres in Taiwan and Shenzen. The Group plays an important role in the development of Turkey's R&D culture and R&D is expected to remain central to the Group's global agenda. The Group's dedication to R&D has been recognised by The European Investment Bank as one of the first operations in Turkey to support private sector R&D.

Proven management team and strong committed shareholder

The Group's management team has proven expertise in managing both sustainable organic and inorganic profitable growth. Additional focus has been, and will continue to be, on cost control, strong corporate governance and risk management. Majority owned and controlled by the Koç Group, the Group enjoys the support of one of Turkey's largest and most well-respected companies. The members of the Group's senior management team have been with the Group for an average of 15 years.

Strategy

The Group's overarching strategic goal is to continue to improve its leading positions domestically and internationally through profitable growth. It intends to achieve this goal by continuing to implement the following key strategies:

Sustain leading position in core markets

Turkey

The Group benefits from a unique infrastructure which includes its low cost manufacturing operations located in Turkey, as well as its extensive, exclusive dealer network which supports its market leadership in spite of rising competition in the industry. The Group manages one of

the largest networks of exclusive white goods and consumer electronics dealers in Turkey with over 3,000 locations. Further strengthening its dealership network is a key priority for the Group and consequently, it has undertaken a modernisation programme, implemented by the individual dealers, to improve store presentation and marketing. While sustaining its market leadership in Turkey, the Group plans to focus on fast-growing product categories which currently have low market penetration, such as dryers and built-in appliances and expand its heating, ventilation and air conditioning ("HVAC") product range to capitalise on its success in the air conditioner market. It plans to counter price pressure from competitors by customising its promotions for target customer groups and capitalising on its significant customer data resource, which is a product of its history of market leadership and well developed after-sales service network.

International

The Group is also committed to maintaining its leadership positions in its key international markets including the UK with its Beko brand, South Africa with its Defy brand and Romania with its Arctic and Beko brands. It seeks to support its brand image by offering innovative, efficient and environmentally friendly products with a focus on higher end segments. The Group is also targeting increased penetration in key distribution channels

Grow market share internationally

The Group aims to continue increasing its market share in Europe and to ultimately make Beko one of the top two brands in the region. The Group has also recently launched a white goods range under its Grundig brand in order to grow market share in higher end product segments initially in the Northern European and Nordic markets by leveraging the brand's significant recognition in the consumer electronics sector.

The Group also aims to become a leading player in the Middle East and Africa regions. In line with this growth strategy and targeted expansion into new markets, a new subsidiary was established in Egypt in 2012. Additionally, the Group has been sustaining its leadership in the South African market with the Defy brand, which was acquired in 2011 and experienced market share growth in 2012. Along with its significant growth in Africa, the Group has also increased its market share in many Middle Eastern countries, while sustaining its leadership in different product categories. A new subsidiary was also established in Ukraine in 2012, in line with the Group's international growth strategy.

Going forward, the Group aims to improve retail channel penetration in international markets to reach more consumers with a diverse product range, including through increased focus on premium category products. The Group is targeting volume and production capacity increases to support this strategy.

Organic and inorganic growth in key markets

Inorganic growth remains a key part of the Group's strategy to increase market share and geographic coverage. The Group is continuously evaluating inorganic growth opportunities that are expected to emerge due to anticipated consolidation in the white goods sector, to complement its organic growth strategy by providing clear and achievable value creation. In evaluating any acquisition, the Group would seek to manage its leverage in line with past practice. It is targeting volume and production capacity growth capability in emerging markets and is consequently seeking acquisitions or greenfield investments in South and Southeast Asia. Should the opportunity present itself, the Group is seeking to acquire a global premium brand with a presence in developed markets to complement its existing brand portfolio and geographic coverage. While potential acquisitions form an important part of the Group's strategy, no specific target has been identified.

Summary Financial Information

This section should be read together with the information contained in "Presentation of Information", "Use of Proceeds", "Capitalisation of the Group", "Selected Financial Information", "Operating and Financial Review", and the Consolidated Financial Statements and the respective notes thereto included elsewhere in this Offering Circular.

Consolidated Statement of Income

	Years ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Net sales	10,556,861	8,437,239	6,936,420
Cost of sales	(7,503,024)	(5,897,009)	(4,868,473)
Gross profit	**3,053,837**	**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	(1,820,900)	(1,474,254)	(1,161,489)
General administrative expenses	(389,928)	(342,572)	(280,363)
Research and development expenses	(72,998)	(64,847)	(60,520)
Other income	69,706	60,194	130,416
Other expenses	(82,580)	(72,857)	(58,341)
Operating profit	**757,137**	**645,894**	**637,650**
Income from associates (net)	34,551	28,378	11,907
Financial income	336,798	415,558	287,046
Financial expenses	(499,114)	(474,421)	(279,965)
Income before tax	**629,372**	**615,409**	**656,638**
Taxes on income	(85,824)	(71,996)	(83,492)
Deferred tax expense	8,140	(2,326)	(23,899)
Net income	**551,688**	**541,087**	**549,247**
Attributable to:			
Non-controlling interest	26,924	34,581	32,154
Equity holders of the parent	524,764	506,506	517,093
Earnings per share (Kr)	0.777	0.750	0.765

Consolidated Balance Sheet

	As at 31 December		
	2012	2011 Reclassified(1)	2010 Reclassified(1)
		(TRY '000)	
ASSETS			
Current assets			
Cash and cash equivalents	1,740,789	1,173,889	1,317,166
Derivative financial instruments	2,176	2,932	1,185
Trade receivables	3,261,477	3,180,870	2,324,578
Inventories	1,599,658	1,530,141	987,526
Other current assets	124,007	138,996	111,551
Total current assets	6,728,107	6,026,828	4,742,006
Assets held for sale	8,571	7,021	6,433
Non-current assets			
Trade receivables	10,969	16,018	12,461
Financial investments	638,741	491,376	658,679
Associates	182,614	160,580	136,604
Investment properties	5,099	6,441	5,480
Property, plant and equipment	1,603,403	1,446,841	1,252,245
Intangible assets	787,601	783,094	461,417
Goodwill	177,080	196,167	7,190
Deferred tax assets	85,968	63,387	39,244
Total non-current assets	3,491,475	3,163,904	2,573,320
Total assets	10,228,153	9,197,753	7,321,759
LIABILITIES			
Current liabilities			
Financial liabilities	2,144,406	1,628,943	839,220
Financial liabilities due to related parties	7,030	7,077	5,503
Derivative financial instruments	3,680	195	239
Trade payables	1,168,774	1,242,454	963,459
Other payables	164,984	183,691	129,530
Current income tax liabilities	24,008	23,250	18,970
Provisions	233,377	232,390	205,160
Other current liabilities	203,503	212,620	179,908
Total current liabilities	3,949,762	3,530,620	2,341,989
Non-current liabilities			
Financial liabilities	1,858,103	1,528,237	1,218,072
Financial liabilities due to related parties	59,540	70,539	63,681
Provision for employment termination benefits	112,254	106,782	99,700
Deferred tax liabilities	236,406	226,142	128,549
Provisions	82,148	81,519	58,136
Other non-current liabilities	1,705	2,273	3,898
Total non-current liabilities	2,351,156	2,015,492	1,572,036
Total liabilities	6,300,918	5,546,112	3,914,025
EQUITY			
Paid-in capital	675,728	675,728	675,728
Adjustment to share capital	468,811	468,811	468,811
Share premium	889	889	889
Revaluation fund	470,285	341,505	511,969
Restricted reserves	216,687	190,066	168,445
Currency translation differences	86,790	145,922	29,585
Contribution to shareholders' equity related to merger	14,507	14,507	14,507
Related earnings	1,383,191	1,201,658	954,525
Net income for the year attributable to equity holders of the parent	524,764	506,506	517,093
Attributable to:			
Equity holders of the parent	3,841,652	3,545,592	3,341,552
Non-controlling interest	85,583	106,049	66,182
Total equity	3,927,235	3,651,641	3,407,734
Total liabilities and equity	10,228,153	9,197,753	7,321,759

Notes:

(1) In order to conform to changes in the presentation in the consolidated balance sheet as of 31 December 2012, the balance sheet as of 31 December 2011 and 31 December 2010 have been reclassified, as appropriate. Assets obtained as loan/receivable collateral amounting to TRY7.0 million as of 31 December 2011 and TRY6.4 million as of December 2010, which were previously included in other current assets, have been reclassified under assets held for sale in the consolidated balance sheets. The short-term portion of payables to related parties amounting to TRY7.0 million as of 31 December 2011 and TRY5.5 million as of 31 December 2010, which were previously included in short-term trade payables, have been reclassified under financial liabilities to related parties in the consolidated balance sheets.

Statement of Cash Flow

	Years ended 31 December		
	2012	2011	2010
		(TRY '000)	
Cash flows provided by/(used in) operating activities	700,050	(85,670)	844,918
Cash flows provided by/(used in) investing activities	(435,114)	(810,447)	(151,478)
Cash flows provided by/(used in) financing activities	313,423	734,804	(265,204)
Net (decrease)/increase in cash and cash equivalents	566,615	(140,413)	412,942

Other Financial Data:

	Year ended 31 December		
	2012	2011	2010
		(TRY '000)	
EBITDA(1)	1,017,925	863,728	830,188
Capital expenditure(2)	480,487	364,026	253,477
Net debt(3)	2,262,720	1,983,291	740,126

Notes:

(1) EBITDA is a non-IFRS performance measure which the Group defines as profit for the year before income tax expense, financial income, financial expense, income from associates (net), and depreciation and amortisation. For a reconciliation of EBITDA to profit for the period see "*Presentation of Information*".

(2) Capital expenditure is comprised of property, plant and equipment purchases and intangible asset purchases, including development cost capitalisations.

(3) Net debt is calculated by deducting cash and cash equivalents from total financial liabilities.

Overview of the Notes

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. See, in particular, ''Conditions of the Notes''.

Issue: US$500,000,000 principal amount of 5.000 per cent. Notes due 2023.

Interest and Interest Payment Dates: The Notes will bear interest from and including 3 April 2013 at the rate of 5.000 per cent. per annum, payable semi-annually in arrear on each of 3 April and 3 October in each year (each an ''Interest Payment Date''); provided that, as described in Condition 6.4, if any such date is not a Business Day (as defined in Condition 6.4), then such payment will be made on the next Business Day. The first payment (for the period from and including the Issue Date to but excluding 3 October 2013 and amounting to US$25 per US$1,000 principal amount of Notes) will be made on 3 October 2013.

Maturity Date: 3 April 2023.

Use of Proceeds: The net proceeds from the issuance of the Notes will be used by the Group for general corporate purposes and to repay certain outstanding indebtedness.

Status: The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1(*Negative Pledge*)) unsecured obligations of the Company and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Company, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Negative Pledge and other Covenants: The terms of the Notes contain a negative pledge provision binding on the Company as further described in Condition 4.1, as well as financial reporting obligations, an obligation to maintain certain authorisations, a restriction on certain corporate reorganisations, and a covenant limiting transactions with affiliates. See ''*Conditions of the Notes—Condition 4*''.

Taxation; Payment of Additional Amounts: All payments in respect of the Notes by or on behalf of the Company shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (including related interest and penalties) of whatever nature (''**Taxes**'') imposed, assessed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 8.1), unless such withholding or deduction of Taxes is required by law. In that event, the Company will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. Under current Turkish law, withholding tax at the rate of 0 per cent. applies on interest on notes with an initial maturity of five years and more. See ''*Taxation—Certain Turkish Tax Considerations*''.

See ''*Conditions of the Notes—Condition 8.1*''.

Redemption for Taxation Reasons: The Notes may be redeemed at the option of the Company in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to but excluding the date fixed for redemption) if:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 28 March 2013, on the next Interest Payment Date the Company would be required to pay additional amounts as provided or referred to in Condition 8; and

(b) the requirement cannot be avoided by the Company taking reasonable measures available to it.

Events of Default: The Notes will be subject to certain Events of Default including (among others) non-payment of principal for 5 days, non-payment of interest for 10 days, failure to perform or observe any of the other obligations in respect of the Notes, cross-acceleration and certain events related to bankruptcy and insolvency of the Company or any Principal Subsidiary, all as further described in Condition 10.1. See "*Conditions of the Notes—Condition 10*".

Form, Transfer and Denominations: Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Restricted Global Certificate(s), in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See "*Conditions of the Notes—Condition 1*".

Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See "*Transfer Restrictions*". Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of Rule 144A Notes. Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Governing Law: The Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement, as the case may be, will be governed by, and construed in accordance with, English law.

Listing: Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market; however, no assurance can be given that such applications will be accepted.

Selling Restrictions: The Notes have not been and will not be registered under the Securities Act or any state securities laws and beneficial interests therein may not be offered or sold within the United States or to, or for the account or benefit of, any US person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an

	exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in Turkey and the United Kingdom. See "*Selling Restrictions*".
Risk Factors:	For a discussion of certain risk factors relating to the Group, Turkey and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".
Issue Price:	99.031 per cent. of the principal amount.
Yield:	5.125 per cent.
Regulation S Notes Security Codes:	ISIN: XS0910932788
	Common Code: 091093278
Rule 144A Notes Security Codes:	ISIN: US03938HAA14
	CUSIP: 03938HAA1
	Common Code: 091093332
Representation of Noteholders:	There will be no trustee.
Expected Rating(s):	BB+ by S&P and BB+ by Fitch.
	A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Notes could adversely affect the price that a purchaser would be willing to pay for the Notes. As at the date of this Offering Circular, each of the Rating Agencies is established in the European Union and registered under the CRA Regulation.
Joint Lead Managers	J.P. Morgan Securities plc
	Merrill Lynch, Pierce, Fenner & Smith Incorporated
	The Royal Bank of Scotland plc
Fiscal Agent, Paying Agent, and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Offering Circular. In addition to the other information in this Offering Circular, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Notes, but makes no representation that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Related to the Group's Business

The Group operates in highly competitive markets

The markets for the Group's products are highly competitive and there is considerable pressure to reduce prices, especially when faced with an economic downturn and possible reductions in consumer demand. Price competition, particularly in consumer electronics, has been fierce, with shortening product cycles and an emphasis on price and technology leadership. The Group's primary competitors are Bosch-Siemens, Indesit, Electrolux and Whirlpool in the white goods market and LG and Samsung in the consumer electronics market. However, many of the Group's markets are highly fragmented and it has a variety of local and international competitors in each region. Significant new competitors or increased competition from existing competitors may adversely affect the Group's business, financial condition and results of its operations. It faces strong competitors, who may prove to have larger market presence and/or greater resources in a given business area, as well as the likely emergence of new competitors. It is expected that some industries in which the Group operates will undergo consolidation, which may result in stronger competition and a change in its relative market position. In response to an increasingly competitive environment, the Group and other manufacturers may be forced to increase efficiency by further reducing costs. The development of alternative distribution channels, such as the Internet, could also contribute to further price pressure in the Group's markets. There can be no assurances that it will be able to adapt to these changes and increase or maintain its market share. Product improvements or effective advertising campaigns by competitors may also weaken consumer demand for the Company's products, and some competitors may be willing to reduce prices and accept lower profit margins to compete with the Group. As a result of this competition, the Group could lose market share and sales, or be forced to reduce its prices to meet competition, which could adversely impact its margins. If the Group's product offerings are unable to compete successfully, its sales, results of operations and financial condition could be materially and adversely affected.

The Group faces risks related to the current economic environment

The Group's ability to generate revenue depends significantly on discretionary consumer spending in its key markets, which include Turkey, Europe and Africa. Reduced growth rates in any of its key markets, particularly as any such decreases affect discretionary consumer spending, could negatively affect demand for its products or its ability to expand its presence in these markets. While discretionary spending in Europe has decreased over the recent period as a result of the global financial and sovereign debt crises, this trend has been less pronounced in the Turkish and South African markets. It is difficult to predict general economic conditions that could impact consumer and customer demand for the Group's products or its ability to manage normal commercial relationships with its customers, suppliers and creditors. However, a number of economic factors affecting, among other things, gross domestic product, the availability of consumer credit, interest rates, consumer confidence and debt levels, retail trends, housing starts, sales of existing homes, the level of mortgage refinancing, and foreign currency exchange rates, generally affect demand for the Group's products. Higher unemployment rates, higher fuel and other energy costs, and higher tax rates also adversely affect demand. The recent continuation of a number of negative economic factors in some of the Group's key markets, particularly Europe, which accounted for 38.8 per cent. of net sales in 2012, including constraints on the supply of credit to households, uncertainty and weakness in the labour market and general consumer fears of a continuing economic downturn, could have a negative impact on discretionary consumer spending, which could, in turn, negatively affect demand for the Group's products. In particular, while the Group's net sales and net profit have increased during the period under review, its gross margins decreased in 2012. If the economies in any of the Group's key

markets deteriorate or fail to improve, the Group's business could be negatively impacted, including as a result of, among other things, reduced demand for its products, increased pricing pressure or supplier or customer disruptions. Any weakness in discretionary consumer spending could have an adverse effect on its revenues, results of operations and financial condition.

In 2011 and 2012, concern over sovereign debt in Greece, Spain, Italy and certain other European Union countries caused significant fluctuations of the Euro relative to other currencies. Further destabilisation of the European economy could lead to a decrease in consumer confidence, which could cause reductions in discretionary spending and demand for the Group's products. As Europe is the Group's major export market, this could negatively impact overall sales and in turn could have an adverse effect on its business, financial conditions and operating results. Sovereign debt issues could also lead to further significant, and potentially longer-term, economic issues such as reduced economic growth and devaluation of the Euro, any of which could adversely affect the Group's business, financial conditions and operating results. These global economic conditions have significantly impacted economic markets, with retail businesses, including the Group's retail customers, being particularly affected.

Consequently, the Group's success will depend, in part, on its ability to manage continued economic uncertainty, especially in its most significant geographical markets, Turkey and Europe, as well as any political or economic disruption in other important markets, including South Africa and the Middle East. These risks could negatively impact the Group's overall liquidity and financing and borrowing costs, as well as create significant credit risks relative to its local customers and depositary institutions.

The Group is dependent on sales to retail chains and other large customers in its international markets, who may exercise pricing and other pressure on the Group

In its export markets, the Group sells to a sophisticated customer base of large trade customers that have significant leverage as buyers over their suppliers. Most of its products are sold through one to two year contracts that allow flexibility in pricing and volume terms, which facilitates the trade customers' ability to change volume among suppliers. As the Group's trade customers continue to become larger, they may seek to use their position to improve their profitability by various means, including improved efficiency, lower pricing, and increased promotional programmes. If the Group is required to lower prices or is otherwise unable to meet their requirements, its volume growth and financial results could be negatively affected. The loss of or substantial decline in volume of sales to key retail customers, major buying groups or any other trade customers to which the Group sells a significant volume of products could adversely affect its financial performance. If the Group were to experience a material reduction in orders by volume or revenues or become unable to fully collect its accounts receivable from any major customer, where there is no security in place or where such security is not sufficient for any reason, its net sales and financial results would suffer. The weak trend in the Group's major European markets in 2012 impacted many of its large retail customers who experienced difficult trading conditions. While the Group did not experience any substantial increase in credit losses, a continuation of this trend in Europe or elsewhere could result in a more concerted and adverse impact on its business. Additionally, the loss of market share or financial difficulties, including bankruptcy, by these trade customers could have a material adverse effect on the Group's liquidity, financial position and results of operations.

Significant erosion of the Group's reputation or the reputation of one or more of its brands could have a material impact on its financial results

Arçelik's reputation is the foundation of its relationships with key stakeholders and other constituencies, such as customers and suppliers. The Arçelik brand is well known in Turkey and this awareness is central to its market leading position. In addition, certain of its brands, such as Beko and Grundig, have worldwide recognition. This recognition is the result of the significant investments the Group has made in its brands and products over many years. The Group also devotes significant time and resources to programmes designed to protect and preserve its reputation, such as social responsibility and environmental sustainability. If the Group is unable to effectively manage real or perceived issues, including concerns about safety, quality, efficiency or similar matters, these issues could negatively impact sentiments toward its brands or its products, its ability to operate could be impaired and its financial results could suffer.

The Group's financial success is directly dependent on the success of its brands in which it has made significant investments over many years, and the success of these brands can suffer if the Group's marketing plans or product initiatives do not have the desired impact on a brand's image or its

ability to attract consumers. Costs associated with brand improvements can be significant and can have an adverse impact on the Group's results if they do not produce the desired outcomes. The Group's results could also be negatively impacted if one of its brands suffers substantial damage to its reputation due to a significant product recall or product-related litigation. In addition, given the association of its individual products with its overall brand, an issue with one of its products could negatively affect the reputation of its other products, or the Group as a whole, which could have an adverse impact on its results of operations and financial condition. For further detail on recent product recalls, please see "*—The Group may be exposed to significant product liability claims or product recall costs which its insurance may not cover and which could harm its reputation.*"

The Group's dependence on suppliers makes it vulnerable to a disruption in the supply of its products

The Group's business is affected by the price, quality, availability and timely delivery of the various raw materials and components that it uses in the manufacture of its products. Its business could, therefore, be adversely impacted by factors affecting its suppliers. While supply problems can affect the performance of its business as a whole, the Group is particularly sensitive to supply problems related to electronic components, steel, plastics, aluminium and copper. The average term of contracts with these suppliers is one year, with pricing terms set quarterly or semi-annually.

An unfavourable change in any of the following could have a material adverse effect on the Group's business, financial condition and results of operations:

- its ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which it purchases products from its suppliers, including applicable exchange rates, transport costs and other costs, its suppliers' willingness to extend credit to it to finance its inventory purchases and other factors beyond its control;
- the financial condition of its suppliers;
- political instability in the countries in which its suppliers are located;
- its ability to import outsourced products;
- its suppliers' non-compliance with applicable laws, trade restrictions and tariffs; or
- its suppliers' ability to manufacture and deliver outsourced products according to the Group's standards of quality on a timely and efficient basis.

If the Group's relationships with any of its key suppliers deteriorates due to the factors set out above, or any other reason, it may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, moulds or other specialised production equipment or processes used by such supplier in the manufacture of the Group's products. The Group's global purchasing team works closely with its suppliers to avoid supply-related problems and the Group is increasing its sources of supply for raw materials and sourced finished products, but there can be no assurances that it will not experience problems in the future.

The Group's business faces cost fluctuations and pressures which could affect its results

The Group's costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, labour costs, energy costs, foreign exchange and interest rates. Therefore, its success is dependent, in part, on its continued ability to forecast and manage these fluctuations through pricing actions, cost savings projects and sourcing decisions, while maintaining and improving margins and market share.

The principal raw materials used to produce the Group's products, including flat steel, polyurethane, metal and plastic materials and components, are sourced either on a global or regional basis by the Group or its suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2010 and 2011, the Group experienced price increases for raw materials, particularly as a result of strong demand from China and prices rebounding from historic laws during the financial crisis. When the prices of raw materials and energy increase, the Group's cost of sales increases, putting pressure on its margins. Although the Group has, in the past, and may in the future, offset these rising costs by increasing the prices of certain of its goods to its end customers, and increasing efficiency in managing other costs over which is has more control, it may not always be able to do so in a way that preserves its margins due to competitive price pressure or other market factors. For example, many of the Group's contractual arrangements with

its large retail customers set pricing levels for six month terms, which limits the Group's flexibility to respond to changes in its cost base outside that term. The Group cannot provide any assurance that its sources of supply will not be interrupted due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on its profitability and results of operations.

The Group's ability to meet its growth targets depends on its ability to innovate and successfully respond to competition

Sustaining the Group's market position and achieving the Group's business objectives depends, in part, on the successful development, introduction and marketing of new products and improvements to its equipment and manufacturing processes. Successful innovation and product development depends on its ability to correctly anticipate customer and consumer acceptance, to obtain and maintain necessary intellectual property protections and to avoid infringing the intellectual property rights of others. Due to advanced technological innovation and the relative ease of technology imitation, new products and services tend to become standardised more rapidly, leading to more intense competition and ongoing price erosion. Consequently, the Group's investments may not yield the innovation or the expected results quickly enough, or competitors may lead the Group in technological innovation, hindering its ability to commercialise, in a timely manner, new and competitive products and services that meet the needs of the market. This may adversely impact the Group's operating results as well as its reputation. Accordingly, the Group's success depends greatly on its ability to anticipate and respond to emerging customer preferences and demands by ensuring continuing and timely development of new, as well as enhancements to existing, products and services and generate customer demand for new and upgraded products.

Product innovation and development are critical factors in improving margins and enabling net sales growth in all of the Group's product lines. Innovation in energy efficiency in the white goods segment has been particularly important to the Group's businesses in recent years, particularly in the Turkish market, where household energy is expensive and energy efficient products have been a particular focus of both consumers and the government. Product development is also driven by consumer demand for better environmental performance, lower water use and noise reduction. Introducing new products requires significant management time and a high level of financial and other commitments to research and development, which may not always result in success. The Group's financial performance may suffer if investments are made in technologies that do not function as expected or are not accepted in the marketplace.

The Group may not be able to realise expected benefits and synergies from acquisitions of businesses or product lines

The Group has increased, in the past, and as part of its strategy for the future may increase, significant market positions in its product areas through acquisitions. In 2011, it completed the acquisition of Defy, South Africa's leading white goods brand, for consideration of TRY525.6 million. Expansion through acquisitions is inherently risky due to the difficulties of identifying suitable acquisition targets, integrating people, operations, technologies and products. The Group may incur significant acquisition, administrative and other costs in connection with any such transactions, including costs related to integration of acquired or restructured businesses. The Group may be required to take on additional indebtedness or issue equity in order to finance acquisitions and these financing options may not be available on favourable terms or at all. There can be no assurances that the Group will be able to successfully integrate any businesses it acquires into existing operations or that they will perform according to expectations once integrated. Similarly, dispositions of certain non-core assets may prove more costly than anticipated and may affect the Group's net sales and results of operations. Anticipated synergies may not materialise, revenue improvements and cost savings may be less than expected, sales of products may not meet expectations, and acquired businesses may carry unexpected liabilities. If the Group is not able to achieve its strategic objectives, planned revenue improvements, synergies and cost savings in connection with this and future acquisitions, its financial condition and results of operations will be adversely impacted.

The Group is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate

A significant portion of the Group's sales take place in emerging markets. In addition, all of the Group's manufacturing facilities and a significant number of its suppliers are located in emerging markets. The Group's pursuit of international growth opportunities may require significant

investments in emerging markets for an extended period before returns on these investments, if any, are realised. The Group's international operations are subject to risks, including, among others:

- political and economic instability, as a result of terrorist attacks, natural disasters or otherwise;
- lack of developed infrastructure;
- restrictions on transfers of funds;
- import and export duties and quotas, as well as general transportation costs;
- changes in domestic and international customs and tariffs;
- changes in foreign labour laws and regulations affecting the Group's ability to hire and retain employees;
- difficulty in complying with foreign law;
- difficulty in obtaining distribution and support;
- adverse tax consequences or more rigorous enforcement by tax authorities;
- changes in tax laws and the interpretation of those laws;
- discriminatory or conflicting fiscal policies; and
- imposition of more or new tariffs, quotas, trade barriers and similar restrictions on the Group's sales outside Turkey.

Any of the foregoing factors may have a material adverse effect on the Group's sales manufacture or supply of its products and on its financial condition or results of operations generally.

There are risks inherent in global manufacturing which could negatively impact the Group's business

The Group needs to maintain key manufacturing and supply arrangements to achieve its targets on cost of sales. While the Group has business continuity and contingency plans for key manufacturing sites and the supply of raw materials, significant disruption of manufacturing, such as labour disputes, loss or impairment of key manufacturing sites, natural disasters, acts of war or terrorism, and other external factors over which the Group has no control, could interrupt raw material, component or finished product supply and, if not remedied, have an adverse impact on its business. Many of the Group's manufacturing facilities produce single products. If any of these facilities were to become incapacitated, the Group could lose its ability to produce certain products for a given period of time. In addition, the Group has several large manufacturing facilities and loss of any facility or material part thereof could have a significant impact on overall production volumes.

In addition, the time required to recover from disruptions, whether caused by the factors above or other causes, such as natural disasters or pandemics, may be greater in certain countries where the Group has manufacturing operations and is a key component of the Group's strategy. Moreover, as emerging markets are becoming increasingly important to its operations, the Group expects to become more susceptible to the above-mentioned risks, which may have an adverse impact on its operating results and financial condition.

The Group's success depends on the ability to recruit and retain skilled technical employees and management professionals

In order to continuously develop, design, manufacture, market and sell successful white goods and electronics products in increasingly competitive markets, the Group must attract and retain key personnel, including its executive team, other management professionals, creative talent and skilled employees such as hardware and software engineers. However, there is high demand for such skilled employees, and the Group may be unable to attract or retain qualified employees to keep up with future business needs. A lengthy period of time is required to hire and develop replacement personnel when skilled personnel depart. An inability to hire, develop and retain a sufficient number of qualified employees could materially hinder the Group's business by, for example, delaying its ability to bring new products to market or impairing the success of its operations.

A deterioration in labour relations could adversely impact the Group's global business

Approximately 85 per cent. of the Group's labour force in Turkey, 88 per cent. of its labour force in Romania and 83 per cent. of its labour force in South Africa are union members which are covered by collective bargaining agreements. The agreement covering all of the Group's unionised workers in Turkey expired in September 2012 and is currently being renegotiated. While the Group currently expects to negotiate continuations to the terms of this and other agreements, there can be no

assurance that it will be able to obtain terms that are satisfactory or otherwise to reach agreement at all with the applicable parties. In addition, in the course of its business, the Group may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favourable than those under the Group's current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favourable than its existing collective bargaining agreements, could adversely affect the operation of the Group's business, including through increased labour expenses. While the Group intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that it will be able to do so and any non-compliance could subject the Group to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

A failure of one or more key information technology systems, networks, processes, associated sites or service providers could have a material adverse impact on the Group's business or reputation

The Group relies extensively on information technology ("**IT**") systems, networks and services, including Internet sites, data hosting and processing facilities and tools, and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting its business. The various uses of these IT systems, networks and services include, but are not limited to:

- managing the Group's global purchasing operations;
- converting materials to finished products;
- shipping products to customers;
- marketing and selling products to consumers;
- collecting and storing customer, consumer, employee, investor and other stakeholder information and personal data;
- processing transactions;
- summarising and reporting results of operations;
- hosting, processing and sharing confidential and proprietary research, business plans and financial information;
- complying with regulatory, legal or tax requirements;
- providing data security; and
- handling other processes necessary to manage the Group's business.

Increased IT security threats and more sophisticated computer crime pose a potential risk to the security of the Group's IT systems, networks and services, as well as the confidentiality, availability and integrity of the Group's data. If the IT systems, networks or service providers the Group relies upon fail to function properly, or if the Group suffers a loss or disclosure of business or stakeholder information, due to any number of causes, ranging from catastrophic events to power outages to security breaches, and the Group's business continuity plans do not effectively address these failures on a timely basis, the Group may suffer interruptions in its ability to manage operations and reputational, competitive and/or business harm, which may adversely impact its results of operations and/or financial condition.

As a result of its international operations, the Group faces a number of risks related to exchange rates and foreign currencies

The Group's international sales and certain of its expenses are transacted in currencies other than its reporting currency, the Turkish Lira. For the year ended 31 December 2012, approximately 58 per cent. of the Group's net sales, 75 per cent. of its cost of sales and 47 per cent. of its operating expenses were denominated in other currencies. The Group expects that the amount of its revenues and expenses transacted in other currencies will increase as its international operations grow and, as a result, its exposure to risks associated with foreign currencies could increase accordingly. For example, following the acquisition of Defy, approximately 7 per cent. of the Group's net sales and 5 per cent. of its operating expenses were denominated in South African Rand in 2012.

Additionally, in 2011 and 2012, concern over sovereign debt in the European Union caused significant fluctuations of the Euro relative to other currencies, including the Turkish Lira. Significant changes in the value of the Turkish Lira in relation to foreign currencies will affect the Group's cost of goods sold and its operating margins and could result in exchange losses or otherwise have a material effect

on its business, financial condition and results of operations. Changes in currency exchange rates may also affect the Group's sales to, purchases from and loans to its subsidiaries as well as sales to, purchases from and bank lines of credit with its customers, suppliers and creditors that are denominated in foreign currencies. Since the currency in which sales are recorded may not be aligned with the currency in which the expenses are incurred, foreign exchange rate fluctuations, particularly fluctuations of the Euro exchange rate against the Turkish Lira may affect the Group's operating results. In addition, as the Group's businesses have expanded in Africa, the Middle East and other areas, the impact of fluctuations of foreign currencies in these areas against the Turkish Lira has increased. If the values of foreign currencies, including the Euro, fluctuate significantly more than expected in the foreign exchange markets, the Group's operating results and financial condition may be adversely affected. In addition, the Group sources products from over 10 countries. To the extent other relevant currencies appreciate with respect to the Turkish Lira, the Group may experience fluctuations in its results of operations.

While the Group uses derivative financial instruments to manage this exposure and may enter into further hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and the Group may not be able to successfully hedge its exposure to currency fluctuations. Further, the Group may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, its results of operations may be adversely impacted.

Significant volatility or disruption in the global financial markets or a ratings downgrade may adversely affect the availability and cost of funding of the Group

The global financial markets have, in recent years, experienced significant levels of volatility and disruption, generally putting downward pressure on financial and other asset prices and impacting credit availability. Historically, the Group's primary sources of funds have been cash flows from operations, borrowings from banks and other institutional lenders, and the sale of equity. There can be no assurance that such sources of funding will continue to be available on acceptable terms. If market disruption and volatility occur, the Group may draw down funds from lines of credit from financial institutions or seek other sources of funding, including the sale of assets, to meet liquidity needs. There can be no assurance that under such market conditions these funding sources will be available on acceptable terms or in amounts sufficient to meet the Group's requirements. In turn, any such funding disruptions could have a material adverse impact on the Group's results of operations and financial condition.

The Group may face risks related to interest rates

The Group holds assets and liabilities to manage the liquidity and cash needs of its day-to-day operations. These interest rate-sensitive assets and liabilities are subject to interest rate risk. While these interest rate exposures are minimised to some extent by the use of derivative financial instruments, there can be no assurances that these hedging activities will be effective or sufficient.

The Group may be exposed to significant product liability claims or product recall costs which its insurance may not cover and which could harm its reputation

In the ordinary course of its business, the Group may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. In the event that any of its products prove to be defective, the Group may need to recall and/or redesign such products. Any such matters could have adverse effects on its business, results of operations and financial condition if the Group is unable to successfully defend against or settle these matters or if its insurance coverage is insufficient to satisfy any judgments against the Group or settlements relating to these matters. Although the Group has product liability insurance coverage and an excess umbrella policy, its insurance policies may not provide coverage for certain, or any, claims against the Group or may not be sufficient to cover all possible liabilities. Additionally, the Group does not maintain product recall insurance. It may not be able to maintain such insurance on acceptable terms, if at all, in the future.

The Group's international white goods brand, Beko, has undertaken three ongoing recalls in Europe in recent years in relation to products manufactured before 2010. There can be no assurance that the Group will not suffer reputational damage as a result of these or future recalls and/or the adverse publicity associated with them. Please see "*Business—Litigation and other disputes*"

In particular, product recalls or product liability claims challenging the safety of its products may result in a decline in sales for a particular product, particularly if those claims or recalls cause customers to question the safety or reliability of its products. Under laws in many countries regulating consumer products, the Group may be forced to recall or repurchase some of its products under certain circumstances, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of products could be costly and may damage its reputation. If it were required to remove, or voluntarily removed, any of its products from the market, the Group's reputation could be tarnished and it might have large quantities of finished products that could not be sold. Accordingly, there can be no assurances that product recalls would not have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

The Group's insurance coverage may not be adequate

The Group maintains third-party insurance coverage for a variety of exposures and risks, such as property damage, business interruption and product liability claims. However, while the Group believes it has adequate insurance coverage for all anticipated exposures in line with industry standards, and no material litigation or fines have arisen in connection with past product recalls, there can be no assurances that it will be able to maintain such insurance on acceptable terms, if at all, at all times in the future or that claims will not exceed, or fall outside of, its third-party insurance coverage or that its third-party insurers at all times will be able to meet its undertakings, or its provisions for uninsured or uncovered losses will be sufficient to cover its ultimate loss or expenditure.

The Group's business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions

The Group faces the risk of litigation and regulatory proceedings in different countries in the ordinary course of its business. Legal proceedings, including regulatory actions, may seek to recover very large indeterminate amounts or to limit the Group's operations, and the possibility that they may arise and their magnitude may remain unknown for substantial periods of time. For example, legal proceedings, including regulatory actions, may result from antitrust scrutiny of market practices for anti-competitive conduct. A substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings may have an adverse effect on the Group's business, operating results, financial condition, cash flows and reputation.

The Group is exposed to the risk of increased warranty expenses

The Group's value chain comprises all the steps in its operations, from research and development, through production, marketing and sales. Operational failures in its value chain processes could result in quality problems or potential product, labour safety, regulatory or environmental risks. Such risks are particularly present in relation to the Group's production facilities which are located all over the world and have a high degree of organisational and technological complexity. Unforeseen product quality problems in the development and production of new and existing products could result in loss of market share and significantly higher warranty expenses. While there is a provision in the Group's financial statements to cover warranty expenses, there can be no guarantee that it will be adequate to cover all future contingencies.

The Group is subject to a wide range of regulations due to the international nature of its operations

The Group is subject to a broad range of laws and regulations covering issues related, *inter alia*, to the environment, occupational health and safety and labour practices. These include laws and regulations relating to air pollution; water pollution; the management, elimination or reduction of the use of hazardous substances; energy efficiency of certain products; waste management; recycling; site remediation and worker and consumer health and safety. For example, the Group is currently required to comply with:

- Turkish environmental regulations;
- environmental regulations enacted by the EU, such as the Restriction of Hazardous Substances Directive, the Waste Electrical and Electronic Equipment Directive, the ecodesign requirements for Energy-related Products Directive and the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals;
- regulations or governmental policies related to climate change issues such as carbon disclosure, greenhouse gas emission reduction, carbon taxes and energy efficiency for electronics products;

- “cap and trade” and other systems for reducing emissions; and
- laws and regulations related specifically to purchasing activities, including raw materials procurement, in respect of the environment and labour.

Additionally, there is growing consumer focus on labour practices, including the working environment, and environmental initiatives at manufacturers of consumer electronics components and products, particularly in low cost countries.

These social responsibility laws and regulations may become more significant, and additional, more stringent social responsibility laws and regulations may be adopted in the future. Such new laws and regulations may result in an increase in the Group’s cost of compliance. Additionally, if the Group is not perceived as having responded to existing and new laws and regulations in these varied areas, it may result in fines, penalties, legal judgments or other costs or remediation obligations, and may adversely affect its operating results and financial condition. In addition, such a finding of non-compliance, or the perception that the Group has not responded appropriately to growing consumer concern for such issues, whether or not legally required to do so, may adversely affect its reputation, and consequently its operating results and financial condition.

The Group may not be able to adequately establish and protect its intellectual property rights

The Group has 1,200 patents globally and numerous trademarks and licensing agreements that it considers to be an extremely valuable aspect of its business. While it attempts to protect its intellectual property rights through patents, trademarks, copyrights and trade secret laws on a continuous basis, its failure to obtain or adequately protect its intellectual property rights, its product innovations or its manufacturing processes may substantially diminish the Group’s competitiveness and adversely affect its business.

The Group has applied for patent protection in numerous jurisdictions with respect to certain innovations, product features and processes. It cannot make assurances that the relevant governmental authority will approve any of its patent applications. Additionally, its intellectual property rights could be invalidated or others could design around its patents and the patents may not be of sufficient scope or strength to provide the Group with any meaningful protection or commercial advantage.

To establish and protect its intellectual property rights, the Group relies upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licences, confidentiality agreements and other contractual arrangements. The measures taken to protect the Group’s intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating its intellectual property. The Group may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by the Group, or a trademark application claiming a trademark, service mark or trade dress also used by the Group, in order to protect its rights, the Group may have to participate in expensive and time consuming proceedings. Similarly, the Group’s intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. Furthermore, even if the Group’s intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of its intellectual property rights, or its competitors may independently develop technologies that are substantially equivalent or superior to the Group’s technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require the Group to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to the Group’s proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in the Group’s favour. The risk that other parties may breach confidentiality agreements or that the Group’s trade secrets become known or independently discovered by competitors could harm the Group by enabling its competitors, who may have greater experience and financial resources, to copy or use the Group’s trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of the Group’s trade secrets would impair its competitive position, thereby weakening demand for its products or services and harming its ability to maintain or increase its customer base.

Moreover, the laws of certain foreign countries in which the Group operates or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of Turkey, which may negate the Group's competitive or technological advantages in such markets. Also, some of the technology underlying the Group's products, principally in consumer electronics, is the subject of non-exclusive licences from third parties. As a result, this technology could be made available to the Group's competitors at any time. If the Group is unable to establish and then adequately protect its intellectual property rights, its business, financial condition and results of operations could be materially and adversely affected.

The interests of the Group's principal shareholder, Koç Holding, may be inconsistent with the interests of the Noteholders

Arçelik is an affiliate of, and indirectly controlled by, Koç Holding. As a result, Koç Holding has, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and its day-to-day operations, as well as the ability to elect and change the Group's management and to approve other changes to its operations. The interests of Koç Holding and its affiliates could, in certain circumstances, conflict with those of the Noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. For example, Koç Holding could vote to cause the Group to incur additional indebtedness. Koç Holding and its affiliates could also have an interest in the Group pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, although such transactions might involve risks to Noteholders.

Risks Related to Turkey

Economic instability in Turkey could have a material adverse effect on the Group's business, financial condition, results of operations and prospects

Since the mid-1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation) and a considerable level of unemployment. As a result, Turkey entered into a stand-by agreement with the International Monetary Fund (the "**IMF**") at the end of 1999, to stabilise its financial condition. However, liquidity crises in the banking sector in November 2000 and February 2001 triggered a severe economic crisis and led to increased interest rates on Turkish Government borrowings. These factors contributed to a decline of 5.7 per cent. in Turkey's real GDP in 2001 compared to 2000. Following the almost 50 per cent. devaluation of the Turkish Lira on average in 2001, average inflation based on the Turkish wholesale price index rose to 61.6 per cent., and year-end inflation was 88.6 per cent. The combination of the significant depreciation of the Turkish Lira, high real interest rates and the high cost of the bank restructurings caused the ratio of net public debt to GDP to increase from 45.8 per cent. at the end of 2000 to 70.6 per cent. at the end of 2001.

In 2001, Turkey implemented a macroeconomic programme, backed by a USD19 billion stand-by agreement with the IMF. The goal of this programme was to bolster the Turkish economy and reduce its volatility in the short-term, as well as to achieve sustainable growth through fundamental structural reforms in the medium- to long-term. GDP grew by 5.3 per cent. in 2003, 9.4 per cent. in 2004, 8.4 per cent. in 2005, 6.9 per cent. in 2006, 4.8 per cent. in 2007 and 0.7 per cent. in 2008. The Turkish Government signed a three-year stand-by agreement with the IMF in 2005 which ended in 2008. The programme set macroeconomic targets such as an annual economic growth rate of 5 per cent. during the three-year period, decreasing the ratio of net public debt stock to GDP to 28.6 per cent. in 2008 and decreasing the Consumer Price Index ("**CPI**") to 4 per cent. by the end of 2007 and 7.5 per cent. by the end of 2008. Although there were negotiations on the conditions of a new stand-by agreement between Turkey and the IMF in 2009, no such agreement was signed.

In spite of its economic development since 2001, Turkey has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor sentiment. See "*—Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Group's business*". Turkey was also negatively affected by the global economic downturn, which resulted in a negative GDP growth rate of 4.8 per cent. in 2009. Following the decline in 2009,

however, Turkey had a GDP growth rate of 9.2 per cent. in 2010 and 8.5 per cent. in 2011 (*source: Turkstat*).

There can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. In such circumstances, there can be no assurance that Turkey and the IMF will enter into a new agreement in relation to macroeconomic stabilisation policies and, even if agreed upon, there can be no assurance that any such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or that IMF support for Turkey would continue. Future negative developments in the Turkish economy could impair the Group's business strategies and have a materially adverse effect on its business, financial condition and results of operations.

Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Group's business

In 2011, Turkey's current account deficit widened significantly to USD77.2 from USD48.6 billion in 2010. As of 31 December 2012, the current account deficit was USD48.9 billion. This rapid acceleration in the current account deficit in 2011 has raised concerns regarding financial stability in Turkey, and the Central Bank, the BRSA, and the Ministry of Finance have initiated coordinated measures to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow down the current account deficit by controlling the rate of loan growth, which has been successful in 2012. However, these measures reduced economic growth in 2012, which did and may continue to adversely affect the Group's business, financial condition and results of operations.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. The Turkish Government has declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas.

Accordingly, the Central Bank has increased TRY reserve requirements and reduced interest rates, which could in turn lead to inflationary pressures in the Turkish economy. Furthermore, certain actions taken by the Turkish Government to combat inflation could have negative effects on the Turkish economy. Moreover, failure to reduce the current account deficit could have a negative impact on Turkey's sovereign credit ratings. This could in turn limit the Group's access to credit markets and foreign financial markets and negatively impact its ability to comply with its obligations, including those under the Notes. There can be no assurance that government intervention designed to counteract inflationary pressure and reduce the current account deficit, but which may be harmful to the Group's business, financial condition and results of operations, will not occur in the future.

Political developments in Turkey could have a material adverse effect on the Group's business, financial condition and results of operations

Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the 89 years since establishing its parliamentary system, Turkey has had 61 governments, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has historically played a significant role in Turkish government and politics, intervening in the political process, and there can be no assurance that the Turkish military establishment will not intervene in the political process in the future.

On 12 September 2010, Turkish voters voted in support of a public referendum containing a number of changes to the constitution. The referendum contained articles which (i) change the composition and the structure of the Constitutional Court and the Supreme Court of Judges and Prosecutors, (ii) give civil servants the right of collective bargaining and (iii) provide for positive discrimination claims on behalf of children, the elderly and the disabled.

A general election was held on 12 June 2011 in which 24 political parties and independent candidates contested 550 seats in the Turkish parliament. The currently ruling Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the "**AKP**") received approximately 50 per cent. of the total votes, whereas the Republican People's Party (*Cumhuriyet Halk Partisi*) (the "**CHP**") and Nationalist

Movement Party, (*Milliyetçi Hareket Partisi*) (the "**MHP**") received 26 per cent. and 13 per cent. of the total votes, respectively. Additionally 36 independent members received approximately 6 per cent. of the total votes. Twenty-nine independent members of parliament joined the Peace and Democracy Party (*Barış ve Demokrasi Partisi*) (the "**BDP**") following the elections. Any significant changes in the political environment, including changes that result in the failure of the government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and results of operations. In addition, any changes in the treatment of the Group's industry or regulatory environment could materially and adversely affect its business, financial condition and results of operations.

Conflict, civil unrest and terrorism within Turkey or nearby countries could have a material adverse effect on the Group's business, financial condition and results of operations

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Historically, political uncertainty within Turkey and in certain neighbouring countries (such as Iran, Iraq, Georgia, Armenia and Syria) has been one of the potential risks associated with investment in Turkish securities.

There have also been additional concerns about political stability in the Middle East and an increase in the risk of terrorist acts against the United States and its allies, including Turkey, since the 11 September 2001 terrorist attacks in the United States and the commencement of military action taken by the United States and its allies in March 2003. Increased incidents of violence, sectarian conflict and rebellions in nearby areas (such as Iraq) have also been reported. Recently, the level of unrest in the Middle East, North Africa and Syria increased, including in areas bordering on Turkey, which, among other things, may lead to further risk of volatility in political conditions and financial markets. On 4 October 2012, the Turkish Parliament authorised troops to launch cross-border action against Syria, following the deadly shelling by Syrian forces in Akçakale, a Turkish town close to the Turkish-Syrian border, which resulted in the loss of five Turkish nationals' lives. The Deputy Prime Minister of Turkey stated that the Parliamentary bill is meant as a deterrent and not a mandate for war. Additionally, Turkey and Syria have banned flights by each other's civilian airlines in their airspace.

Turkey experiences ongoing tensions with domestic terrorist and ethnic separatist groups, such as the PKK. In the past 10 years, these have resulted in a number of bombing incidents in several Turkish cities, including in Istanbul, Antalya, Marmaris, Ankara, Mersin, Çeşme and Kuşadası, as well as attacks against the Turkish armed forces in the south-eastern part of Turkey. If additional attacks occur in the future, Turkey's capital markets and foreign investment, among other things, may suffer, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Since January 2011, there have been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries, including Bahrain, Egypt, Iran, Libya, Syria and Tunisia. As a result of the unrest in Syria, thousands of Syrian refugees have fled to Turkey and more can be expected to cross the Turkish-Syrian border if the unrest in Syria escalates. Although such instances of instability have not so far materially affected Turkey's financial or political situation, there can be no assurance that such instability will not escalate in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability, or that Turkey's financial or political situation will not thereby be affected.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the member states of the EU or other similar jurisdictions. Summarised below are a number of risks relating to operating in Turkey and other emerging markets.

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, by market conditions in both emerging market countries and more developed economies including those in the European Union and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the

availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Group's, which could adversely affect the market price of the Group's securities.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general. Exchange controls implemented by the Turkish Government could adversely affect the Group's business, financial condition and results or operations.

Any claims against the Group under the Notes and the related transaction documents will be unsecured claims payable from, among other sources, the Group's funds in Turkey. The Group's ability to make any such payments from Turkey will depend, among other factors, upon the Turkish Government not having imposed any prohibitive foreign exchange controls, the Group's ability to obtain US Dollars in Turkey and the Group's ability to secure any applicable necessary approval from the relevant authority, which could be affected by changes in Turkish exchange controls. Any such restrictions or failure to obtain the necessary approval could affect the Group's ability to make payment of interest and principal under the Notes.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility

Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same 28 criteria (or "Chapters") applied to other candidates.

These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are four new major laws: the CML, the Turkish Code of Civil Procedures (the "**CCP**"), the Turkish Commercial Code (the "**TCC**") and the Turkish Code of Obligations (the "**COO**") which replaced previous CML No. 2499, CCP No. 1086, TCC No. 6762 and COO No. 818, respectively (see "*—Recent changes in Turkish law may have a significant impact on the Group's business, financial condition and results of operations*").

Although Turkey has implemented various reforms and continued harmonisation efforts with the EU, the relationship between the EU and Turkey has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 (the "**Additional Protocol**") relating to the Customs Union and to the recognition of the Republic of Cyprus. Following this, in December 2006, the EU decided that negotiations in eight Chapters should be suspended and that no Chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the Additional Protocol.

On 10 October 2012, the European Commission (the "**Commission**") released the 2012 Progress Report (the "**Report**") assessing Turkey's achievements towards accession into the EU over the prior 12 months. The Report noted the launch of an agenda to support the accession negotiations through increased cooperation in a number of areas of joint interest: political reforms, alignment with EU law, and dialogue on foreign policy, visas, mobility and migration, trade, energy, and counter terrorism. However, it stated that there are growing concerns regarding Turkey's lack of substantial progress towards fully meeting the political criteria and in particular the lack of progress with respect to fundamental rights. The Commission stressed that Turkey has not ensured full non-discriminatory implementation of its Customs Union obligations with the EU, nor of the Additional Protocol. The Report positively noted the participative work on a new constitution, the adoption of the law on the "Ombudsman institution", and the improvements in the Turkish criminal justice system introduced through the third judicial reform package. The Commission also stated that progress was made in a number of areas, particularly in company law, science and research, and Customs Union provisions. However, efforts need to continue towards further alignment in most fields. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, that Turkey will be able to meet all the criteria applicable to becoming a member state, or that Turkey will become a member state.

Recent changes in Turkish legislation may have a significant impact on the Group's business, financial condition and results of operations

Recently, four major pieces of legislation have been subject to substantial amendment, namely the COO, the CCP, the TCC, and the CML. Both the COO and the TCC came into effect on 1 July 2012, whereas the CCP became effective on 1 October 2011 and the CML on 30 December 2012.

This legislation implements substantial changes to Turkish law and it is anticipated that new legislation will have a major impact on commercial life in Turkey and on the Group's business, financial condition and results of operations. It is also possible that amendments will be made to the respective laws from time to time.

Turkish disclosure standards differ in certain significant respects from those in more developed markets, leading to a relatively limited amount of information being available

The disclosure obligations applicable to Turkish companies differ in certain respects from those applicable to similar companies in the United States and the United Kingdom. There is also less publicly available information regarding Turkish companies than public companies in the United States, the United Kingdom and other more developed markets. As a result, investors might not have access to the same depth of disclosure relating to the Group's business as they would for investments in companies in the United States, the EU and other more developed markets.

Risks Related to the Notes

The Notes will constitute unsecured obligations of the Issuer

The obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (*inter alia*) the circumstances described in these "*Risk Factors*". Any such restrictions or failure to obtain the necessary approval could affect the Issuer's ability to make payment of interest and principal under the Notes.

Claims of Noteholders under the Notes are effectively subordinated to those of certain other creditors and liabilities of the Issuer's subsidiaries

The Notes are unsecured and unsubordinated obligations of the Issuer. The Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness; however, the Notes will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law, such as wages of employees.

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer, as direct or indirect shareholder. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to the Notes.

There is no public trading market for the Notes and an active trading market may not develop or be sustained in the future

There is no active trading market for investments in the Notes. If investments in the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Group's financial condition. Although application has been made for the Notes to be listed on the Official List maintained by the Irish Stock Exchange and to be admitted to trading on the Main Securities Market, there can be no assurance that such application will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

The market price of the Notes is subject to a high degree of volatility

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition,

in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Group's financial condition or results of operations.

The market price of investments in the Notes is also influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Group's, which could adversely affect the market price of investments in the Notes.

Credit ratings may not reflect all risks

In addition to the ratings on the Notes provided by S&P and Fitch, one or more other independent credit rating agencies may assign credit ratings to the Notes. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by S&P and Fitch will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Group could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

Decisions of the holders of the required majority of the Notes bind all Noteholders

The conditions of the Notes will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit Noteholders holding defined percentages of Notes to bind all Noteholders, including Noteholders who did not vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Transfer of investments in the Notes will be subject to certain restrictions

Although the Notes have been approved by the CMB as debt securities to be offered outside Turkey, the Notes have not been and will not be registered under the Securities Act or any US state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Prospective investors should read the discussion under the heading "*Transfer Restrictions*" for further information about these transfer restrictions. It is their obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear and Clearstream procedures

The Regulation S Notes will be represented on issue by an Unrestricted Global Certificate that will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Unrestricted Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective participants will maintain records of the beneficial interests in the Unrestricted Global Certificate. While the Notes are represented by the Unrestricted Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Rule 144A Notes will be represented on issue by a Restricted Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Restricted Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Restricted Global Certificate. While the Notes are represented by the Restricted Global Certificate, investors will be able to trade their beneficial interests only through DTC. While the Notes are represented by the Restricted Global Certificates, the Issuer will discharge its payment obligation under the Notes by

making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Issuer may create and issue further Notes

The Issuer may from time to time without the consent of the Noteholders create and issue further Notes, having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

It may not be possible for investors to enforce foreign judgments against the Issuer or its management

The Issuer is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Issuer reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the Issuer and a majority of the Group's assets are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognise enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments. For further information, see "*Enforcement of Judgments and Service of Process*".

EU Savings Directive

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income (the "**EU Savings Directive**"), member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state, except that Austria and Luxembourg are required to impose a withholding system in relation to such payments for a transitional period (unless during such period they elect otherwise) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures (for example, a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

If a payment were to be made or collected through a member state that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, then neither the Group nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Group is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

USE OF PROCEEDS

The Company will incur various expenses in connection with the issue of the Notes, including amongst other things, underwriting fees, distributor commissions, legal counsel fees, rating agencies expenses and listing expenses. The net proceeds from the issuance of the Notes will be used by the Group for general corporate purposes and to repay certain outstanding indebtedness.

EXCHANGE RATES

The table below sets forth, for the periods indicated, the period-end, average and high and low rates determined by the Central Bank of Turkey, in each case for the purchase of TRY, all expressed in TRY per US dollar. The TRY/US dollar exchange rate determined by the Central Bank on 12 March 2013 was TRY 1.8032 to US$1.00. The rates may differ from the actual rates used in the preparation of the Group's Consolidated Financial Statements and other financial information appearing in this Offering Circular. Fluctuations in the exchange rates between the Lira and US dollar in the past are not necessarily indicative of fluctuations that may occur in the future. The Group does not represent that the US dollar amounts referred to below could be or could have been converted into TRY at any particular rate indicated or any other rate at all.

	TRY per US$1.00			
Period	**High**	**Low**	**Average**[(1)]	**Period end**[(2)]
1 January – 12 March 2013	1.8046	1.7461	1.7781	1.8032
2012	1.8889	1.7340	1.7925	1.7826
2011	1.9065	1.4955	1.6700	1.8889
2010	1.5978	1.3884	1.5004	1.5460
2009	1.7958	1.4365	1.5471	1.5057
2008	1.6956	1.1449	1.2929	1.5123
2007	1.4498	1.1626	1.3015	1.1647

Notes:

(1) For each of the years 2007 to 2012, this represents the yearly averages of the monthly averages of the TRY/US$ exchange rates determined by the Central Bank for the relevant period, which monthly averages were computed by calculating the average of the daily TRY/US$ exchange rates on the business days of each month during the relevant period. For the months (or periods) of 2013, this represents the monthly (or period) averages of the TRY/US$ exchange rates determined by the Central Bank for such month (or period), which averages were computed in the same manner described above.

(2) Represents the TRY/US$ exchange rates for the purchase of US dollars determined by the Central Bank on the last working day of the relevant period.

CAPITALISATION OF THE GROUP

The following table sets forth the capitalisation of the Group as at 31 December 2012. The financial information for the year ended 31 December 2012 has been extracted from the 2012 Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular. Prospective investors should read the following table in conjunction with "*Selected Financial Information*", "*Operating and Financial Review*" and the Consolidated Financial Statements, together with the respective notes thereto, included elsewhere in this Offering Circular.

	As at 31 December 2012
	(TRY millions)
Total current financial liabilities (including current portion of non-current financial liabilities)	2,144,406
Total non-current financial liabilities (excluding current portion)	1,859,103
Equity attributable to Equity holders of the parent	
Paid-in capital	675,728
Adjustment to share capital	468,811
Share premium	889
Revaluation fund	470,285
Restricted reserves	216,687
Currency translation differences	86,790
Contribution to shareholders' equity related to merger	14,507
Retained earnings	1,383,191
Net income for the year attributable to equity holders of the parent	524,764
Total equity attributable to Equity holders of the parent	3,841,652
Total capitalisation	7,845,161

SELECTED FINANCIAL INFORMATION

This section should be read together with the information contained in "Presentation of Information", "Use of Proceeds", "Capitalisation of the Group", "Summary Financial Information", "Operating and Financial Review" and the Consolidated Financial Statements and the respective notes thereto included elsewhere in this Offering Circular.

The following selected consolidated historical financial information as at and for the years ended 31 December 2012, 2011 and 2010 has been extracted from the Consolidated Financial Statements, which are included elsewhere in this Offering Circular.

Consolidated Statement of Income

	Years ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Net sales	10,556,861	8,437,239	6,936,420
Cost of sales	(7,503,024)	(5,897,009)	(4,868,473)
Gross profit	**3,053,837**	**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	(1,820,900)	(1,474,254)	(1,161,489)
General administrative expenses	(389,928)	(342,572)	(280,363)
Research and development expenses	(72,998)	(64,847)	(60,520)
Other income	69,706	60,194	130,416
Other expenses	(82,580)	(72,857)	(58,341)
Operating profit	**757,137**	**645,894**	**637,650**
Income from associates (net)	34,551	28,378	11,907
Financial income	336,798	415,558	287,046
Financial expenses	(499,114)	(474,421)	(279,965)
Income before tax	**629,372**	**615,409**	**656,638**
Taxes on income	(85,824)	(71,996)	(83,492)
Deferred tax expense	8,140	(2,326)	(23,899)
Net income	**551,688**	**541,087**	**549,247**
Attributable to:			
Non-controlling interest	26,924	34,581	32,154
Equity holders of the parent	524,764	506,506	517,093
Earnings per share (Kr)	0.777	0.750	0.765

Consolidated Balance Sheet

	As at 31 December		
	2012	**2011 Reclassified(1)**	**2010 Reclassified(1)**
		(TRY '000)	
ASSETS			
Current assets:			
Cash and cash equivalents	1,740,789	1,173,889	1,317,166
Derivative financial instruments	2,176	2,932	1,185
Trade receivables	3,261,477	3,180,870	2,324,578
Inventories	1,599,658	1,530,141	987,526
Other current assets	124,007	138,996	111,551
Total current assets	6,728,107	6,026,828	4,742,006
Assets held for sale	8,571	7,021	6,433
Non-current assets			
Trade receivables	10,969	16,018	12,461
Financial investments	638,741	491,376	658,679
Associates	182,614	160,580	136,604
Investment properties	5,099	6,441	5,480
Property, plant and equipment	1,603,403	1,446,841	1,252,245
Intangible assets	787,601	783,094	461,417
Goodwill	177,080	196,167	7,190
Deferred tax assets	85,968	63,387	39,244
Total non-current assets	3,491,475	3,163,904	2,573,320
Total assets	10,228,153	9,197,753	7,321,759
LIABILITIES			
Current liabilities			
Financial liabilities	2,144,406	1,628,943	839,220
Financial liabilities due to related parties	7,030	7,077	5,503
Derivative financial instruments	3,680	195	239
Trade payables	1,168,774	1,242,454	963,459
Other payables	164,984	183,691	129,530
Current income tax liabilities	24,008	23,250	18,970
Provisions	233,377	232,390	205,160
Other current liabilities	203,503	212,620	179,908
Total current liabilities	3,949,762	3,530,620	2,341,989
Non-current liabilities			
Financial liabilities	1,858,103	1,528,237	1,218,072
Financial liabilities due to related parties	59,540	70,539	63,681
Provision for employment termination benefits	112,254	106,782	99,700
Deferred tax liabilities	236,406	226,142	128,549
Provisions	82,148	81,519	58,136
Other non-current liabilities	1,705	2,273	3,898
Total non-current liabilities	2,351,156	2,015,492	1,572,036
Total liabilities	6,300,918	5,546,112	3,914,025

	As at 31 December		
	2012	2011 Reclassified(1)	2010 Reclassified(1)
		(TRY '000)	
EQUITY			
Paid-in capital	675,728	675,728	675,728
Adjustment to share capital	468,811	468,811	468,811
Share premium	889	889	889
Revaluation fund	470,285	341,505	511,969
Restricted reserves	216,687	190,066	168,445
Currency translation differences	86,790	145,922	29,585
Contribution to shareholders' equity related to merger.	14,507	14,507	14,507
Related earnings	1,383,191	1,201,658	954,525
Net income for the year attributable to equity holders of the parent	524,764	506,506	517,093
Attributable to:			
Equity holders of the parent	3,841,652	3,545,592	3,341,552
Non-controlling interest	85,583	106,049	66,182
Total equity	3,927,235	3,651,641	3,407,734
Total liabilities and equity	10,228,153	9,197,753	7,321,759

Notes:

(1) In order to conform to changes in the presentation in the consolidated balance sheet as of 31 December 2012, the balance sheet as of 31 December 2011 and 31 December 2010 have been reclassified, as appropriate. Assets obtained as loan/receivable collateral amounting to TRY7.0 million as of 31 December 2011 and TRY6.4 million as of December 2010, which were previously included in other current assets, have been reclassified under assets held for sale in the consolidated balance sheets. The short-term portion of payables to related parties amounting to TRY7.0 million as of 31 December 2011 and TRY5.5 million as of 31 December 2010, which were previously included in short-term trade payables, have been reclassified under financial liabilities to related parties in the consolidated balance sheets.

Statement of Cash Flow

	Years ended 31 December		
	2012	2011	2010
		(TRY '000)	
Cash flows provided by/(used in) operating activities	700,050	(85,670)	844,918
Cash flows provided by/(used in) investing activities	(435,114)	(810,447)	(151,478)
Cash flows provided by/(used in) financing activities	313,423	734,804	(265,204)
Net (decrease)/increase in cash and cash equivalents	566,615	(140,413)	412,942

Other Financial Data:

	Year ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
EBITDA[(1)]	1,017,925	863,728	830,188
Capital expenditure[(2)]	480,487	364,026	253,477
Net debt[(3)]	2,262,720	1,983,291	740,126

Note:

(1) EBITDA is a non-IFRS performance measure which the Group defines as profit for the year before income tax expense, financial income, financial expense, income from associates (net) and depreciation and amortisation. For a reconciliation of EBITDA to profit for the period, see "*Presentation of Information*".

(2) Capital expenditure is comprised of property, plant and equipment purchases and intangible asset purchases, including development cost capitalisations.

(3) Net debt is calculated by deducting cash and cash equivalents from total financial liabilities.

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, which appear elsewhere in this Prospectus. CMB Financial Reporting Standards differ in certain respects from IFRS. For a discussion of significant differences between CMB Financial Reporting Standards and IFRS, as applicable to the Group, see ''—Summary of Differences between IFRS and CMB Accounting Principles''.

Overview

Arçelik is a leading producer of white goods and consumer electronics. Founded in 1955, the Company has grown to become the third largest white goods company in Europe. It has strong market positions in Turkey, Europe, the Middle East, Commonwealth of Independent States countries (''**CIS**'') and Africa, where it generated approximately 98 per cent. of its revenues in 2012. The Group focuses on innovation and customer appeal in its product lines and places a particular emphasis on environmentally friendly and energy efficient technology. The Group had total revenues of TRY10,556.9 million and EBITDA of TRY1,018.0 million in the year ended 31 December 2012, which have grown from 2010 to 2012 at a compound annual growth rate (''**CAGR**'') of 23 per cent. and 11 per cent., respectively. The Group had 22,552 employees as of 31 December 2012.

The Group owns 10 brands, including Arçelik, Turkey's leading white goods brand, Beko, the largest appliance brand in the UK and the number three brand in Europe, Arctic, the leading brand in Romania and Defy, the leading brand in the South African white goods market. The Group's principal product segments are:

- White goods: including refrigerators, freezers, washers and dryers, dishwashers, ranges and ovens, which generated revenues of TRY7,079.4 million (67.1 per cent. of total revenue) in the year ended 31 December 2012;
- Consumer electronics: including televisions (''**TVs**''), personal computers (''**PCs**''), audio, video and recording systems, which generated revenues of TRY1,798.2 million (17.0 per cent. of the total revenue) in the year ended 31 December 2012; and
- Other appliances: including air conditioners, personal care products and small kitchen appliances, which generated revenues of TRY1,679.2 million (15.9 per cent. of total revenue) in the year ended 31 December 2012.

For the year ended 31 December 2012, the Group had an over 50 per cent. market share in Turkey. In the same period, it also had 8.1 per cent. market share in Eastern Europe and 7.2 per cent. market share in Western Europe. The Group, with its global and local brands, is one of the top three brands in many of its markets, including the UK, Ireland, Estonia, Lithuania, Croatia, Slovenia, Bosnia-Herzegovina, Romania, Bulgaria, Turkey, Algeria, Tunisia, Libya, Jordan, Iraq, Georgia, Azerbaijan, Turkmenistan, South Africa, Namibia, Botswana, Zambia and Malawi, and one of the top five brands in many others, including Belgium, Germany, Belarus, Serbia, Albania, Morocco and Kazakhstan.

The Group has 14 production facilities located in Turkey, Romania, Russia, China and South Africa, which generally benefit from relatively low labour costs as well as lower logistics costs for distribution, as a result of their proximity to end consumers which supports the Group's margins. The Group has sales and marketing organisations in 23 countries and distributes its products in over 100 countries. Going forward, the Group aims to improve retail channel penetration and shelf space in international markets to reach more consumers with a broader product range, covering the full product and price range. The Group also aims to improve its digital profile in global markets by leveraging its Internet presence.

The Group is majority owned and controlled by the Koç Group, Turkey's largest company. Koç Group ranked 222nd in the Fortune 500 in 2012 and had consolidated sales of US$47,327 million in 2012. Koç Group owns more than 100 companies in 27 countries and has over 80,000 employees.

Key Factors Affecting the Group's Results of Operations

Economic environment in key markets

Turkey is the Group's largest single market, followed by Europe and Africa. Within Europe, the UK is the Group's largest market, but it also has significant presence in most other major Western European countries. The Group became active in Africa principally upon its acquisition of Defy in November 2011. The Group's Africa business is concentrated in South Africa, although the Group

intends to use the Defy brand as a base for expansion into sub-Saharan Africa in the near term. The Group also conducts business in North African markets through its Turkey operations supported by production facilities in Turkey, China and Romania.

The Group's business is significantly dependent on consumer confidence, demand and spending patterns in the various markets where it sells its products. This, in turn depends on local and regional economic conditions. Macroeconomic factors that influence consumer confidence and spending behaviour include the level of inflation and unemployment, fluctuations in energy prices, conditions in the construction sector and the general impact of, and state of recovery from, the global economic crisis. An actual or anticipated improvement or deterioration of economic conditions in any of the Group's major markets, including Turkey, Europe and South Africa, and to a lesser extent, other regions in which it does business such as the Middle East, Russia and other CIS countries, may affect consumer confidence and spending, resulting in a corresponding fluctuation in consumption that would impact the level of demand for the Group's products and the prices at which they can be sold.

During the periods under review, local and regional economic conditions have impacted the Group's main markets differently.

Turkey

The global economic crisis in Turkey was less pronounced than in Europe, but the economy and consumer spending were adversely influenced to a substantial degree by the crisis and its aftermath, since Europe is Turkey's largest export market and its financial health has a direct bearing on economic growth and disposable income in Turkey. Sales growth in the Group's product segments in Turkey has historically been in line with growth in GDP and the accompanying urbanisation, demographic trends, expansion of housing stock and consumer spending generally. This was the case in 2011. However, in 2012, Turkish Central Bank interventions aimed at narrowing the current account deficit resulted in flat market growth for the Group's Turkish business, notwithstanding GDP growth. In spite of this, the Group saw an increase in sales and a slight increase in market share in view of its initiatives to make its products more appealing, most notably its emphasis on energy efficient technology. Household energy prices in Turkey have been, and continue to be, relatively high compared to most Western European markets, and the Group's energy efficient products have proven appealing to its customers because of their lower cost to operate. GDP growth in Turkey is expected to be between 4 and 4.5 per cent. in 2013, which is expected to drive growth in Turkey in 2013 (*Source: Turkstat*).

Europe

In Europe, the Group has benefited from consumers opting for the Group's value and moderately priced products over the higher priced products of competitors as well as from consumers moving from the Group's value and moderately priced products, to its feature rich and higher priced products which are still typically priced below those of its competitors, in the persistently weak macroeconomic environment. The trend for consumers to "search for value" from premium brands to medium range brands in the Group's European markets during the periods under review, as well as the Group's ongoing investments aimed at increasing its penetration in key distribution channels (including the Internet) has contributed to an increase in the awareness of its brands, the perception of the quality of its products, its net sales and its market share. Additionally, the ability of consumers to compare products via increasingly widespread Internet sales facilities and online reviews that permit customers to compare products more easily has helped increase the Group's brand and quality perception in European markets, particularly in the UK and Germany. This has allowed the Group to increase sales and gain market share levels even in a declining market. Within Europe during the periods under review, the "searching for value" effect has impacted markets differently. In markets where the Group's brands are less established, consumers were more likely to purchase the Group's entry or mid level products. In markets where the Group's brands are more established, consumers traded down from high-end competitor products to the higher-end range of the Group's products.

Africa

The Group's business in South Africa, after its acquisition of Defy, exhibited many of the characteristics of its market in Turkey, namely an economy that is relatively stable, sales growth that broadly follows GDP and where the Group's brands are well established in the market.

Product quality and perception

Improvements to the Group's existing products, the extent to which it brings new products to market, consumer perception of quality and value and acceptance by consumers all affect the Group's ability to compete effectively and have a significant impact on the Group's results of operations. In order to drive further growth through new product initiatives, the Group invests in targeted research and development. Its research and development expenditure is self-funded and centrally managed with a significant portion of R&D activity based in Turkey.

The Group competes in highly competitive global markets characterised by evolving industry standards and continual improvements in manufacturing processes and product performance features, which result in frequent introduction of new products. Product lifecycles in the consumer electronics business are very short. In the mature white goods segments, product cycles are longer, but there is constant pressure in all markets to design products that are appealing to customers. Continued and timely development of new products and services and enhancements to existing products and manufacturing processes are critical to maintaining and improving the Group's competitive position. Accordingly, the Group has made, and will continue to make, significant investments in research and development of new technologies, products and services. R&D costs are, in part, capitalised and, in part, expensed as further described below. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility. Development costs that have been capitalised are amortised on a straight-line basis from two to ten years from commercial production. All other research and development expenditures are charged to the income statement in the year in which they occur. The Group's focus on R&D has led to a consistent increase in overall R&D spend year on year during the periods under review.

The Group's principal focus in product and technology development in white goods has been on technology, promoting energy efficiency, diminishing water consumption and decreasing noise levels. The impact of such product development is different across the Group's key markets. In Turkey, the brand awareness of Arçelik is such that it has become strongly associated with high quality, energy efficient products which are supported by comprehensive after-sale services. In Europe, the Group's brands are less well developed and consumers tend to choose the Group's products based on the features of the products themselves. The Group's concerted focus on product quality has led to a consistent decrease in warranty claims across the product categories in its white goods range. The Group has had several award winning products recognised by independent organisations, such as Which?, Stiwa and the Energy Savings Trust, whose recognition has led to increases in product sales particularly as such endorsements tend to increase the online presence of the relevant product and its brand.

Price positioning and cost competitiveness

The Group believes that its ability to position its pricing and maintain cost competitiveness in its various markets has a significant effect on its results of operations and gross margins in each of its product segments. Its ability to do so also varies across products and markets, particularly with respect to product pricing in the white goods segment.

Arçelik is the Group's premium brand in white goods in the Turkish market, which is positioned in the premium price segment. The Group has a centrally managed business model of acting through exclusive dealers across Turkey, many of whom have longstanding relationships with the Group. Exclusive dealers in Turkey operate on standard Group-wide sales contracts (with a range of deviations that may be acceptable under the circumstances), including recommended retail pricing that is followed closely by the dealers. The Group also manages key aspects of the dealer's operations, including marketing, store presentation, promotions and after-sale care, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms.

In Europe, the Group sells through a mix of retailers (including Internet retailers) whose pricing terms are negotiated individually. The Group is less able to set its pricing, especially with large retailers. It nevertheless seeks to increase its pricing (and margins) by focusing on premium retailers of Internet sales where the Group incurs lower costs. It operates a similar distribution model in South Africa. Accordingly, the constraints on its ability to set pricing are similar to those that are present in Europe, although Defy's strong brand status in South Africa gives the Group more leverage over pricing of Defy white goods.

In consumer electronics, the Group has a "fast follower" business model whereby the Group follows developments of market leaders, producing similar products with meaningful differentiations within a reasonable period of time after product introduction. While this may lower manufacturing and research costs, the Group has limited ability to set its prices.

Competitive conditions in all of the Group's markets require it to rigorously manage its cost base. The largest component of the Group's costs is the cost of raw materials, namely steel, aluminium, copper, plastics and polyurethane. Although the Group purchases from low cost countries, seeks to obtain favourable and flexible pricing mechanisms in its supply contracts and centrally manages its purchasing activities, prices for raw materials are strongly influenced by commodity prices over which the Group has no control. The Group however, has more capacity to manage its logistics costs, unit costs and costs of its manufacturing facilities, which the Group believes constitute a competitive advantage. In particular:

- Logistics costs: The Group's factories are strategically located close to its main markets, which the Group believes provides a logistical cost advantage against its Asian competitors (notwithstanding that their unit costs may be lower than the Group's). The Group estimates that its logistics costs to transport its products to its European markets are significantly less than the cost to transport comparable goods to the same markets from Asia. The Group also believes that its manufacturing operations require shorter lead times and less working capital support than many Asian manufacturers of similar products.
- Unit cost: The Group manufactures its products in low cost countries, including Turkey, Romania, China, Russia and South Africa. The Group believes this offers an advantage against its Western competitors, many of whom have manufacturing operations in European jurisdictions which were historically considered to be low cost, but which, for a variety of reasons, including membership in the EU, are no longer, in the Group's view, comparatively low cost. Moreover, the Group believes that labour laws in Europe often constrain the ability of its competitors to diminish their costs. While unit costs in Asia are generally lower than for the Group, the Group believes this is more than offset by logistics and other costs when accessing the Group's markets.
- Economies of scale: Many of the Group's manufacturing facilities are the largest of their kind. For example, its Eskişehir refrigerator plant is one of the largest plants in the world that produces only a single product under one roof. The Group believes this permits increased economies of scale.

The Group believes that these competitive cost advantages were key in supporting its margins, helping to offset the impact of the persistently weak macroeconomic environment in certain of its key markets.

Acquisitions

The Group has in the past and may in the future engage in acquisitions. On 31 November 2011, it acquired 100 per cent. of the shares of the Defy Group, the leading producer of white goods in South Africa. This acquisition was a key milestone in the Group's goal to develop substantial market share in the Sub-Saharan Africa white goods markets and the Group has increased the Defy brand's market share in South Africa since its acquisition. Total consideration for the acquisition was TRY525.6 million. The Group believes that there is potential for substantial synergies in product design and manufacturing between Defy's and the Group's products. To date, the Group has improved the manufacturing and production processes at Defy and incorporated its technology into design and production to increase product quality. It has realised synergies in procurement process by integrating Defy into its procurement contracts.

There were no other material acquisitions during the periods under review.

Foreign currency fluctuations

The Group's financial statements are impacted by currency exposure arising from the translation of results of its business outside Turkey that are denominated in foreign currencies into its reporting currency, Turkish Lira. The majority of its translation exposure is to currency fluctuations between the Turkish Lira and the Euro, UK pounds sterling, South African Rand, Russian Rouble and Romanian Lei.

The Group's results are also impacted, although to a lesser extent, by foreign currency exposure arising from revenue or purchases by its businesses in currencies other than their functional currencies. Its transaction exposure is predominantly to currency fluctuations between Turkish Lira and Euro, UK pounds sterling, South African Rand, Russian Rouble and Romanian Lei. However, it generates revenue and has a cost base in both Turkish Lira and Euro, which creates a natural hedge

of some of this transaction risk. The Group also uses forward foreign exchange contracts to hedge its exposure mainly to US dollars arising from raw material purchases and to minimise the risk that the profit generated from certain transactions will be affected by foreign exchange movements which occur after the price of the contract has been determined. The Group's revenues are also exposed to currency fluctuations that occur between the production and sale of a product. The foreign exchange impact of the Group's acquisition of Defy in 2011 has also impacted its financial position. During the acquisition, the Group used cash flow hedges in order to mitigate the foreign currency risk associated with the consideration paid in Rand. Losses arising from those cash flow hedges amounted to TRY20.9 million and were included in the purchase price and capitalised in goodwill in the 2011 financial statements. Following the acquisition of Defy, the net foreign currency position of the Group has also changed due to the foreign currency position of Defy itself and the positions taken to finance the acquisition.

As a result of the global nature of its business, the Group expects to continue to be exposed to foreign currency fluctuations. It strives to naturally offset foreign exchange risk by matching foreign currency receivables with its foreign currency payables and its overseas subsidiaries have sought to further mitigate the adverse impact of exchange rate fluctuations by hedging their exposure through currency forward contracts. The Group has key performance indicators which monitor the maximum foreign exchange exposure that can be held as a percentage of its equity and these key performance indicators are closely monitored by senior management and reported in Risk Committees. For further information on the Group's foreign exchange risk and its hedging activities, please see Note 32 to the Consolidated Financial Statements.

Results of Operations for the Years Ended 31 December 2012, 2011 and 2010

The following table sets forth the Group's consolidated statement of income for the years ended 31 December 2012, 2011 and 2010.

	Years ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Net sales	10,556,861	8,437,239	6,936,420
Cost of sales	(7,503,024)	(5,897,009)	(4,868,473)
Gross profit	**3,053,837**	**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	(1,820,900)	(1,474,254)	(1,161,489)
General administrative expenses	(389,928)	(342,572)	(280,363)
Research and development expenses	(72,998)	(64,847)	(60,520)
Other income	69,706	60,194	130,416
Other expenses	(82,580)	(72,857)	(58,341)
Operating profit	**757,137**	**645,894**	**637,650**
Income from associates (net)	34,551	28,378	11,907
Financial income	336,798	415,558	287,046
Financial expenses	(499,114)	(474,421)	(279,965)
Income before tax	**629,372**	**615,409**	**656,638**
Taxes on income	(85,824)	(71,996)	(83,492)
Deferred tax expense	8,140	(2,326)	(23,899)
Net income	**551,688**	**541,087**	**549,247**
Attributable to:			
Non-controlling interest	26,924	34,581	32,154
Equity holders of the parent	524,764	506,506	517,093
Earnings per share (Kr)	0.777	0.750	0.765

Net sales

Net sales comprises total revenue less discounts. The Group's discounting policy principally includes volume discounts given to customers. In Turkey, the Group applies uniform discount parameters to all dealers across its network. Outside Turkey, discounts are applied on a case-by-case basis, and depend on volumes sold, type of product, type of customer and other considerations.

Net sales increased by 25.1 per cent. to TRY10,556.9 million in 2012 from TRY8,437.2 million in 2011. This was primarily attributable to volume led growth due to the increase in brand awareness of the Group in Europe which allowed it to benefit from the trend of "searching for value" among consumers. The Group also saw increased use of Internet sales channels for purchases of white goods. Management believes that Internet buyers are more focused on value for money and engage in more comparative shopping, which increases Group net sales. An increase in TV sales due to the Olympics and European Football Championship in the first half of 2012 contributed to an increase in net sales in consumer electronics.

Net sales increased by 21.6 per cent. to TRY8,437.2 million in 2011 from TRY6,936.4 million in 2010. This was principally due to the ongoing growth of European sales (due to volume and product mix improvements) and significant growth in the Turkish white goods market in 2011 due to continued promotional efforts and strong economic conditions in Turkey which led to increased demand for high-end products and growth in household numbers in Turkey driven by continued residential construction. In addition, the success of its Grundig branded flat screen TVs contributed to the increase in net sales, particularly in the second half of the year.

The following table sets forth a breakdown of the Group's net sales by product segment for the years ended 31 December 2012, 2011 and 2010.

	Years ended 31 December							
	2012	**Percentage of total**	**Percentage change**	**2011**	**Percentage of total**	**Percentage change**	**2010**	**Percentage of total**
				(TRY '000)				
White goods	7,079,397	67.0	27.3	5,560,182	65.9	26.6	4,391,627	63.3
Consumer electronics	1,798,216	17.0	23.9	1,451,332	17.2	15.6	1,255,580	18.1
Other	1,679,248	15.9	17.8	1,425,725	16.9	10.6	1,289,213	18.6
Total	**10,556,861**			**8,437,239**			**6,936,420**	

White goods

Net sales of white goods increased by 27.3 per cent. to TRY7,079.4 million in 2012 from TRY5,560.2 million in 2011, driven by an increase in volume-led Western European sales due to changing preferences of consumers towards more value in view of weak market conditions and the Group's efforts to increase brand awareness. In addition, net sales were positively affected by the consolidation of Defy, which was consolidated into the Group's financial statements at the end of November 2011.

Net sales of white goods increased by 26.6 per cent. to TRY5,560.2 million in 2011 from TRY4,391.6 million in 2010. This was attributable principally to growth in sales of refrigerators, washing machines, dryers and dishwashers, particularly energy efficient models in Turkey as well as strong international sales due to increases in sales of higher priced product categories, particularly refrigerators, chest freezers and washing machines, which were sold through expanded distribution channels. The increase of international net sales was also due to increases in certain of the average foreign exchange rates from 2010 to 2011 as the Euro and UK pounds sterling appreciated against the Turkish Lira by 17 per cent. and 16 per cent., respectively.

Consumer electronics

Net sales of consumer electronics increased by 23.9 per cent. to TRY1,798.2 million in 2012 from TRY1,451.3 million in 2011, due principally to the volume-led increase in TV sales in advance of the European Football Championship and the Olympic Games in the summer of 2012. The market prices of TVs in the third and fourth quarters of 2012 decreased due to de-stocking after these events; this trend has continued into 2013.

Net sales of consumer electronics increased by 15.6 per cent. to TRY1,451.3 million in 2011 from TRY1,255.6 million in 2010. This was primarily attributable to volume led growth in TV sales and Grundig branded consumer electronic products both in Turkey and internationally due to increased volumes of sales of liquid crystal display (''**LCD**'') televisions and the addition of advanced products, such as three-dimensional (''**3D**''), light-emitting diode (''**LED**''), full high-definition (''**HD**'') and smart and eco-panel TVs to the product portfolio in response to consumer demand. Increased average foreign exchange rates also contributed to the increase in international sales of consumer electronics in a similar way to white goods.

Other products

Net sales of other products increased by 17.8 per cent. to TRY1,679.2 million in 2012 from TRY1,425.7 million in 2011, mainly due to increased air conditioner sales driven principally by warmer weather conditions in Turkey and a relatively healthy economic environment and corresponding consumer spending.

Net sales of other products increased by 10.6 per cent. to TRY1,425.7 million in 2011 from TRY1,289.2 million in 2010. This was primarily attributable to the increase in sales of small household appliances and air conditioners. Improved efficiency of air conditioners allowed air conditioners to be used throughout the year in milder regions, which had a positive impact on net sales.

The following table sets forth a breakdown of the Group's net sales by geographic region for the years ended 31 December 2012, 2011 and 2010.

	Years ended 31 December							
	2012	Percentage of total	Percentage change	2011	Percentage of total	Percentage change	2010	Percentage of total
				(TRY '000)				
Turkey	4,453,607	42.2	12.0	3,976,915	47.1	16.4	3,417,766	49.3
Europe	4,100,719	38.8	22.9	3,336,787	39.6	25.0	2,669,718	38.5
Africa	925,862	8.8	310.8	225,421	2.7	—	n/a[1]	n/a[1]
Other	1,076,673	10.2	19.9	898,116	10.6	32.3	848,936	12.2
Total	**10,556,861**			**8,437,239**			**6,936,420**	

Note:

(1) For the year ended 31 December 2010, sales made in Africa were included in the Other segment.

Turkey

Net sales in Turkey increased by 12.0 per cent. to TRY4,453.6 million in 2012 from TRY3,976.9 million in 2011. This was primarily attributable to the effect of a successful campaign to promote sales of energy efficient white goods products in the first half of 2012. The Group benefited substantially from this initiative in view of its energy efficient product portfolio. The increase was also attributable to sales of air conditioners.

Net sales in Turkey increased by 16.4 per cent. to TRY3,976.9 million in 2011 from TRY3,417.8 million in 2010. This was primarily attributable to the increased demand in all product groups across the white goods segment as consumer spending and economic conditions remained relatively robust and consumers made purchases that had been deferred during the global financial crisis.

Europe

Net sales in Europe increased by 22.9 per cent. to TRY4,100.7 million in 2012 from TRY3,336.8 million in 2011. This was primarily attributable to the Group's efforts to promote brand awareness and the trend of consumers to search for value in their purchases in a relatively unstable economic environment.

Net sales in Europe increased by 25.0 per cent. to TRY3,336.8 million in 2011 from TRY2,669.7 million in 2010. This was primarily attributable to exchange rate effects and volume led growth in both consumer electronics and white goods. Sales to Western Europe increased by 36 per cent. Nearly half of this increase was attributable to exchange rate effects, as the average exchange

rates of the Euro and UK pounds sterling against the Turkish Lira increased in 2011 by 17 per cent. and 16 per cent. respectively.

Africa

Net sales in Africa increased to TRY925.9 million in 2012 from TRY225.4 million in 2011. This was attributable to the Group's acquisition of Defy in November 2011 and subsequent consolidation into its results of operations.

Other

Net sales in other countries increased by 19.9 per cent. to TRY1,076.7 million in 2012 from TRY898.1 million in 2011. This was primarily attributable to a volume driven increase in sales in several markets, including the Middle East, Russia, CIS, China and Australia. The increase was most notable in Russia, however, due to increased sales of both white goods and consumer electronics, arising from LED backlight flat televisions sales and in Australia, due to the establishment of the Group's Australian subsidiary.

Net sales in other countries (including sales in Africa) increased by 32.3 per cent. to TRY1,123.5 million in 2011 from TRY848.9 million in 2010. This was primarily due to increases in sales of white goods and air conditioners in Russia and of white goods in the Middle East.

Cost of sales

The table below sets out the main components of cost of sales for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Raw materials, supplies and trade goods	6,633,810	5,459,496	4,254,118
Changes in finished goods, work in process and trade goods[(1)]	(42,379)	(310,301)	(14,298)
Personnel expenses	523,888	424,560	374,190
Energy expenses	76,346	57,875	49,392
Depreciation and amortisation expenses	156,443	146,892	132,782
Other	154,916	118,487	72,289
Total	**7,503,024**	**5,897,009**	**4,868,473**

Note

(1) Changes in finished goods, work in process and trade goods represent the net difference in value between the inventory held at the balance sheet date at year end compared to the prior year end and varies due to the level of inventory on the relevant date.

Cost of sales increased by 27.2 per cent. to TRY7,503.0 million in 2012 from TRY5,897.0 million in 2011, which increased in line with higher sales volumes during the period (gross sales increased by 26.3 per cent. in 2012). Increases in the cost of raw materials were principally attributable to increased sales volumes. Also contributing to the increase in cost of sales was an increase in personnel expenses resulting from the acquisition of Defy at the end of 2011. In addition, an increasing share of TV sales, which carry a high cost of sales (and are thus lower margin products) when compared to the Group's white goods and other segments had an increasing impact on the Group's cost of sales in consumer electronics. However, the Group believes that this is not a trend which will carry forward as demand for TVs in 2012 was exceptional due to the Olympics and the European Football Championship.

Cost of sales increased by 21.1 per cent. to TRY5,897.0 million in 2011 from TRY4,868.5 million in 2010, while gross sales increased by 22.3 per cent. in 2011. Accordingly, growth in cost of sales was driven mainly by increased sales volumes. Raw material prices, principally metals and plastics, increased. Personnel expenses also increased due to wage increases that were generally in line with inflation.

Gross profit

Gross profit increased by 20.2 per cent. to TRY3,054 million in 2012 from TRY2,540 million in 2011 due to volume-led growth. Overall gross profit margin decreased from 30.1 per cent. in 2011 to 28.9 per cent. in 2012. Gross profit margin in the white goods segment decreased from 32.9 per cent. in 2011 to 32.0 per cent. in 2012. Gross profit margin in the consumer electronics segment decreased from 22.1 per cent. in 2011 to 19.3 per cent. in 2012. Gross profit margin in the other segment decreased from 27.3 per cent. in 2011 to 26.3 per cent. in 2012.

The decrease in the gross profit margin in 2012 was mainly due to the impact of sector-wide discount campaigns in consumer electronics, especially in Europe. Excess inventory that had been held to meet the demand for TVs driven by the Olympics and the European Football Championship, inventory in the distribution network subsequently needed to be cleared through discount campaigns due to a sharp drop in demand across the sector. Pricing has not yet recovered into 2013. Additionally, the campaigns to promote energy efficient white goods in Turkey also caused minor declines in gross profit in that segment because of discounts offered in connection therewith.

Gross profit increased by 22.8 per cent. to TRY2,540 million in 2011 from TRY2,068 million in 2010 due to volume-led growth, mainly in the white goods segment. Gross profit margin increased from 29.8 per cent. in 2010 to 30.1 per cent. in 2011. Overall gross profit margin in the white goods segment decreased from 36.1 per cent. in 2010 to 32.9 per cent. in 2011. Gross profit margin in the consumer electronics segment increased from 20.8 per cent. in 2010 to 22.1 per cent. in 2011, mainly due to the improving margins of flat screen televisions in consumer electronics, particularly the Grundig brand in Germany. Gross profit margin in other increased from 17.0 per cent. in 2010 to 27.3 per cent. in 2011. The increase in the gross profit margin, particularly in the other segment, in 2011 was mainly due to the significant increase in gross profit margins of air conditioners sales.

Marketing, selling and distribution expenses

Marketing, selling and distribution expenses increased by 23.5 per cent. to TRY1,820.9 million in 2012 from TRY1,474.3 million in 2011. This was primarily attributable to increased expenses to support sales volume growth across the Group's markets, including increased transportation costs due to increased volumes transported further distances, such as to markets in Australia and South Africa, the increased international sales volumes, including in South Africa, increased product sales driven by Internet sales, and higher margin sales through more specialist channels with higher expenses (such as custom installers). The increase was also due to increases in warranty and assembly expenses due to increased sales volumes in Turkey, advertising and promotion expenses due to increased marketing activities in international markets and personnel expenses due to the acquisition of Defy.

Marketing, selling and distribution expenses increased by 26.9 per cent. to TRY1,474.3 million in 2011 from TRY1,161.5 million in 2010. This was largely due to increases in most expense categories to support volume-led growth, including advertising and promotion expenses to support additional channel penetration. The increase was also attributable to increases in transportation, distribution and storage expenses due to increased international sales volumes and increases in warranty and assembly expenses due to increased sales to households in Turkey.

General administrative expenses

General administrative expenses increased by 13.8 per cent. to TRY389.9 million in 2012 from TRY342.6 million in 2011. This was due in part to sales growth of 25.1 per cent. in 2012. This increase was also attributable to an increase in personnel expenses due mainly to the increase in headcount as a result of the acquisition of Defy and ordinary course salary increases.

General administrative expenses increased by 22.2 per cent. to TRY342.6 million in 2011 from TRY280.4 million in 2010. This was largely due to increased costs of contractor services for the implementation of information systems projects in line with the increased technological requirements of the Group as a result of continued expansion, as well as small increases in a range of other general administrative expenses.

Research and development expenses

Research and development expenses increased by 12.7 per cent. to TRY73.0 million in 2012 from TRY64.8 million in 2011 and increased by 7.1 per cent. in 2011 from TRY60.5 million in 2010. This was primarily attributable to an increase in depreciation and amortisation expenses resulting from amortisation of capitalised product development costs. Total expenditure allocated to research and development in the year, including expenses as well as development costs capitalised, increased by

13.6 per cent. to TRY116.0 million in 2012 from TRY102.1 million in 2011 and increased by 12.0 per cent. in 2011 from TRY91.2 million in 2010, due to the allocation of more resources to research and development. Expenses and expenditures allocated to research and development play a major role in developing technologies that help the Group maintain a leading position in white goods, such as energy efficient and innovative products.

Other income

Other income increased by 15.8 per cent. to TRY69.7 million in 2012 from TRY60.2 million in 2011. This was primarily attributable to an increase in income from grants within the Turquality programme, which is a brand support incentive programme led by the Ministry of Economy of Turkey.

Other income decreased by 53.8 per cent. to TRY60.2 million in 2011 from TRY130.4 million in 2010. This was largely due to a decrease in income from sales of property, plant and equipment. In the year ending 31 December 2010, the Group realised a gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to the Koç Group's Koç University, in the amount of TRY40.1 million. Income from claims and grants also decreased due to less income from completion of stages of grants than in 2010, such as grants received as export incentives for television panels.

Other expenses

Other expenses increased by 13.3 per cent. to TRY82.6 million in 2012 from TRY72.9 million in 2011 and increased by 25.0 per cent. from TRY58.3 million in 2010. This was largely due to increases in product recall expenses. Total recall expenses amounted to TRY14.7 million in 2012 and TRY30.5 million in 2011. Product recall expenses incurred in 2011 include expenses of a voluntary recall which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000 to 2006 in England and Ireland with expired warranties. Although these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who places utmost importance to the product safety, required modifications were made free of charge with the aim to remove the risk. For further detail on product recalls, please see "*Business Description—Litigation and other disputes*".

Operating profit

Operating profit increased by 17.2 per cent. to TRY757.1 million in 2012 from TRY645.9 million in 2011. This was primarily attributable to the volume led growth and product mix improvements. Operating margin was 7.2 per cent. in 2012, as compared to 7.7 per cent. in 2011, which was attributable to the gross profit decrease offset by efficiencies in operating expenses.

Operating profit increased by 1.3 per cent. to TRY645.9 million in 2011 from TRY637.7 million in 2010. This was achieved notwithstanding the increase in operating expenses and one-off income from the sale of the Topkapı land in 2010. Operating margin was 7.7 per cent. in 2011, as compared to 9.2 per cent. in 2010. The margin in 2010 includes the sale of the Topkapı land.

Income from associates (net)

Income from associates (net) increased by 21.8 per cent. to TRY34.6 million in 2012 from TRY28.4 million in 2011. This was primarily attributable to the increase in income from Arçelik LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik LG"), an associate of the Group which is also a joint venture of the Koç Group and LG Electronics, which produces air conditioners in Turkey.

Income from associates (net) increased to TRY28.4 million in 2011 from TRY11.9 million in 2010. This was largely due to an increase in income from Koç Tüketici Finansmanı A.Ş., a consumer finance company of the Koç Group financing consumers in the automotive industry.

Financial income

Financial income decreased by 19.0 per cent. to TRY336.8 million in 2012 from TRY415.6 million in 2011. This was primarily attributable to foreign exchange gains and a decrease in credit finance income.

Financial income increased by 44.8 per cent. to TRY415.6 million in 2011 from TRY287.0 million in 2010. This was largely due to significant foreign exchange gains recognised on settlements of foreign currency denominated monetary items and translation of foreign exchange denominated balance sheet items before the effect of derivative financial instruments. Financial income excluding foreign

exchange gain decreased from TRY162.7 million to TRY123.4 million mainly due to a decrease in credit finance income.

Financial expenses

Financial expenses increased by 5.2 per cent. to TRY499.1 million in 2012 from TRY474.4 million in 2011. This was primarily attributable to increased interest expenses from an increase in financial debt needed to service the Group's increased working capital requirements.

Financial expenses increased by 69.4 per cent. to TRY474.4 million in 2011 from TRY280.0 million in 2010. This was largely due to foreign exchange losses recognised on various foreign exchange transactions and the translation of foreign exchange denominated balance sheet items before the effect of derivative financial instruments. Financial expenses excluding foreign exchange loss in 2011 was 2 per cent. higher than in 2010.

Income tax expense

Income tax expense increased by 4.5 per cent. to TRY77.7 million in 2012 from TRY74.3 million in 2011. The Group's effective tax rates in 2012 and 2011 were 12.3 per cent. and 12.1 per cent. respectively.

Income tax expense decreased by 30.7 per cent. to TRY74.3 million in 2011 from TRY107.4 million in 2010. This was driven by a decrease in effective tax rate to 12.1 per cent. in 2011 from 16.4 per cent. in 2010 due principally to the utilisation of unrecognised tax losses in 2011 in the amount of TRY21.9 million from TRY4.3 million in 2010. This positively impacted the tax rate in 2011 by 2.9 per cent.

Net income

Net income increased by 2.0 per cent. to TRY551.7 million in 2012 from TRY541.1 million in 2011.

Net income decreased by 1.5 per cent. to TRY541.1 million in 2011 from TRY549.2 million in 2010.

Liquidity and Capital Resources

Cash flow

The following table sets forth a summary of the Group's cash flows for the years ended 31 December 2012, 2011 and 2010.

	Years ended 31 December		
	2012	**2011 Reclassified(1)**	**2010**
		(TRY '000)	
Cash flows provided by/(used in) operating activities before changes in operating assets and liabilities and after income taxes paid	1,016,606	911,021	835,851
Changes in operating assets and liabilities	(316,556)	(996,691)	9,067
Cash flows provided by/(used in) operating activities	700,050	(85,670)	844,918
Cash flows provided by/(used in) investing activities	(435,114)	(810,447)	(151,478)
Cash flows provided by/(used in) financing activities	313,423	734,804	(265,204)
Net (decrease)/increase in cash and cash equivalents	566,615	(140,413)	412,942

Note:

(1) A reclassification of TRY3.9 million was made in the consolidated statement of cash flow for the year ended 31 December 2011 to account for changes between provisions and net change in operating assets and liabilities.

Cash flows provided by/(used in) operating activities before changes in operating assets and liabilities and after income taxes paid

Cash provided by operating activities before changes in operating assets and liabilities and after income taxes paid was TRY1,016.6 million in 2012, compared to TRY911.0 million in 2011 and 835.9 million in 2010. The increase over the three year period reflects increased sales and operating activities.

Changes in operating assets and liabilities

Changes in operating assets and liabilities was negative TRY316.6 million in 2012 compared to negative TRY996.7 million in 2011. This decrease was driven by comparatively lower increases in inventories and trade receivables driven primarily by focus on working capital management.

Changes in operating assets and liabilities was negative TRY996.7 million in 2011 compared to TRY9.1 million in 2010. This change was due to a significant increase in trade receivables and a significant increase in inventories. Please see "*—Net Current Assets and Trade Receivables—Inventory*" below.

Cash flows provided by/(used in) in investing activities

Cash used in investing activities was TRY435.1 million in 2012 compared to TRY810.4 million in 2011. The principal component of cash used in investing activities in 2012 was TRY474.6 million for annual capital expenditures as well as further investments in Defy to help realise post-acquisition synergies.

Cash used in investing activities was TRY810.4 million in 2011 compared to TRY151.5 million in 2010. The principal components of cash used in investing activities in 2011 was a net cash outflow of TRY502.4 million in connection with the acquisition of Defy and TRY359.5 million for capital expenditures.

Cash flows provided by/(used in) financing activities

Cash provided by financing activities was TRY313.4 million in 2012 compared to TRY734.8 million in 2011. The principal components of the cash provided by financing activities in 2012 were proceeds from bank borrowings of TRY2,060.0 million, which were offset by repayment of bank borrowings in the amount of TRY1,216.4 million and by the payment of dividends.

Cash provided by financing activities was TRY734.8 million in 2011 compared to cash used in financing activities of TRY265.2 million in 2010. Cash provided by and used in financing activities in 2011 and 2010 was the result of proceeds from bank borrowings offset by repayment of bank borrowings and payment of dividends.

Capital expenditure

The following table sets out the Group's capital expenditures for the years ended 31 December 2012, 2011 and 2010.

	Years ended 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Property, plant and equipment	382,239	278,701	183,622
Development costs	90,915	73,115	59,994
Other intangible assets	7,333	12,210	9,861
Total	**480,487**	**364,026**	**253,477**

The principal components of capitalised property, plant and equipment expenditures are expenditures on machinery, equipment, moulds, buildings, motor vehicles and fixtures. The Group has no outstanding mortgages on any property, plant or equipment. The increase in property, plant and equipment expense over the period is in line with the Group's developing operations and expansion strategy.

Capitalised research and development costs increased over 2010 to 2012, reflecting the Group's continued focus on and investment in product innovation and development.

Capitalised expenditures on other intangible assets relate principally to computer software. Brands acquired by the Group (such as Defy) are not reflected in this figure. The Group has not purchased any individual brands, but realises these investments through business acquisitions.

Indebtedness

The following table sets out the Group's indebtedness as at 31 December 2012, 2011 and 2010. As at 31 December 2012, the Group's indebtedness consisted entirely of bank loans.

	As at 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Short-term bank borrowings	785,039	1,078,206	599,098
Short-term portion of long-term bank borrowings	1,359,235	550,554	239,739
Other	132	183	384
Total short-term borrowings	**2,144,406**	**1,628,943**	**839,220**
Long-term bank borrowings	1,858,992	1,528,130	1,218,002
Other	111	107	70
Total-long term borrowings	**1,859,103**	**1,528,237**	**1,218,072**
Total	**4,003,509**	**3,157,180**	**2,057,292**

Short-term bank borrowings are denominated principally in Euro, with other facilities in US dollars and Russian roubles. Long-term bank borrowings are denominated principally in Turkish Lira and Euro, with other facilities in US dollars, South African Rand and UK pounds sterling.

The table below sets out the maturity profile of the Group's long-term borrowings as at 31 December 2012.

Year due	*(TRY '000)*
2014	743,590
2015	812,294
2016	99,294
2017	99,294
2018 and after	104,520
Total	**1,858,992**

Certain of the Group's loan agreements contain net debt/EBITDA, current assets/liabilities and interest cover ratio covenants.

Net Current Assets and Trade Receivables

Inventory

The following table sets out the Group's inventory as at 31 December 2012, 2011 and 2010.

	As at 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Raw materials and supplies	807,397	783,785	560,738
Work in progress	61,216	49,382	37,861
Finished goods	648,538	576,128	346,418
Trade goods	142,292	184,157	115,087
Inventories (gross)	**1,659,443**	**1,593,452**	**1,060,104**
Less: Provision for impairment on inventories	(59,785)	(63,311)	(72,578)
Inventories (net)	**1,599,658**	**1,530,141**	**987,526**

For the years ended 31 December 2012, 2011 and 2010, the Group's average days in inventory were 78, 76 and 70, respectively[1]. The increase in days in 2011 was due to stock increases produced to respond to increased channel penetration, wider range of products, increasing average sales price and higher volumes of net sales in the Group's international markets. Despite an increase in volumes, the Group's inventory turnover days have increased slightly in 2012 compared to 2011 as a result of the Group's efforts to correct margin contraction and a focus on better inventory and supplier management.

Raw material turnover days were maintained at an average of 44 days throughout 2010, 2011 and 2012[2]. Finished and trade goods turnover days range from 35 days to 45 days[3]. The Group endeavours to operate with the optimal level of inventory necessary to ensure availability that meets the anticipated customer and consumer demands.

Trade receivables

The following table sets out the Group's trade receivables as at 31 December 2012, 2011 and 2010.

	As at 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Short-term trade receivables			
Trade receivables	1,906,489	1,864,092	1,381,506
Notes receivable	1,248,940	1,241,891	961,075
Cheques receivable	193,523	165,888	128,754
Due from related parties	22,586	23,402	22,869
Short-term trade receivables (gross)	**3,371,538**	**3,295,273**	**2,494,204**
Less: Provision for doubtful receivables	(93,229)	(93,579)	(110,611)
Less: Unearned credit finance income	(16,823)	(20,824)	(59,015)
Short-term trade receivables (net)	**3,261,477**	**3,180,870**	**2,324,578**
Long-term trade receivables	**10,969**	**16,018**	**12,461**

Trade receivables that are created by providing goods or services directly to a debtor are carried at amortised cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant. If collection is expected in 12 months or less, they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

The Group has credit insurance in place for its international receivables and has mortgages or other security in place for its receivables in Turkey.

1 Average days in inventory = average inventory x 365 divided by cost of sales. Average inventory = the sum of inventory at the beginning of year and at the end of each quarter divided by 5.

2 Raw material turnover days = average raw material x 365 divided by sum of raw materials, supplies and trade good expenses and changes in finished goods, work in process and trade goods. Average raw material = the sum of raw material at the beginning of year and at the end of each quarter divided by 5.

3 Finished and trade goods turnover days = average finished and trade goods x 365 divided by cost of sales. Average finished and trade goods = the sum of finished and trade goods at the beginning of year and at the end of each quarter divided by 5.

The following table sets out the geographic concentration of trade receivables for the periods indicated.

	31 December 2012	31 December 2011	31 December 2010
Turkey	1,732,102	1,758,175	1,384,018
Europe	1,102,820	986,444	711,907
Other	437,524	452,269	241,114
	3,272,446	3,196,888	2,337,039

Average payment terms for customers, including dealers, are approximately 150 days in Turkey and 90 days in the Group's international markets. Average trade receivable days were 118, 118 and 119 in 2012, 2011 and 2010, respectively[4]. The Group expects receivable levels to be broadly in line with 2012 going forward.

Trade payables

The following table sets out the Group's trade payables as at 31 December 2012, 2011 and 2010:

	As at 31 December		
	2012	**2011**	**2010**
		(TRY '000)	
Trade payables	1,001,156	1,120,739	787,755
Due from related parties	173,032	133,283	186,003
Unearned credit finance charges	(5,414)	(11,568)	(4,796)
	1,168,774	**1,242,454**	**968,962**

Average trade payable turnover days were 61, 65 and 62 in 2012, 2011 and 2010, respectively[5]. The Group expects payable turnover to return to 2011 levels going forward.

Off-balance sheet transactions

The Group has certain off balance sheet transactions in the form of foreign currency hedging instruments such as forwards and swaps. These instruments are short term (up to three months in duration) and are used principally to manage translation risk on subsidiary consolidation. The Group has key performance indicators, which monitor permissible levels of exposure and balance between currencies. For further detail on these instruments, please see Note 8 to the Consolidated Financial Statements.

Related party transactions

In the ordinary course of its business, the Group engages in transactions with related parties. The Group sells certain of its products and purchases certain materials and services from other companies owned and controlled by Koç Group. Certain financial services are received from Yapi ve Kredi Bankası A.Ş., which is Koç Group's principal retail bank. Typically, all such transactions are carried out on arms-length terms. For further detail on these transactions, please see Note 31 to the Consolidated Financial Statements.

Market risk

Liquidity risk

The Group seeks to minimise settlement risk in its financial and commercial liabilities by managing its balance sheet according to expected cash flows. Maturities of financial liabilities are arranged according to maturities of assets, and where possible, a mismatch between the maturities is eliminated.

4 Average trade receivable days = average trade receivable x 365 divided by net sales. Average trade receivable = the sum of trade receivables at the beginning of year and at the end of each quarter divided by 5.

5 Average trade payable days = average trade payable x 365 and divided by cost of sales. Average trade payable = the sum of trade payables at the beginning of year and at the end of each quarter divided by 5.

The Group aims to keep the interest payment frequency on its liabilities in line with average receivable days from its customers. It also aims to maintain flexibility in funding by maintaining the availability of dedicated credit lines. As at 31 December 2012, the Group had total available facilities of TRY8,217.6 million, with TRY4,147.1 million drawn.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2012 is as follows:

	As of 31 December					
	Carrying value	**Contractual cash-flows**	**Up to 3 months**	**3 months – 12 months**	**1 year – 5 years**	**More than 5 years**
			(TRY '000)			
2012						
Total liabilities (non-derivative)						
Financial liabilities	4,003,509	4,380,242	683,480	1,588,440	2,055,032	53,290
Trade payables	1,168,774	1,174,188	1,150,902	23,286	—	—
Financial payables to related parties[2]	66,570	82,526	2,606	8,615	40,823	30,482
Other payables	72,106	72,106	64,474	7,632	–	—
Other liabilities	205,208	205,208	200,799	2,704	1,705	—
	5,516,167	5,914,270	2,102,261	1,630,678	2,097,559	83,772
Derivative financial instruments[1]						
Derivative cash inflows		495,583	495,583	—	—	—
Derivative cash outflows		(497,087)	(497,087)	—	—	—
Derivative instruments, net	(1,504)	(1,504)	(1,504)	—	—	—
2011						
Total liabilities (non-derivative)						
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	—
Trade payables	1,242,454	1,250,142	1,243,272	6,870	—	—
Financial payables to related parties[2]	77,616	97,657	1,736	9,220	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	—	—
Other liabilities	214,893	214,893	206,720	5,900	2,273	—
	4,753,738	4,966,439	2,340,888	923,045	1,659,439	43,067
Derivative financial instruments[1]						
Derivative cash inflows		(348,805)	(348,805)	—	—	—
Derivative cash outflows		(346,068)	(346,068)	—	—	—
Derivative instruments, net	2,737	2,737	2,737	—	—	—
2010						
Total liabilities (non-derivative)						
Financial liabilities	2,057,292	2,183,694	554,980	345,562	1,283,152	—
Trade payables	963,458	964,792	924,852	39,940	—	—
Financial payables to related parties[2]	69,185	88,894	2,242	6,724	35,867	44,061
Other payables	48,508	48,508	43,938	4,570	—	—
Other liabilities	183,806	183,806	168,332	11,576	3,898	—
	3,322,249	3,469,694	1,694,344	408,372	1,322,917	44,061
Derivative financial instruments[1]						
Derivative cash inflows		146,434	146,434	—	—	—
Derivative cash outflows		(145,488)	(145,488)	—	—	—
Derivative instruments, net	946	946	946	—	—	—

Notes:

(1) Undiscounted contractual cash flows.

(2) In order to conform with changes in the presentation of the balance sheets as of 31 December 2011 and 31 December 2010, financial payables to related parties, which were accounted for in short-term trade payables as of 31 December 2011 and 31 December 2010, are shown in a separate line.

Currency risk

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations performed using multiple currencies. In order to mitigate this risk, it aims to maintain a net position in foreign exchange close to zero and limit its exposure to set amounts as a percentage of capital. The Group matches, to the extent possible, revenues and expenses earned and incurred in foreign currency. It also uses derivative financial instruments when necessary, including forward foreign currency transactions, to maintain its exchange rate risk at targeted levels.

Foreign currency hedge of net investments in foreign operations

The Group designates some portion of its Euro denominated bank loans as a hedging instrument in order to hedge the foreign currency risk arising from the translation of net assets (from EUR to TRY) of its subsidiaries operating in Europe. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income in the revaluation fund in order to net off the incremental value arising from the translation of the net assets of investments in foreign operations. As of 31 December 2012, a portion of bank borrowings in Euro amounting to EUR328,750,000 (before tax) was designated as a net investment hedging instrument (31 December 2011: EUR150,000,000 and 31 December 2010: EUR87,500,000).

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when necessary.

Matching of maturities of receivables and payables and contractual re-pricing dates is crucial. In order to minimise the exposure of financial liabilities to interest rate changes, "fixed interest/floating interest", "short-term/long-term", and "TRY/foreign currency" balance should be structured consistently with assets in the balance sheet.

Average effective annual interest rates of balance sheet items as of 31 December 2012, 2011 and 2010 are as follows:

	Year ended 31 December									
	TRY	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**	**ZAR**	**PLN**	**CZK**
	(percentage)									
2012										
Current assets										
Cash and cash equivalents	8.39	1.71	2.76	0.25	5.25	—	2.22	4.50	4.30	0.11
Trade receivable	4.08	—	—	—	—	—	—	—	—	—
Current liabilities										
Financial liabilities	0.00	1.09	1.12	—	7.80	8.57	5.60	—	—	—
Trade payables	6.06	—	—	—	—	—	—	—	—	—
Non-current liabilities										
Financial liabilities	7.85	2.49	2.50	2.59	—	8.10	—	6.73	—	—
2011										
Current assets										
Cash and cash equivalents	—	1.82	1.86	0.21	4.69	—	2.12	5.00	4.12	0.37
Trade receivable	5.28	—	—	—	—	—	—	—	—	—
Current liabilities										
Financial liabilities	13.00	2.08	0.40	—	6.34	7.32	6.03	—	—	—
Trade payables	9.94	—	—	—	—	—	—	—	—	—
Non-current liabilities										
Financial liabilities	11.60	3.69	2.24	3.20	—	—	—	7.18	—	—

	Year ended 31 December						
	TRY	EUR	USD	GBP	RON	RUB	CNY
2010							
Current assets							
Cash and cash equivalents	9.04	1.58	3.13	0.31	2.64	2.21	1.05
Trade receivable	20.40	0.82	0.82	5.00	—	—	—
Current liabilities							
Financial liabilities	—	1.80	0.98	—	3.55	7.25	4.48
Trade payables	6.32	0.48	0.48	3.10	—	—	—
Non-current liabilities							
Financial liabilities	8.30	2.69	2.25	2.93	—	6.26	—

An analysis of the Group's financial instruments which are sensitive to interest rate changes is as follows:

	As at 31 December		
	2012	2011	2010
		(TRY '000)	
Financial instruments with fixed interest rates			
Time deposits	960,460	436,144	815,695
Financial liabilities	946,659	696,887	414,934
Financial instruments with variable interest rates			
Time deposits	619,438	605,499	418,102
Financial liabilities	3,056,607	2,460,004	1,641,904

At 31 December 2012, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates had risen or fallen by 100 basis points with all other variables held constant, income before taxes and non-controlling interest would have been TRY25,620 (2011: TRY18,545) lower or higher as a result of interest expenses. As interest rates have fallen in recent years, the Group has kept a significant portion of its loan portfolio on a floating rate basis in order to take advantage of the low interest rate environment.

Credit risk

The Group is exposed to credit risk arising from receivables through credit financed sales and deposits with banks. Credit risk arising from receivables from third parties is managed by securing receivables with collateral, including bank guarantees, credit insurance and mortgages. Where receivables are not secured with collateral, the credit quality of the customer is assessed with regard to its financial position, past experience and other factors through an internal credit rating methodology and internal credit committees which set account limits. Individual risk limits are set accordingly and the utilisation of credit limits is regularly monitored. With regard to banks, ratings are taken into consideration. The same credit risk management principles are used for the management of financial assets. Details of credit and receivable risk as of 31 December 2012, 2011 and 2010 are as follows:

	As at 31 December		
	2012	2011	2010
		(TRY '000)	
Maximum exposed credit risk as of reporting date[(1)]	3,249,860	3,173,486	2,314,170
Secured portion of the maximum credit risk by guarantees, etc.[(2)]	(2,712,636)	(2,329,314)	(1,725,492)

Notes:

(1) Maximum credit risk exposed as of the balance sheet date excludes guarantees in hand and other factors that increase the credit quality.

(2) Guarantees are composed of mortgages and trade receivables insurance.

Critical Accounting Policies

The estimates and assumptions made by the Group's management that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities are outlined below.

Fair value of financial instruments

Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. The carrying values of cash and cash equivalents are estimated to be their fair values. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values. As of 31 December 2012, the carrying value and the fair value of the long-term borrowings, including the short-term portions, are equal to TRY3,218,227 (2011: TRY2,078,684) and TRY3,215,608 (2011: TRY2,094,429), respectively.

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

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

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

The fair value of the available-for-sale financial assets

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

Summary of Differences between IFRS and CMB Accounting Principles

The Group's Consolidated Financial Statements are prepared in accordance with the financial reporting standards published by the CMB ("**CMB Financial Reporting Standards**"). CMB Financial Reporting Standards require the use of International Reporting Standards ("**IAS/IFRS**") endorsed by the European Union with one exception with respect to the application of inflation accounting for the period between 1 January to 31 December 2005. The application of IFRS inflation accounting would not have had a material effect on the Group's Consolidated Financial Statements.

BUSINESS DESCRIPTION

Overview

Arçelik is a leading producer of white goods and consumer electronics. Founded in 1955, the Company has grown to become the third largest white goods company in Europe. It has strong market positions in Turkey, Europe, the Middle East, Commonwealth of Independent States countries (''**CIS**'') and Africa, where it generated approximately 98 per cent. of its revenues in 2012. The Group focuses on innovation and customer appeal in its product lines and places a particular emphasis on environmentally friendly and energy efficient technology. The Group had total revenues of TRY10,556.9 million and EBITDA of TRY1,018.0 million in the year ended 31 December 2012, which have grown from 2010 to 2012 at a compound annual growth rate (''**CAGR**'') of 23 per cent. and 11 per cent., respectively. The Group had 22,552 employees as of 31 December 2012.

The Group owns 10 brands, including Arçelik, Turkey's leading white goods brand, Beko, the largest appliance brand in the UK and the number three brand in Europe, Arctic, the leading brand in Romania and Defy, the leading brand in the South African white goods market. The Group's principal product segments are:

- White goods: including refrigerators, freezers, washers and dryers, dishwashers, ranges and ovens, which generated revenues of TRY7,079.4 million (67.1 per cent. of total revenue) in the year ended 31 December 2012;
- Consumer electronics: including televisions (''**TVs**''), personal computers (''**PCs**''), audio, video and recording systems, which generated revenues of TRY1,798.2 million (17.0 per cent. of the total revenue) in the year ended 31 December 2012; and
- Other appliances: including air conditioners, personal care products and small kitchen appliances, which generated revenues of TRY1,679.2 million (15.9 per cent. of total revenue) in the year ended 31 December 2012.

For the year ended 31 December 2012, the Group had an over 50 per cent. market share in Turkey. In the same period, it also had 8.1 per cent. market share in Eastern Europe and 7.2 per cent. market share in Western Europe. The Group, with its global and local brands, is one of the top three brands in many of its markets, including the UK, Ireland, Estonia, Lithuania, Croatia, Slovenia, Bosnia-Herzegovina, Romania, Bulgaria, Turkey, Algeria, Tunisia, Libya, Jordan, Iraq, Georgia, Azerbaijan, Turkmenistan, South Africa, Namibia, Botswana, Zambia and Malawi, and one of the top five brands in many others, including Belgium, Germany, Belarus, Serbia, Albania, Morocco and Kazakhstan.

The Group has 14 production facilities located in Turkey, Romania, Russia, China and South Africa, which generally benefit from relatively low labour costs as well as lower logistics costs for distribution, as a result of their proximity to end consumers which supports the Group's margins. The Group has sales and marketing organisations in 23 countries and distributes its products in over 100 countries. Going forward, the Group aims to improve retail channel penetration and shelf space in international markets to reach more consumers with a broader product range, covering the full product and price range. The Group also aims to improve its digital profile in global markets by leveraging its Internet presence.

The Group is majority owned and controlled by the Koç Group, Turkey's largest company. Koç Group ranked 222nd in the Fortune 500 in 2012 and had consolidated sales of US$47,327 million in 2012. Koç Group owns more than 100 companies in 27 countries and has over 80,000 employees.

Strengths

The Group believes it offers a number of key competitive advantages in the markets in which it operates, including:

Core market leadership

Turkey

The Group is Turkey's leading producer of white goods with over 50 per cent. market share in 2012. Arçelik is the Group's premium brand in the Turkish white goods market, and its Arçelik branded products are positioned in the premium price segment. The Group's international brand, Beko, is also among the top three brands in the Turkish market. The Group has a centrally managed business model of acting through exclusive dealers for each of its Arçelik and Beko brands across Turkey, many of whom have long-standing relationships with the Group,

stature in local communities and detailed knowledge of local markets. Exclusive dealers in Turkey operate on standard Group-wide sales contracts, which include recommended retail pricing guidance that is followed closely by the dealers but also provides for a range of other options. The Group also manages key aspects of the dealer's operations including marketing, store presentation, promotions and after-sale services, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms. The Group's market leading brand awareness and entrenched retail and after-sales infrastructure constitute a significant competitive advantage in the Turkish market and increases the Group's bargaining power. The Group also caters to price conscious consumers through its Altus brand of home appliances and televisions which are sold through other retailers. The Group believes that, given expected continued growth in the Turkish economy, urbanization and other demographic factors, the white goods sector in Turkey remains underpenetrated and that there is significant growth potential in the near to medium term.

International

The Group also has market leading positions in many of its key international markets and has continued to grow its market share in regions outside of Turkey through organic and inorganic growth. The Group believes that it has experienced steady growth in market share in each of its key markets during recent years and going forward, intends to continue its focus on brand improvement and recognition in order to retain and grow its leadership positions. The Group's market share in Western Europe rose from 6.0 per cent. in 2011 to 7.2 per cent. in 2012, while its market share in Eastern Europe rose from 7.7 per cent. in 2011 to 8.1 per cent. in 2012. The Beko brand achieved significant market share increases in the UK, Germany, France, Belgium, Italy and Poland during 2012. It has the largest market share in the Western European refrigerator market. In 2012, the Group had a 39.7 per cent. market share in the South African white goods market, principally as a result of its acquisition of Defy in 2011. In addition to market share growth, the Group has also increased its penetration of key distribution channels, including technical superstores and internet outlets.

Strong brand portfolio in local and international markets

The Group has one of the top three brands in many of its markets, including the UK, Ireland, Estonia, Lithuania, Croatia, Slovenia, Bosnia-Herzegovina, Romania, Bulgaria, Turkey, Algeria, Tunisia, Libya, Jordan, Iraq, Georgia, Azerbaijan, Turkmenistan, South Africa, Namibia, Botswana, Zambia and Malawi, and one of the top five brands in many others, including Belgium, Germany, Belarus, Serbia, Albania, Morocco and Kazakhstan. .The Group has a comprehensive global and local brand portfolio including Arçelik, Beko, Grundig, Altus, Blomberg, Arctic, Leisure, Elektrabregenz, Flavel and Defy. The Group believes that it has powerful brand awareness across its portfolio, but particularly with its Arçelik and Beko brands. Arçelik was cited by AC Nielsen as having the highest level of brand recognition in Turkey in 2010. In Europe, the Beko brand has become the third largest white goods brand. The Group has invested continuously in the development of its brands to gain market share across the geographies in which it operates. The Group's brand portfolio has been strategically deployed across its key markets to ensure coverage at different price points and product mix through a combination of its global brands, such as Beko and Grundig and its local brands such as Arctic in Romania and Defy in South Africa, with a key objective of ensuring no cannibalisation of market share.

Sustainable cost competitiveness

The Group has been able to manage its costs by focusing on low cost labour jurisdictions, achieving economics of scale in production and by locating production facilities near its customer base. It also benefits from Turkey's customs union with the EU. The Group believes that by locating its manufacturing operations in low cost countries, it is also able to achieve higher utilisation rates in its operations than many of its competitors. The Group manufactures its products in low labour cost countries, including Turkey, Romania, China, Russia and South Africa, and believes this offers an advantage against its Western competitors, many of whom have legacy manufacturing operations in European jurisdictions which were historically considered to be low cost, but which, for a variety of reasons, including membership in the EU, are no longer low cost when compared to the jurisdictions where the Group's manufacturing facilities are located. The Group also believes that many of its manufacturing facilities are the largest of their kind, providing benefits from economies of scale. The Group also manages its

raw materials and components purchasing centrally to help control costs. The Group seeks to purchase raw materials and components from low cost countries, and the share of total purchases of raw materials and components made in low cost countries increased to 19.4 per cent. for the year ended 31 December 2012. These factors have allowed the Group to support its margins even during periods of competitive price reduction.

Diversification across product range and geography

The Group has built a diversified presence across geographic end markets, products and customers with a presence in multiple retail distribution channels such as its exclusive dealer network in Turkey, large retail chains both in Turkey and international markets, buying groups, internet sales outlets and specialist retail outlets. It has 14 production facilities in five countries, a sales and marketing organisation operating in 23 countries and offers its products and services in over 100 countries. The Group's brand portfolio targets a wide range of customers and the Group believes that its strong portfolio diversification provides a natural hedge against individual country or product risk. This has been particularly apparent during the global financial crisis, which has impacted the Group's key markets differently. The Group has been able to respond to the varied conditions and consumer demands and continue to grow its sales in its different geographies and its market share, which has been reflected in its distribution of revenues in the periods under review. The Group continues to capitalise on its ability to diversify its branding and product range and has recently launched a high end white goods line under its Grundig brand, which previously focused on consumer electronics.

Leading R&D capabilities

The Group differentiates itself with its innovative, high-quality and state-of-the-art products. The technological capability of its research and development department is one of the key drivers of its success. The Group's principal focus in product and technology development in its white goods segment has been on technology promoting energy efficiency, diminishing water consumption and decreasing noise levels. In Turkey, the brand awareness of Arçelik is such that it has become strongly associated with high quality, energy efficient products which are supported by comprehensive after-sale service. The Group has had several world-leading products recognised by independent organisations, such as Which?, Stiwa and the Energy Savings Trust, whose recognition has led to increases in product sales, particularly as such endorsements tend to increase the online presence of the relevant product and its brand. The Group currently has 1,200 patents and 2,000 patent applications pending and accounts for approximately 45 per cent. of all patent applications originating from Turkey. It is the only Turkish company to be repeatedly named in the "Top 500 PCT Applicants" list prepared by the World Intellectual Property Organization. The Group has several ongoing cooperation projects with leading universities and has opened dedicated R&D centres in Taiwan and Shenzen. The Group plays an important role in the development of Turkey's R&D culture and R&D is expected to remain central to the Group's global agenda. The Group's dedication to R&D has been recognised by The European Investment Bank as one of the first operations in Turkey to support private sector R&D.

Proven management team and strong committed shareholder

The Group's management team has proven expertise in managing both sustainable organic and inorganic profitable growth. Additional focus has been, and will continue to be, on cost control, strong corporate governance and risk management. Majority owned and controlled by the Koç Group, the Group enjoys the support of one of Turkey's largest and most well-respected companies. The members of the Group's senior management team have been with the Group for an average of 15 years.

Strategy

The Group's overarching strategic goal is to continue to improve its leading positions domestically and internationally through profitable growth. It intends to achieve this goal by continuing to implement the following key strategies:

Sustain leading position in core markets

Turkey

The Group benefits from a unique infrastructure, which includes its low cost manufacturing operations located in Turkey, as well as its extensive, exclusive dealer network, which supports its market leadership in spite of rising competition in the industry. The Group manages one of the largest networks of exclusive white goods and consumer electronics dealers in Turkey with over 3,000 locations. Further strengthening its dealership network is a key priority for the Group and, consequently, it has undertaken a modernisation programme, implemented by the individual dealers, to improve store presentation and marketing. While sustaining its market leadership in Turkey, the Group plans to focus on fast-growing product categories which currently have low market penetration, such as dryers and built-in appliances and expand its HVAC product range to capitalise on its success in the air conditioner market. It plans to counter price pressure from competitors by customising its promotions for target customer groups and capitalising on its significant customer data resource, which is a product of its history of market leadership and well developed after-sales service network.

International

The Group is also committed to maintaining its leadership positions in its key international markets, including the UK with its Beko brand, South Africa with its Defy brand and Romania with its Arctic and Beko brands. It seeks to support its brand image by offering innovative, efficient and environmentally friendly products with a focus on higher end segments. The Group is also targeting increased penetration in key distribution channels

Grow market share internationally

The Group aims to continue increasing its market share in Europe and to ultimately make Beko one of the top two brands in the region. The Group has also recently launched a white goods range under its Grundig brand in order to grow market share in higher end product segments initially in the Northern European and Nordic markets by leveraging the brand's significant recognition in the consumer electronics sector.

The Group also aims to become a leading player in the Middle East and Africa regions. In line with this growth strategy and targeted expansion into new markets, a new subsidiary was established in Egypt in 2012. Additionally, the Group has been sustaining its leadership in the South African market with the Defy brand, which was acquired in 2011 and experienced market share growth in 2012. Along with its significant growth in Africa, the Group has also increased its market share in many Middle Eastern countries, while sustaining its leadership in different product categories. A new subsidiary was also established in Ukraine in 2012, in line with the Group's international growth strategy.

Going forward, the Group aims to improve retail channel penetration in international markets to reach more consumers with a diverse product range, including through increased focus on premium category products. The Group is targeting volume and production capacity increases to support this strategy.

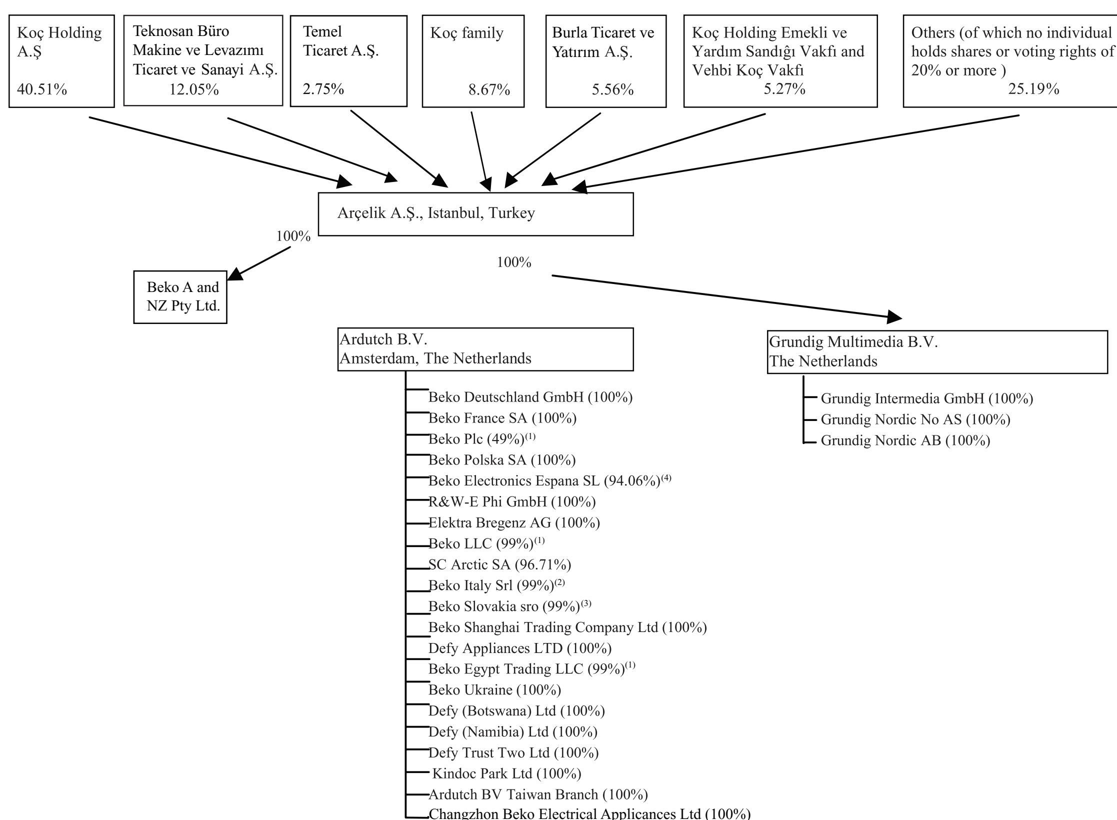
Organic and inorganic growth in key markets

Inorganic growth remains a key part of the Group's strategy to increase market share and geographic coverage. The Group is continuously evaluating inorganic growth opportunities that are expected to emerge due to anticipated consolidation in the white goods sector, to complement its organic growth strategy, by providing clear and achievable value creation. In evaluating any acquisition, the Group would seek to manage its leverage in line with past practice. It is targeting volume and production capacity growth capability in emerging markets and is consequently seeking acquisitions or greenfield investments in South and Southeast Asia. Should the opportunity present itself, the Group is seeking to acquire a global premium brand with a presence in developed markets to complement its existing brand portfolio and geographic coverage. While potential acquisitions form an important part of the Group's strategy, no specific target has been identified.

History and corporate structure

The Company was established in 1955 in the Sütlüce neighbourhood of Istanbul, Turkey. In 1959, it produced Turkey's first washing machine, followed by the production of the first refrigerator in Turkey in 1960. In 1975, the Eskişehir refrigerator plant began production, which expanded in 1977 with the addition of a compressor plant. The Group founded its Research and Development Centre in 1991, moving from an outsourcer to an original equipment manufacturer. It expanded its production capacity outside Turkey in 2006 with the construction of its Russian refrigerator and washing machine plant and its washing machine production facility in China. It has also expanded its business through acquisitions, beginning with Ardem Cooking & Heating Appliances in 1999. Since 2002, the Group has acquired entities in Europe, including Arctic in Romania, Blomberg in Germany, Elektrabregenz in Austria. Grundig Multimedia, located in Germany, which was first a joint venture of the Group, was fully acquired in 2008 by Grundig Elektronik A.Ş. located in Turkey, then a subsidiary of Arçelik Group. Grundig Elektronik A.Ş., operating in the consumer electronics segment, merged with Arçelik in 2009. In 2011, the Group completed the acquisition of Defy, South Africa's leading white goods brand.

The following chart sets out the Group's corporate structure as at 31 December 2012.



(1) 1% owned by Arçelik A.Ş.

(2) 1% owned by Beko Deutschland GmbH

(3) 1% owned by Beko Polska SA

(4) 4.52% owned by Beko France SA, 1.42% owned by Grundig Multimedia B.V.

Product Segments

White goods

The Group is the leading producer of white goods in Turkey and the third largest in Europe. Its key products in this sector are refrigerators, freezers, washing machines, dryers, ovens and dishwashers. It focuses on continuous innovation in its product lines and places a particular emphasis on environmentally friendly and energy efficient technology in its white goods. Improvements to the Group's existing products, the extent to which it brings new products to market, consumer perception of quality and value and acceptance by consumers are all key factors in the success of the Group's business. In recent years, it has been working to popularise its energy efficient and environmentally

aware approach among its customers and to increase the use of energy efficient products, both domestically and abroad, and use these aspects as a key feature of its marketing campaigns.

Turkey

For the year ended 31 December 2012, the Group generated revenue of TRY2,453.1 million from white goods sales in Turkey (34.7 per cent. of total white goods segment revenue in 2012) and from 2010 to 2012, its revenues in this sector grew at a CAGR of 16 per cent. The Group believes it had over 50 per cent. market share in the Turkish white goods sector and that the approximate size of this sector is TRY4.5 billion, according to management estimates. The Turkish white goods market is highly concentrated, with the top three companies accounting for approximately 94 per cent. of the market. Its principal brands in this market are Arçelik and Beko and the Group believes its principal competitors are Bosch-Siemens and Vestel. Arçelik has been consistently ranked as Turkey's most recognisable brand. This level of awareness has allowed the Group to achieve significant market penetration and to become a price leader.

Turkey is a key market for the Group's business as it believes that the consumer durables sector, including white goods, remains generally underpenetrated in Turkey due to cohabitation of multigenerational families and the continuing demand for new residential housing. However, Turkey has recently been experiencing rapid new household formation and urbanisation and, consequently, new real estate developments are contributing to demand for white goods. The kitchen's continuing dominant role in the household, combined with the fact that renovations in older households are now commonly done with built-in products, has contributed to industry growth supported by the transition from free-standing to built-in white goods products. In recent years, the built-in market benefited greatly from housing projects that offered kitchens already equipped with built-in products to home buyers. Built-in ovens were the fastest growing product markets in Turkey, growing at a CAGR of 20 per cent. according to management estimates from 2010 to 2012. Energy efficiency is also particularly important in the Turkish market, where household electricity is expensive. The refrigerator, washing machine, tumble dryer and dishwasher categories of the white goods market have also experienced growth, while the full-size oven category shrank in light of the increasing trend towards built-in products.

The Group has assumed a leading role in the "Efficient Cooperation for Energy Efficiency in Household Appliances" campaign that was organised with the cooperation of the Turkish Ministry of Energy and Natural Resources, and the Turkish Ministry of Science, Industry and Technology, and which encourages the use of energy efficient products among consumers. As part of the campaign, the Group offered consumers substantial discounts on refrigerators, washing machines, tumble dryers and air conditioners which were 50-60 per cent. more energy efficient than A class.

Europe

For the year ended 31 December 2012, the Group generated revenue of TRY2,922.1 million from white goods sales in Europe (41.2 per cent. of total white goods segment revenue in 2012) and from 2010 to 2012, its revenues in this sector grew at a CAGR of 24 per cent. In 2012, the Group had a 7.2 per cent. market share in the Western European and 8.1 per cent. market share in the Eastern European white goods market based on units. The European market as a whole is fairly concentrated with the top five brands accounting for over 60 per cent. of the market in 2012. Principal brands of the Group in this market are Beko and Grundig, and the Group believes its principal competitors are Indesit, Electrolux, Whirlpool and Bosch-Siemens, however, notwithstanding the concentration in the market as a whole, many of the Group's individual markets in Europe are highly fragmented and as a result it has a number of local competitors such as Candy in Italy and Fagor in Spain. The Group also uses local brands it has acquired in the past, such as Leisure and Flavel in the UK, Elektrabregenz in Austria, Arctic in Romania and Blomberg in Germany and in several other selected countries.

The Group has seen particular growth in the Western European markets due to the "search for value" effect resulting from the global financial crisis, as consumers who might have previously focused on higher end, premium brands look for comparable quality at a lower price.

In 2012, Beko posted the highest market share growth in Western Europe and the second largest market share growth in Eastern Europe. In 2012, Beko was the UK's overall leader in the major domestic appliance market, and also in the freezer, refrigerator and washing machine product categories. The Group is one of the major players in the Austrian market with both Beko and Elektrabregenz. Beko is one of the top three brands by unit market share of Poland's refrigerator, freezer and washing machine markets. It has also seen significant growth in the white goods markets

of France and has increased the market shares of its six main product groups in Germany, Spain and Romania. In addition, Arctic is the overall leader in Romania's white goods market, holding the number one spot for refrigerators and washing machines, and second place for cooking appliances.

In recent years, this market has seen an increased focus on feature rich products. Going forward, the Group plans to introduce built-in refrigerators with higher net capacity, better energy efficiency and updated designs, as well as a line of induction ovens and more energy efficient tumble dryers and washing machines.

Africa

For the year ended 31 December 2012, the Group generated revenue of TRY845.5 million from white goods sales in Africa (11.9 per cent. of total white goods segment revenue in 2012) and from 2010 to 2012, its revenues in this sector grew at a CAGR of 131 per cent. In 2012, the Group had a 39.7 per cent. market share in the South African white goods market. Its principal brand in this market is Defy, which the Group acquired in 2011, and which substantially increased the Group's market share in the African market. The market is less concentrated than many others with the top five brands accounting for approximately 40 per cent. of the market. The Group believes its principal competitors are Electrolux, LG, Whirlpool, Samsung and Bosch-Siemens.

Defy, as the market leader in South Africa, has a strong sales and distribution network, including 2,000 outlets. Defy has three local manufacturing facilities located in Durban, Ezakheni (Ladysmith) and East London and an extensive product portfolio including free-standing stoves, built-in ovens and hobs, tumble dryers, chest freezers and refrigerators. The Group believes that the acquisition of Defy provides valuable access to the South African market and a gateway to the rest of Africa. The Group plans to use Defy to establish a platform for growth in Sub-Saharan Africa by expanding the product range in Defy's existing markets and by expanding into new markets. The Group believes that there are significant synergies that can be realised, particularly in the procurement and production areas and to date, integration of Defy and synergies realised post-acquisition are in line with management expectations.

Other

Geographies in the Group's "Other" segment include the Middle East, Russia and the CIS, China and other Asian countries, Australia, New Zealand and the Americas.

For the year ended 31 December 2012, the Group generated revenue of TRY 858.7 million from white goods sales in other countries (12.1 per cent. of total white goods segment revenue in 2012) and from 2010 to 2012, its revenues in this sector grew at a CAGR of 32 per cent., which increase was primarily due to the commencement of operations in Australia and New Zealand in 2011.

Products

The following are some of the key white goods product highlights the Group has produced in recent years.[1]

Dishwashers

- The Group has produced a dishwasher with a self cleaning filter which helps to improve cleaning efficiency and decreases glass corrosion by 80 per cent.

Green washing machine

- The Group has produced a washing machine with an anti-allergy programme certified by the Allergy UK Institute and is A energy class.

Silent washing machine

- The Group has produced a washing machine that Germany's independent test institution, VDE, tested and labelled the most silent product it had ever tested.

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1 All references in this section entitled "—*Products*" and in the section entitled "—*Production Facilities*" to "energy ratings" refer to the energy consumption labelling scheme classification as established by "Directive 92/75/EEC of 22 September 1992 of the European Council on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances" and as amended by "Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products".

Low energy heat pump dryer

- The Group has produced a dryer with an inverter compressor that consumes 10 per cent. less energy than A+++ energy class.

Lowest energy oven

- The Group has produced a built-in oven which uses 40 per cent. less energy than A class, and also has an LCD display that shows recipes alongside colour photos and assists the user with automatic cooking functions.

Induction oven

- The Group has produced an induction oven with the market's highest ''power/cost'' efficiency ratio and is an electronic platform compatible with a wide range of products and can also be used with fluctuating power grids.

Refrigerator

- The Group has produced an A+++ energy class with freezer which is 60 per cent. more energy efficient than A class.

Consumer electronics

Although a less significant share of the Group's revenues, the consumer electronics segment provides value in expanding the Group's product lines to maintain customer loyalty, drives traffic in its exclusive dealer network and extends brand awareness. Grundig is a prominent brand of consumer electronics, whose products are sold in 63 countries. The Group's key products in this sector include televisions, audio equipment, including radios and Bluetooth devices, and personal computers.

In recent years, the consumer electronics industry has witnessed the transition to large screen TVs and LED technologies. Slimmer models with more focus on design, that are also energy efficient, have also become more popular. Consumer preference to place TVs in living rooms and lounges has put emphasis on glass and aluminium models with more elegant lines. The spread of broadband infrastructure and changing consumer habits due to mobile technologies has also resulted in an increase of smart TVs. Smart TVs provide customers with applications and services that give added value to these products and enhanced ability to control the device. Interconnectivity between devices, such as between TVs and computers or smartphones, plays an important role in the development of these products. The increasing content in LED TVs is expected to result in an accelerated rise in 3D TV solutions in the coming years. The changing standards that have spread in parallel with HD broadcasting have enabled the evolution of much more efficient broadcasting systems.

The sale of cathode ray tube TVs ended in 2011 and the transition to LCD and LED TVs has continued. Unit sales of LCD TVs increased, with popular demand for larger screens resulting in increased turnover. TVs with interactive, multi-touch screens were launched and showcased at stores, using technology-centred and easy-to-understand presentations.

The Digital Signage broadcasting system that was developed to provide high-quality HD streaming to dealer stores, and to create new advertisement and promotional spaces in them, has become a unique product offering from Grundig. The system is used particularly in domestic and international soccer stadiums as well as in universities and other institutions. Like the LCD and LED TVs mentioned above, PC and non-TV electronic products were also incorporated under the Grundig brand and are sold at authorised dealerships.

Audio products are another one of the Group's growing product segments within consumer electronics. In recent years, wireless streaming, bluetooth technology, stylish retro designs and Digital Audio Broadcasting (''**DAB**'') features have dominated the market. The Group has developed lines of Bluetooth speakers and retro-style radios that it believes are leaders in their key markets, particularly in Germany. Most of the Group's current product lines in this sector are equipped with DAB features and new projects in the pipeline will support this feature as well.

Grundig is the market leader in unit sales of home sound systems, and in turnover of world receivers and alarm clock radios in Germany. The product range for home sound systems includes easy-to-use hi-fi systems with ''motion sensor'' functionality or digital Internet radios with superior sound quality.

Turkey

For the year ended 31 December 2012, the Group generated revenue of TRY660.4 million from consumer electronics sales in Turkey and from 2010 to 2012, its revenues in this sector grew at a

CAGR of 12 per cent. In 2012, the Group had a 24.4 per cent. market share in the Turkish consumer electronics market. Its principal brands in this market are Arçelik, Beko and Grundig, and the Group believes its principal competitors are Vestel, LG and Samsung.

Europe

For the year ended 31 December 2012, the Group generated revenue of TRY1,055 million from consumer electronics sales in Europe and from 2010 to 2012, its revenues in this sector grew at a CAGR of 24 per cent. In 2012, the Group had a 2.9 per cent. market share in the European LCD TV market and 8.3 per cent. in the German LCD TV market with its Grundig brand. The Group believes its principal competitors are Philips, LG and Samsung.

Africa

For the year ended 31 December 2012, the Group generated revenue of TRY2.2 million from consumer electronics sales in Africa and from 2010 to 2012, its revenues in this sector had a negative CAGR of 2 per cent.

Other

Geographies in the Group's "Other" segment include the Middle East, Russia and the CIS, China and other Asian countries, Australia, New Zealand and the Americas.

For the year ended 31 December 2012, the Group generated revenue of TRY80.0 million from consumer electronics sales in other countries and from 2010 to 2012, its revenues in this sector grew at a CAGR of 34 per cent.

Products

The following are some of the key consumer electronics product and development highlights from recent years.

Energy efficient products

- Research to decrease the energy consumption of televisions has been ongoing. Stand-by power consumption of TVs produced by the Group has been reduced to less than 0.5 W, in line with directives set for the European market. The transition from LCD to LED TV production enabled a 40 per cent. decrease in energy consumption on an individual product basis. In recent years the Group's production of LED TVs has increased significantly with energy efficient products making up a larger percentage of the overall production.

New broadcasting standards

- In parallel with the development of HD broadcasting, Digital Video Broadcasting – Second Generation Terrestrial ("**DVB-T2**") standards have evolved for the more efficient use of Europe's terrestrial bandwidth. The Group introduced high-resolution DVBT2 compatible products to meet the demands of its customers, particularly in Central and Northern Europe. The Arçelik DVB-T2, which is one of the first products to be implemented in Europe, will make up the foundation for Turkey's transition to terrestrial broadcasting.

Smart TV

- Television designs that implement both TV and Internet applications and that support cord and wireless connections have been developed. Integrated wi-fi was also implemented in these products for the first time as part of the smart TV solutions. The Group launched its third generation of Smart TVs in 2012, which includes downloadable applications and an application store, as well as increased internet compatible functionality to allow video chatting and 3D capability.

3D TV

- The Group has also introduced a 3D TV product, compatible with new generation and High Definition Multimedia Interface ("**HDMI**") formats, to meet demand driven by the increase of 3D content. The product has 2D-3D algorithms that convert two dimensional ("**2D**") images to 3D format.

Other appliances

The Group is also a leading provider of air conditioners and small domestic appliances, such as coffee makers, irons and vacuum cleaners as well as personal care products in Turkey. The Group's

air conditioner products are mainly manufactured by a joint venture of Koç Group and LG Electronics Inc., and sold under the Arçelik brand.

The Group's air conditioner product range is tailored to fit Turkish market requirements. In addition to its leadership in the Turkish market, the Group is also enlarging its footprint in export markets with Beko branded air conditioner products. As new regulations become effective in emerging markets for ozone friendly cooling agents and energy efficient products, the Group plans to further extend its air conditioner business. As the market as a whole is shifting towards more energy efficient products, the popularity of inverter air conditioners is expected to rise. New regulation in Europe requiring even more energy efficient air conditioners is expected in 2013, which the Group views as an opportunity for this area of its product range.

Small domestic appliance products are one of the fastest growing product categories in Turkey and are an increasing area of focus for the Group. In 2012 the Group launched a full range of small food and beverage preparation appliances including coffee makers, kettles, hand blenders, table blenders, contact grills, choppers, toasters, citrus juicers and hand mixers, as well as a specialist Turkish coffee machine.

Small home care items are also a growing area, particularly with respect to energy efficient products. The Group has developed an iron that has a ''smart eco algorithm'' which makes it possible to iron all types of clothes with approximately 40 per cent. less energy consumption without losing performance. A similar trend is also evident in the market for vacuum cleaners. The Group offers a range of products including cyclonic, no-dust bag models and water-filtration vacuum cleaners as well as conventional canisters and rechargeable battery, easy use vacuum cleaners.

Turkey

For the year ended 31 December 2012, the Group generated revenue of TRY1,340.1 million from sales of other products in Turkey and from 2010 to 2012, its revenues in this sector grew at a CAGR of 12 per cent.

Europe

For the year ended 31 December 2012, the Group generated revenue of TRY123.0 million from sales of other products in Europe and from 2010 to 2012, its revenues in this sector grew at a CAGR of 29 per cent.

Africa

For the year ended 31 December 2012, the Group generated revenue of TRY78.2 million from sales of other products in Africa and from 2010 to 2012, its revenues in this sector grew at a CAGR of 59 per cent.

Other

For the year ended 31 December 2012, the Group generated revenue of TRY138.0 million from sales of other products in other countries and from 2010 to 2012, its revenues in this sector grew at a CAGR of 6 per cent.

Key Brands

The Group believes that the quality of its product portfolio is one of the key aspects of its business that differentiates it from its competitors. Arçelik is the leading white goods brand in Turkey, with over 50 per cent. market share for the year ended 31 December 2012. Beko is the third largest brand in terms of unit sales among 26 European countries. Arctic, Elektrabregenz and Blomberg are local white goods brands in Romania, Austria and Germany, respectively. Leisure and Flavel are strong brands of cooking appliances in the UK and Ireland. Grundig is a well known brand of consumer electronics and personal care appliances both in Turkey and internationally. Altus is a white goods and consumer electronics brand focused on low price points. The Group's air conditioners, small household appliances and personal care products are sold primarily under the Arçelik brand in Turkey, as well as under the Grundig and Beko brands in Europe and around the world.

The Group's brand portfolio is strategically deployed across its markets to ensure coverage at different price points while avoiding cannibalising market share. The Group combines the use of its global brands, such as Beko and Grundig, with local brands such as Arctic, in key markets in order to grow its market share across consumer groups.

Arçelik

Arçelik is Turkey's leading brand of white goods and one of the country's most recognisable brands. Arçelik's extensive dealer network has helped support this level of brand recognition. In addition to its extensive product range composed of white goods, built in appliances, consumer electronics, air conditioners, kitchen furniture, and small home appliances, it also has the strongest after sales service network in Turkey. Being the premier brand in Turkey, Arçelik continues to promote its energy efficient products and upholds its leading position in energy efficiency with its green products. Arçelik is a premium segment brand and focuses on families and professionals as its target demographic.

Beko

The Group's main international brand, Beko, is the largest appliance brand in the UK and the third largest in terms of unit sales among 26 European countries, including Turkey, and has continued to grow globally in recent years, with a particular increase in online sales and marketing. Beko products are consistently recognised for their quality, ease of use and environmentally friendly characteristics. In recent years, brand communication has shifted to target family values and focuses on the products' aesthetic and technological characteristics as well as the advantages they provide to the consumer. Beko has been positioned as a mid-tier brand in Europe. However recently it is targeting higher end consumers with the help of increased brand awareness and an emphasis on product quality. Beko's principal sales channels are large retailers, technology superstores, and increasingly, the Internet.

Arctic

Arctic is one of the most established and recognised white goods brands in Romania. It provides its consumers with affordable, creative solutions and focuses on cheerful, family-centred marketing. The brand distinguishes itself by not only possessing the most widespread distribution network in Romania, but also its most dominant after-sales service network. Arctic's strategy to strengthen its brand position is to successfully address the modern lifestyles of consumers, by using elegant and modern designs alongside state-of-the-art technology to continually reinvent the brand. Arctic's target demographic is middle income families. And its principal sales channels are buying groups and chains.

Elektrabregenz

Elektrabregenz is an established Austrian brand whose history dates back 119 years. The company became part of the Group in 2002 and has an extensive sales network. Elektrabregenz is perceived by consumers as an aesthetic, creative, technologically superior, green brand. Elektrabregenz uses marketing activities, radio, open-air and print advertisements to promote its new products and technologies.

High end consumer products have become an area of increased focus for the brand and are developed and distributed through special business partnerships. Store rebranding and roadshows have been undertaken throughout Austria. The 2011 sponsorship of cooking shows screened on various furniture channels also contributed to promotion of the brand. In 2011, Elektrabregenz started to work together with the children's charity organisation Pro Juventute, to emphasise its own social responsibility identity. Its principal sales channels are buying groups and chains.

Blomberg

Blomberg's brand history spans 128 years. The brand brings together technological, practical and environmental features with aesthetic design. In 2011, Blomberg launched its new product range with the slogan "In Harmony with your Life" targeting higher end consumers who place significant value on design aesthetic and green technology. The brand is available in 50 markets around the world, but is most well known in Northern Europe. Its principal sales channels are chains and buying groups.

Defy

Defy is the leading brand in the South African white goods market, which the Group acquired in 2011. Defy is a premium brand in the South African market and its target demographic is mid-tier income consumers. Defy's products are sold through independent retailers and national chains.

Grundig

Grundig was established in 1945 in Germany. The company is recognised for its product quality and consumer-oriented approach and has over 90 per cent. brand awareness in Germany. Grundig is a global brand and is particularly well recognised in Austria, Switzerland, the Balkans, and in Scandinavian and Baltic countries. Grundig has six main product ranges that include TV, radio, audio, hi-fi, personal care, home care and small kitchen appliances.

In 2011, Grundig became the "Official Technology Partner of the Bundesliga". The Grundig logo has appeared, and will continue to appear, during all Bundesliga and Bundesliga 2 match screenings of the 2011/2012 and 2012/2013 seasons. This partnership significantly increased Grundig's brand awareness in Germany and around the world. In connection with its sponsorship arrangements, Grundig presented its state-of-the-art technology products at the IFA fair with its soccer match-themed concept "You'll never watch alone".

Going forward, Grundig aims to expand its sales network and increase its sales capacity, while investing in its supply and logistics chain to increase productivity. Grundig plans to continue with its product development activities and introduce products with innovative designs and technologies. Grundig also plans to expand its partnership with the Bundesliga on an international level and to continue improving the brand. Grundig's target demographic is mid-tier income consumers. Its principal sales channels are large electronics retailers and buying groups.

Sales, Marketing and Distribution

The effectiveness of the Group's sales, marketing and distribution capabilities are crucial to the success of its business. The following table sets out its sales and marketing coverage.

Location	Brands	Product Segment	Facilities	Employees	Channel
Australia	Beko/ OEM	White Goods	Sales & Marketing	29	Superstores Generalists Buying Groups
Austria	Elektrabregenz / Beko	White Goods / Other Appliances	Sales & Marketing	37	Independents Chains Buying Groups Hypers Cash&C. DIY
Botswana	Defy	White Goods	Sales & Marketing	80[(1)]	Mass Merchants Electronic Retailers Furniture specialist
China	BEKO/OEM	White Goods	Production / Sales & Marketing	561	National & Regional chains Beko dealers
Czech Republic	Grundig / Blomberg Altus / Beko / Private Label	White Goods / Other Appliances / Consumer Electronics	Sales & Marketing	7	Chains
Egypt	Beko / OEM / Private Label	White Goods / Other Appliances	Sales & Marketing	31	Hypers Independents Chains
France	Beko / Leisure / Private Label / Grundig / Altus	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	55	Dept. Stores Mail Order Chains Independents Buying Groups
Germany	Beko / Blomberg / Private Label (Component) / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	177	Chains Mass Merchandisers Independents Buying Groups
Ireland	Beko Leisure	White Goods	Sales & Marketing	12	Chains Hypers Cash&Co. DIY Independents Buying Groups
Italy	Beko / Grundig / Blomberg / Private Label	White Goods / Other Appliances / Consumer Electronics	Sales & Marketing	23	Hypers Cash&C DIY Chains Independents Buying Groups
Namibia	Defy	White Goods	Sales & Marketing	25[(1)]	National Chains Independents Buying Groups
Norway	Beko / Blomberg / Grundig	White Goods / Consumer Electronics	Sales & Marketing	18	Buying Groups Chains Hyper
Poland	Beko / Grundig / OEM / Private Label	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	29	Hypers Cash&C. DIY Dept Stores Mail Order
Romania	Arctic / Beko / Grundig / Private Label	White Goods / Other Appliances / Consumer Electronics / Component	Production / Sales & Marketing	2648	Chains Hypers Cash&C. DIY Independents Buying Groups
Russia	Beko / OEM / Grundig / Private Label	White Goods / Other Appliances / Consumer Electronics / Component	Production / Sales & Marketing	1229	Tech SupStores Independents
Slovakia	Beko	White Goods / Other Appliances	Sales & Marketing	2	Buying Groups Chains Independents
South Africa	Defy / Grundig	White Goods	Production / Sales & Marketing	2668	National Chains Independents Buying Groups
Spain	Beko / Private Label / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Sales & Marketing	27	Independents Buying Groups Chains Hypers Cash&C. DIY

Location	Brands	Product Segment	Facilities	Employees	Channel
Sweden	Grundig / Beko / Private Label	White Goods / Consumer Electronics / Component	Sales & Marketing	6	Buying Groups Chains Hyper
Taiwan	—	Consumer Durables – Electronics Purchase	Consumer Durables – Electronics Purchase	10	—
Turkey	Arçelik / Altus / Blomberg / Grundig	White Goods / Other Appliances / Consumer Electronics / Component	Production / Sales & Marketing	14787	Exclusive Dealers
Ukraine	Beko / OEM / Private Label	White Goods / Other Appliances	Sales & Marketing	9	Chains
UK	Beko / Flavel / Leisure / Blomberg / Grundig / OEM / Private Label	White Goods / Other Appliances/ Consumer Electronics	Sales & Marketing	187	Chains Hypers Cash&C. DIY Independents Buying Groups

Note:

(1) Outsourced

The Group's sales and distribution strategy differs significantly between the Turkish and international markets. In the Turkish market, the Group sells the vast majority of its products through its exclusive dealer network. In international markets, sales are made either via direct sales from the Group to a distributor or via its subsidiaries. With direct sales, distributors keep the Group's inventory and on-sell the stock to the relevant sales channel, taking responsibility for all import and customs issues and charges. In these cases, marketing activities are still coordinated through the Group's central marketing function, but after-sales service is either provided by the distributor or outsourced. In markets where the Group has committed to developing its own infrastructure, sales are handled through subsidiaries which have their own logistics, marketing, channel development, finance and service functions.

Globally, the Group aims to improve current channel penetration and shelf space in both domestic and international markets to reach more consumers with an appropriate product range. The Group is also seeking to strengthen its sales infrastructure by modernising its retail activities. During the period under review, the Group introduced a new concept to improve pilot retail stores and installed 280 Arçelik and 219 Beko flagship stores at strategic locations, including the 1,000m^2 Arçelik Concept Store that opened in Izmir in 2011. The Group is also rolling out shop-in-shop sales points in international markets. In addition, it also participates in commercial exhibitions both in Turkey and internationally. These include special product launches and larger trade show exhibitions.

The Group also aims to leverage its Internet presence in distribution, training, and interactive communication in suitable markets. The aim is to have integrated and consistent communication which increases the global effectiveness of its brands through various new and traditional media channels. In connection with this initiative, Beko is a title sponsor of the German Basketball League and the Lithuanian Basketball League. In 2011, Grundig became the official technology partner of the Bundesliga.

Going forward, the Group expects that marketing will focus on features which can be emphasised in line with brand positioning and local markets. The Group's sales and marketing are managed centrally, but its goal is to create distinctive solutions in individual geographies through customer-oriented products and innovations.

Turkey

Arçelik and Beko products are sold through over 3,000 exclusive dealers in Turkey. This exclusive dealer network accounts for the substantial majority of the Group's white goods sales in Turkey. Exclusive dealers in Turkey operate on standard Group-wide sales contracts (with a range of potential deviations to allow for promotional activities, etc.), including recommended retail pricing that is followed closely by the dealers. The Group also manages key aspects of the dealer's operations, including marketing, store presentation, promotions and after-sales care, which the Group believes make its products highly attractive to customers and reinforces the dealers' adherence to the Group's business terms. In recent years, Arçelik also increased its online presence by selling products on its redesigned website and strengthening its customer relations through the use of social media. Its Facebook account updates allow for strong brand communication with consumers. Arçelik engages in significant print and television advertising to maintain its brand profile. The Group also sells some of

its products through large retailers in Turkey, however, to maintain its brand profile and price leadership, only Altus and Grundig branded products are sold outside the exclusive dealer network.

Europe

In Europe, the Group's key sales channels can be categorised as technology superstores and large chains, hypermarkets, independents and buying groups, department stores, mail order and Internet outlets. It has made a concerted effort in recent years to increase its penetration in each of these channels. In countries where the Group has significant market share, such as the UK, Germany, Romania and Poland, its sales are spread relatively uniformly across these channels. In other markets, sales may be concentrated in one channel, such as buying groups in Spain or small independents in Austria.

In addition, Beko has increased its online presence by starting to sell products on its redesigned website and strengthening its customer relations through the use of social media. Strong brand communication, especially with younger customers, is made possible through its Facebook and Twitter accounts. E-commerce and the emphasis on small appliance series with characteristic designs, colours and healthy cooking benefits have helped to increase targeted brand awareness. These efforts have been successful in recent years and the strength of Beko's online sales in certain markets is over-indexed compared to the market average. Beko's principal sales channels are large white goods and electronics retailers, both online and in physical stores and DIY superstores.

Beko is the main sponsor and name holder of the Turkish Basketball Federation including naming rights for the All-Star games. Beko also sponsors the German, Lithuanian and Russian Basketball Leagues. Beko plans to continue to position its communication strategy around these leagues going forward.

Arctic has recently re-activated its online platform, with a modern, attractive design and a user-friendly interface. The site facilitates information access to products and services while providing new customer-tailored sections and functions.

Africa

Defy, the Group's principal brand in South Africa, sells its products through independent retailers and buying groups.

Other

In 2011, Arçelik moved its Beko brand into Australia and New Zealand through a partnership with Australia's largest supply chain. Beko products are sold through superstores and buying groups.

After-sale service

The Group has a comprehensive after-sales service network for its products in Turkey and is actively expanding its capabilities abroad. In Turkey, the Group has 10 regional after-sales service centres, more than 500 authorised after-sales service points and more than 5,000 service vehicles. Approximately 10,000 of the Group's employees are involved in the provision of after-sales service, roughly half of them in a technical capacity.

After-sales service encompasses delivery, assembly and installation, repair and general customer support activities. These services are delivered at the point of sale, in person through home visits and via the Group's call centre. In order to maximise the efficiency of its after-sales service, the Group has made significant investments in technology and training. For example, service technicians are given hand held computers which allow them access to technical databases, ensuring that the vast majority of assembly, installation and repair issues can be resolved with one appointment. The computers also assist in the collection of data which is, in turn, used to optimise appointment scheduling, scope and duration. Performance evaluation and quality control are also key aspects of the development of the Group's after-sales service offering.

Managing the manufacture and distribution of spare parts is also a key part of the Group's after-sales service. It currently manages the supply of approximately 317,000 different spare parts across its product ranges. It works with 212 suppliers for these parts, 52 of which are located in Turkey, and distributes these parts through over 1,000 outlets.

In particular, the Group considers training to be an essential part of its service quality. Accordingly, it provides its sales and technical service personnel with product specific training for all product categories at the Arçelik Academy. Arçelik Academy has offered approximately 360,000 man hours of product training through 125 different training sessions in 35 countries. Service personnel are

provided with technical training and customer relations skills. The Group also provides its local and overseas sales personnel with training sessions on the key features of its products as well on major marketing initiatives. Arçelik Academy also offers in-house training sessions to corporate customers and call centre, sales and marketing personnel to help them improve their product knowledge.

Call centres

Arçelik's call centre offers quality services to its customers with a team of approximately 250 employees. The principal aim of the call centre is to resolve customer issues quickly and efficiently while maintaining a positive dialogue with the customer in order to reinforce the Group's brand message and enhance customer satisfaction. A significant part of incoming requests are resolved by call centre staff, without having to visit the customer's house.

The Group has continued to expand its overseas call centre services network. From its facilities in Turkey, the Group also provides customer support to its Elektrabregenz, Beko, Altus and Grundig brands in the German and Austrian markets. It aims to continue to increase its overseas customer support coverage from dedicated call centres located in key markets.

The Group currently offers after-sales services with its own in-house customer service organisation in 15 countries and through its distributors and contract technical service providers in other countries. The establishment of after-sales service networks in Australia, Egypt and Ukraine and the alignment and integration of the Defy after-sales service network in South Africa are among the key projects targeted for implementation in 2013.

Production Facilities and Manufacturing

The Group has 14 production facilities located in Turkey, Romania, Russia, China and South Africa. The following table sets out the brands, capacity and production of those production facilities by product manufactured as at and for the year ended 31 December 2012.

Products	Brands	Employees	Capacity	Capacity utilization	Units produced
			(Millions of units)		*(Millions of units)*
Cooking Appliances	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic,Flavel, Leisure, Defy	2,617	4.62	71%	3.29
Cooling Appliances	Arctic, Arçelik, Beko, Blomberg, Altus, Flavel, Elektrabregenz, Defy	3,278	2.23	92%	2.05
Dishwashers	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Flavel, Defy	998	2.10	83%	1.75
Electric Motors & Compressors	Arçelik	1,871	17.93	64%	11.48
Electronics	Arçelik, Beko, Grundig	1,698	2.95	81%	2.39
Refrigerators	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic, Flavel, Leisure, Defy	4,338	4.77	77%	3.67
Tumble Dryers	Arçelik, Beko, Altus, Blomberg, Grundig, Flavel, Elektrabregenz, Defy	1,303	0.98	70%	0.68
Washing Machines	Arçelik, Beko, Altus, Blomberg, Grundig, Elektrabregenz, Arctic, Flavel, Defy	2,807	4.23	83%	3.49

Production facilities

Eskişehir, Turkey – refrigerator plant

Eskişehir refrigerator plant was constructed in 1973 and has a production area of 388,000m^2, of which 89,750m^2 is enclosed. The Group believes it is the world's largest capacitated refrigerator plant under a single roof. It started production with a single door range in 1975 under licence from General Electric. This facility has steadily improved its technical capabilities and underwent a significant modernisation project in 1998. It serves as the Group's principal development facility for refrigerators. Production in 2012 reached 3.4 million units and 97.4 per cent. of this consists of products with an A efficiency grade or higher. The current product range produced at this facility consists of seven main categories of refrigerator: Built-In, Table Top, Single Door, Double Door, Freezer Bottom, Side By Side and Multi Door.

Eskişehir, Turkey – compressor plant

Eskişehir compressor plant was constructed in 1977 next to the Eskişehir refrigerator plant and has an enclosed production area of 18,000m^2. Production in 2012 reached 2.37 million units. Compressor production implements the International Organisation for Standardisation ("**ISO**") 9001 Quality Assurance System and ISO 14001 Environmental Management System. The current product range produced at this facility consists of hermetic, reciprocating compressors, though there is capability to diversify this range.

Tuzla/İstanbul, Turkey – washing machine plant

Tuzla/İstanbul washing machine plant started production in 1975 and has a production area of 520,595m^2, of which 67,600m^2 is enclosed. This facility underwent improvements in 2011, increasing the number of drum lines and cabinet lines. The plant's Environmental Management System was awarded the ISO 14001 standard in 1997. Production in 2012 reached 2.85 million units. The current product range produced at this facility consists of washing machines between 3.5 kg and 10 kg capacity, washer-dryer combination machines with up to 9 kg washing and 6 kg drying capacity.

Beylikdüzü/İstanbul, Turkey – electronics plant

Beylikdüzü/İstanbul electronics plant started production in 1975 with its first CRT TV. It has a closed production area of 160,000m^2 over 170,000m^2 of land. Production in 2012 reached 2.39 million LCD TV units, 5.38 million electronic card units for use in our home appliances, 24,490 personal computer units, 84,525 million notebook computer units and 67,055 cash register units. The current product range produced at this facility includes TVs, electronic cards, personal computers, notebook computers and cash registers.

Bolu, Turkey – cooking appliances plant

Bolu cooking appliances plant started production in 1981. The plant has undergone several rounds of improvements, with new investments made in 2012 to increase automation at the plant. It now has a production area of 264,000m^2, of which 109,836m^2 is enclosed. Production in 2012 was 2.92 million total units. The current product range produced at this facility consists of free-standing ovens, built-in/built-under ovens, compact ovens, built-in hobs, warming drawers, hoods and mini-midi ovens.

Ankara, Turkey – dishwasher plant

Ankara dishwasher plant started production in 1993 and has a production area of 130,000m^2, of which 36,000m^2 is enclosed. This facility produces some of the Group's most advanced and efficient dishwashers. Production in 2012 reached 1.75 million units. The current product range produced at this facility consists of45cm and 60cm tall tub diswashers.

Çerkezköy/Tekirdağ, Turkey – electric motors plant

Çerkezköy/Tekirdağ electric motor plant was established in 1965 and later merged with the general purpose motor plant in 1997. The latest modifications to the plant occurred in 2012, and included increased capacity for Turkish coffee machine assembly lines and production of motors for new generation energy efficient washing machines. The plant has an open space production area of 74,000m^2, and an indoor space production area of 43,000m^2 The Group believes it is the largest motor factory by production volume in Turkey. Production in 2012 reached 9.11 million units. The products produced at this facility include home appliances and industrial motors.

Çerkezköy/Tekirdağ, Turkey – tumble dryer plant

Çerkezköy/Tekirdağ tumble dryer plant was constructed in 2004 and expanded in 2007. It has a production area of 75,000m^2, of which 28,000m^2 is enclosed. Production in 2012 reached 640,000

units. The current product range produced at this facility consists of tumble dryers with air vents, condensers and heat pumps.

Gaesti, Romania – Arctic cooling appliances plant

Gaesti Arctic cooling appliances plant was built in 1970, and has a production area of 297,000m^2, of which 96,244m^2 is enclosed. Production in 2012 reached 1.65 million units. The current product range produced at this facility consists of Arctic's free-standing range, which includes Combi, Double Door, Vertical Freezer, Single Door, Larder and Show Window and the chest freezer range.

Kirzach, Russia – refrigerator and washing machine plant

Beko LLC refrigerator and washing machine plant started production in 2006. It has a production area of 546,000m^2, of which 78,500m^2 is enclosed. Production in 2012 reached 305,000 washing machine units and 257,000 refrigerator units. The current products produced at this facility include washing machines and refrigerators.

Changzhou, China – washing machine plant

Changzhou washing machine plant started production in 2007. It has a production area of 47,000m^2, of which 20,000m^2 is enclosed. After further investments in 2008 and 2009, the plant has started to manufacture 5kg and 7kg high-capacity washing machines. Production in 2012 reached 325,000 units. The current products produced at this facility include washing machines.

Jacobs, South Africa – cooking appliances and tumble dryer plant

Jacobs cooking appliance and tumble dryer plant was constructed in 1905, and has a production area of 87,500m^2, of which 50,000m^2 is enclosed. It has undergone a modernisation project since 2012 to improve the production processes. Production in 2012 reached 0.37 million units of cooking appliances and 0.44 million units of tumble dryers. The current products produced at this facility include free-standing stoves, built-in ovens and hobs, tumble dryers and console air conditioners.

Ezakheni (Ladysmith), South Africa – cooling appliances plant

Ezakheni (Ladysmith) cooling appliances plant was constructed in 1989, and has a rented production area of 75,271m^2, of which 31,617m^2 is enclosed. It has undergone a modernisation project in 2012 to put into use new chest freezer production lines and models. Production in 2012 reached 0.40 million units. The current products produced at this facility include electric chest freezers and electric refrigerators.

East London, South Africa – refrigerator plant

East London refrigerator plant was constructed in 1985, and has a production area of 83,226m^2, of which 10,000m^2 is enclosed. It has undergone a modernisation project since 2012 to improve the production facilities. Production in 2012 reached 0.06 million units. The current products produced at this facility include refrigerators.

Manufacturing

The Group concentrates its most labour intensive functions in low labour cost jurisdictions, where in addition to benefiting from lower hourly wages, hours worked tend to be significantly higher, resulting in higher capacity utilisation for its plants. It also benefits from economies of scale with significant manufacturing capability in concentrated locations. The Group believes that its logistics costs are significantly lower than those of many of its competitors as it manufactures significant portions of its products in locations such as Turkey and Romania, which are closer to the end consumer than many Asian jurisdictions utilised by competitors.

The Group aims to develop and market products that are resource and energy efficient, technologically innovative in design and easy to use, while also fulfilling its commitment to work on solutions against future threats such as drought, global warming and diminishing natural resources. Consequently, one of the Group's goals during product development is to prevent the waste of resources. The Group attempts to limit the environmental impact a product has during its life cycle by assessing every factor at the beginning of the design stage; departments responsible for R&D and industrial design also conduct technological, product development and improvement studies.

The Group has implemented Total Productive Management (TPM) and Six Sigma methodologies in its manufacturing operations for cost reduction and quality and process improvement while also maintaining a flexible production structure. Its plants adhere to international production and quality standards. All its plants in Turkey, Romania, Russia and China have ISO 9001 and ISO 14001

certificates. The Group conducts its operations in line with its ''Total Quality'' principle, simultaneously integrating all its quality management, environmental management and occupational health and safety management systems.

In 2011, the Group's plants carried out various projects to reduce water, energy and waste with the ''energy efficiency in production'' approach. As global climate change becomes an increasingly important issue, the Group quantified its 2010 greenhouse gas emissions in its headquarters and production plants in Turkey and registered the amount as 100 per cent. verifiable and reliable through an accredited institution, in line with Greenhouse Gas Emission Specification ISO 14064-1. The Group believes it has some of the highest capacity, single production facilities in the world. The plants' technological capabilities enable them to produce some of the market's leading energy efficient green products. They maintain a production quality recognised by established organisations and provide added value to its customers.

Supply Chain Management

The Group's Total Purchasing Cost Management system oversees all aspects of purchasing including raw materials, components, labour and logistics. It implements design change, alternative material and supply source development and cost improvement projects by engaging with the individual purchasing and manufacturing departments. It has implemented dynamic inventory management policies and consignment purchases to avoid holding inventory for excessive lengths of time. The Group believes that this centralised approach to supply chain management provides it with enhanced visibility over all pre-manufacturing aspects of its business, allowing the Group to anticipate and respond to potential issues and opportunities more effectively.

Raw materials procurement, trade goods and logistics comprise approximately 73 per cent. of the Group's costs. Effective management of these areas of the Group's business is crucial to its ability to remain competitive in its key markets. The Group has invested significant resources in optimising its supply chain management infrastructure in order to maximise its efficiency and its margins. It manages its purchasing of raw materials and components centrally to enhance cost control oversight.

The Group's central purchasing organisation manages purchasing volume of approximately €2.3 billion on an annual basis. Direct material purchases comprised 89.9 per cent. of the total volume managed by the central purchasing team in 2012. The Group believes that the volumes it requires give it a competitive advantage when negotiating with counterparties and it devotes significant resources to its raw material sourcing activities. The Group's purchases of raw materials and components typically originate from low cost countries, such as China, Malaysia, Vietnam, Russia, Romania, Poland and Hungary. The Group invests considerable time and resource in continuing to investigate alternative routes of supply in low cost countries.

The Group is guided by the principle of sustainability in its purchasing operations. Consequently, all of its purchasing and supply chain strategies focus on people, the environment, costs, quality and innovation. The Group believes one of the key factors in achieving sustainability in its operations is the maintenance of profitability by designing innovative and eco-friendly products without losing sight of competitive advantage.

The Group's continuously expanding global purchasing activities are managed centrally from Turkey by an expert team, who also dedicate significant time to visiting the Group's operations and suppliers around the world, including its procurement centres in Shenzen and Taiwan. The Group has made important gains in the management of costs and risks and the maintenance of profitability through economies of scale achieved via centralised and high-volume purchasing strategies. In 2011, it began to source other services such as information technologies, advertising and marketing through its central purchasing function. Its central purchasing organisation manages a purchasing volume of approximately €2.3 billion annually, including direct materials, which comprise raw materials such as flat steel and polyurethane, metal and plastic materials and components; indirect materials such as oils, gas and machinery components; as well as services and capital goods. Direct material purchases comprised 89.9 per cent. of the total purchasing volume managed by the Group's central purchasing organisation in 2012.

The Group has focused on making purchases from low cost countries (LCC) in order to support its growth strategies and sustain its cost competitiveness and support its margins. Accordingly, the Group undertakes significant research and diligence to identify potential partners. It visited potential companies across seven LCC countries in 2012. As a result of these efforts, it identified potential companies in India, Indonesia, Poland, Belorussia and the Balkans which would supply raw materials

to the Group in the medium- and long-term and the share of purchases made from LCC companies increased compared to 2011, reaching a total of 19.4 per cent. The Group will continue to engage with LCC companies going forward as it seeks to optimise its purchasing activities.

Raw materials

Raw material purchases account for the largest part of the Group's total purchasing volume. When metal and plastic materials, which are the principal inputs in the manufacturing of white goods, are taken along with raw material purchases made by the Group and its suppliers, the cost of purchased material accounts for nearly 40 per cent. of the final cost of the product. In addition to their direct impact, raw materials are also critical in determining the price of some component groups that require the intensive use of raw materials. Metal raw material and chemical and polymer raw material accounted for 54 per cent. and 46 per cent., respectively, of all raw material purchases in 2012. Metal sheet purchases accounted for 79 per cent. of all metal raw material purchases in 2012.

Commodities are affected by price fluctuations across global markets and the Group's operations are thus subject to variability in the cost of raw materials. The Group's central purchasing team monitors changes in the Group's key raw material prices through a market raw material index, developed by the Group's procurement team, to measure the impact of raw materials used in manufacturing on total manufacturing cost. Market prices for the Group's key new materials, which had been on an upward trend since the first quarter of 2010, continued this trend during the first half of 2011 and then entered a decline in the third quarter of 2011. Despite an increase in the first half of 2012, market prices have been declining since the third quarter of 2012. Overall, the market raw material index average decreased by 7.8 per cent. in 2012 compared to 2011. The Group has achieved flexibility in its cost and inventory management by monitoring the commodities markets closely. In addition, it minimises the effects of seasonal price fluctuations on its costs by establishing medium- and long-term relationships with its suppliers. The Group also manages raw material supply risk by outsourcing a portion of the production of certain components, such as motors and compressors to third parties.

Process management

Total Purchasing Cost Management encompasses all the region and category-based areas discussed above. Through its purchasing and manufacturing departments, the Group implements design change, alternative material and supply source development and cost improvement projects within the framework of its annual activity plan in line with market dynamics. Other practices that help the Group maintain its profitability by reducing costs are its dynamic inventory management policies, consignment purchases to avoid holding inventories for excessive lengths of time, activities aimed at developing auxiliary industries, and electronic tender management applications. For example, for certain critical materials, consignment agreements are entered into with suppliers in order to manage flexibility in demand management. Additionally, e-sourcing methods such as Electronic Request for Proposal/Quote/Information/Tender ("**e-RFX**") and e-auction are used regularly throughout the sourcing process.

Following the launch of its purchasing office in Shenzhen, China in 2010, the Group further increased the reach of its purchasing operations across the Asia-Pacific region by opening a new purchasing office in Taipei, Taiwan in 2011, giving the Group presence in an important country for the consumer electronics industry. Through this office, the Group aims to increase the effectiveness of its efforts to engage suppliers in Taiwan and other countries in the region. The Group has also begun to collaborate with local suppliers in order to reach potential suppliers elsewhere in the region. With this strategy, the Group aims to create a strong global supplier pool and thus maintain the sustainability of sourcing from LCCs and ensure the integrity of its supply chain.

Supplier management

The Group has established a Supplier Development Unit in order to enhance the capabilities of the suppliers who are considered to be crucial stakeholders in its supply chain process and to improve the effectiveness of efforts aimed at joint development projects relating to process efficiency and mutually developed business plans. The aim of supplier relations is the establishment of long-term partnerships with suppliers based on integrity, trust, mutual interest, sustainability and a shared growth strategy. From the outset, the Group sets up supplier meetings, mutual visits, information sharing through the supplier portal, organizational development in areas where suppliers converge and supplier days as crucial means of increasing cooperation. For example, in 2011, the Group organised the Arçelik (Beko) Supplier Day in China in order to improve communication between the Group and its

suppliers across Asia. Nearly 300 representatives from 200 existing and potential suppliers from seven countries participated. In addition, in 2012, the Group organised a supplier day in South Africa to strengthen its relationships with suppliers in this region and support the transitions associated with its acquisition of Defy. The Group also organised a supplier day in Istanbul which was attended by more than 500 representatives from 420 different companies, representing 32 different countries.

The Group considers supplier selection and evaluation to be strategic priorities. Suppliers are expected to meet the Group's requirements for quality, environment and business ethics. If required, the Group undertakes company visits and carries out comprehensive field inspections using its pool of senior inspectors in order to establish whether suppliers are complying with the Group's policies. The Group monitors the operational performance of its suppliers on a regular basis and provides feedback. Its long-term goals for its supplier pool include supplier capacity analyses, creation of a large supplier pool with the required qualities, inventory/order management applications that would improve the Group's ability to respond to short-term order fluctuations and support flexible manufacturing strategy, as well as other applications that reduce supply risks.

Research and Development

The Group maintains a strong focus on research and development (R&D) and believes its ability to deliver innovative products is key to its success. Arçelik is the only Turkish company in the last three years to be named on the "Top 500 PCT Applicants" list prepared by the World Intellectual Property Organization. The Group was ranked 95th in 2010. With an average of 145 patents filed annually, the Group accounts for over one-third of all international patent applications filed from Turkey. The Group's particular focus in R&D has been to develop energy and water efficient products at an affordable price point without compromising quality or design. The Group employs approximately 1,000 personnel in 13 R&D units located in five countries, although the majority of its R&D capability is concentrated in Turkey. The Group's state-of-the-art facilities include high performance computer and engineering analysis capability, laser doppler and particle image velocimetry ("**PIV**"), electron microscope and material characterisation, surface coating, climate chambers, vibration and acoustic testing, electro-magnetic compatibility ("**EMC**") and power electronics laboratories, rapid prototyping capacity, and a Class II microbiology laboratory (as defined by the biosafety levels prescribed in the EU "Council Directive 90/679/EEC of 26 November 1990 on the protection of workers from risks related to exposure to biological agents at work"). In addition to its expertise in its principal product areas, the Group has also consciously developed its capability in the engineering disciplines that underpin the Group's products and their functions, including thermodynamics, fluid mechanics, vibration and acoustics, electronics, and computer assisted design and engineering.

The Group attributes its success to its significant investments in R&D and technology. Providing customers with technologically innovative products is a key aspect of the Group's strategy to strengthen its brands and its global presence. In particular, the Group has leveraged product specific R&D across its segments in order to further drive innovation. For example, developments from its Smart TVs have been integrated into certain of its cooker ranges. The Arçelik "Invention Day" has been held for the last 13 years to highlight R&D activities undertaken by Arçelik and other parties and awards engineers who have contributed to the Group's product development with their research.

The Group ensures that its intellectual property is protected with patent applications, but also on occasion makes some items public through publication in scientific journals or by presenting them at conferences. The Group continues to strengthen its R&D capability on a global scale through various projects, platforms and funds. Besides its strong collaborations with prestigious universities in Turkey and elsewhere, the Group has participated in international collaborative activities and has actively been a part of the European Union's innovative project platform since 1993. It has achieved significant success at the Seventh Framework Programme, which aims to integrate Turkey's science, technology and innovation capabilities into the European Research Area. For example, the Group was named the number one company in "The Five Most Successful Companies Based on the Number of their FP7 Partnerships" by the TUBITAK EU Framework Programmes National Coordination Office ("**UKO**"). The Group has also received backing from the Marie Curie Fund for projects related to environmentally friendly chemical engineering. One project has been completed and six more are ongoing as part of EUREKA, the international support platform for the development of products and processes that are market oriented and rapidly commercialisable. The Group's is a member of the Network and Electronic Media ("**NEM**") technological platform, which is part of the EU Research Platform. This membership allows the Group to actively participate in the specification

of international demands and strategic research areas. The Group participated in the 2010 and 2011 general assemblies of NEM and was elected to the R&D Governing Board of NEM during the 2012 summit.

The Group's dedication to R&D has been recognised by The European Investment Bank as one of first operations in Turkey to support private sector R&D.

Intellectual property

Intellectual property is among the Group's most important assets. As at 31 December 2012, the Group had 1,200 granted patents and 2,000 patent applications pending. Intellectual property also includes copyrights, trade secrets and know-how and other proprietary information. It is the Group's policy, and procedures are in place, to identify, protect (by patent and trademark registration, and maintenance of proprietary information), defend and manage its intellectual property. It is the Group's policy that new and redesigned products, processes and software are thoroughly reviewed at regular points throughout development to safeguard against the potential infringement of the intellectual property rights of third parties. None of the Group's material patents will expire in the near future.

Environmental

The Group has been awarded the ISO 50001 certificate for its energy efficiency applications in its production and management activities, the first company in its sector in Turkey to do so. ISO 50001 Energy Management System is based on a determination of energy policies, management of energy consumption, and evaluation and improvement of energy management systems by organisations with targets such as protecting the environment, effective use of resources and formalisation of energy policies. The Beko brand has also received the Energy Savings Trust endorsements for built-in ovens and hobs. Energy Savings Trust is a prestigious, independent social enterprise in the UK that gives authoritative advice on how to reduce carbon emissions and use water more sustainably. The Group published its 2011 Sustainability Report in 2012 with a "B+" application level in accordance with the Global Reporting Initiative G3 Principles.

Litigation and other disputes

The Group is subject to litigation in the ordinary course of its business. It does not believe that it is subject to any current, pending or threatened litigation that is material to its business.

The Group's international white goods brand, Beko, has undertaken three ongoing recalls in Europe in recent years in relation to products manufactured before 2010. These recalls relate to certain models of cookers that have been the subject of a voluntary corrective action program since 2008, certain models of refrigerators that were manufactured from 2000-2006 and have been the subject of a voluntary corrective action program since 2011, and certain models of tumble dryers that have been the subject of a voluntary corrective action program since 2012. Beko has mobilised significant resources to rectify and raise awareness of the three product issues. Activities undertaken include customer letters, customer calls, national, regional and specialist media safety notice advertising, the 'Be a Hero' public information campaign, leafleting and door knocking campaigns as well as posting extensive safety information on its website. There can be no assurance that the Group will not suffer reputational damage as a result of these or future recalls and/or the adverse publicity associated with them.

Insurance

The Group maintains a number of key insurance policies in Turkey and globally, that it believes are commercially appropriate to cover the risks associated with its business operations. All of the Group's insurance policies are placed in external insurance markets with global and local insurers as appropriate and have bespoke terms to reflect the Group's requirements. The Group maintains an insurance portfolio that covers both physical assets and liability exposures. It has global insurance programmes covering liability insurance for Group companies, directors and officers as well as an all-risk policy covering property and business interruption. All of the Group's manufacturing facilities and other principal properties are covered.

Employees

As at 31 December 2012, the Group had 22,552 employees worldwide. Approximately 65 per cent. of the employees were located in Turkey, with the remainder based internationally. Approximately 85

per cent. of the Group's employees in Turkey, 88 per cent. of its employees in Romania and 83 per cent. of its employees in South Africa are members of trade unions. The Group believes that it has good relations with its employees and during the periods under review did not experience any material work stoppages, strikes or labour unrest.

The following table sets out a breakdown of the Group's employees by business area for the years ended 31 December 2010, 2011 and 2012.

	For the year ended 31 December		
Department	**2010**	**2011**	**2012**
Production	14,301	14,781	17,886
Logistics	994	1,021	1,052
Sales	1,075	1,177	1,214
R&D	824	910	952
Corporate	1,194	1,324	1,448
Total	**18,388**	**19,213**	**22,552**

MANAGEMENT

The Board of Directors

Pursuant to the provisions of the Articles of Association and the TCC, all Company affairs are conducted by the Company's board of directors (the "**Board of Directors**" or the "**Board**") elected by a resolution passed at the General Assembly.

In accordance with the Articles of Association and CMB regulations, the Board of Directors consists of at least five members elected by the General Assembly of the Company. The Board of Directors, which was elected at the last ordinary General Assembly on 29 March 2012, consists of 12 members. The members, including the independent members, are elected by ordinary majority vote in the General Assembly of the Company. The number of independent board members and necessary qualifications is determined in accordance with the Corporate Governance Regulations of the CMB. Pursuant to the Corporate Governance Regulations of the CMB, at least one-third, and no less than two, members of the Board of Directors are required to be independent members. The Company is required to submit a list of independent board member nominees to the CMB prior to the General Assembly. The CMB makes an evaluation within the framework of the independency qualifications specified in the CMB Corporate Governance Regulations. In case the CMB gives a negative opinion regarding an independent board nominee, such nominee shall not be submitted to the General Assembly as a nominee.

In case a vacancy occurs in the Board of Directors or an independent board member should lose their independent status, the vacancy must be filled by the Board of Directors through an election conducted pursuant to Article 363 of the TCC. If and when a vacancy occurs in the board members, the Board of Directors must fill the vacancy through an election from among the nominees nominated by the shareholders in the Board of Directors. If a seat on the Board of Directors occupied by an independent director becomes vacant, the vacancy must be filled by the Board of Directors through an election from among the nominees who are deemed independent under CMB regulations.

The Board of Directors may delegate the management and representation duties among its members or transfer them fully or partially to the Executive Members or Managers that are not required to be shareholders. The Board of Directors is authorised to distribute the management and representative functions. The authority and responsibility of the Executive Members and Managers is determined by the Board of Directors and, all responsibility and authority of the Board of Directors can, subject to its own conditions, provisions, and restrictions, be transferred to related persons, and these authorities can be changed and amended or removed as and when it is required.

The following table provides certain information about the Board as of the date of this Offering Circular:

Name	Age	Position	Year first elected to the Board
Rahmi M. Koç	83	Chairman	1984
Mustafa V. Koç	53	Vice Chairman	1992
Semahat S. Arsel	85	Member	1964
Mehmet Barmanbek	72	Member	2012
Levent Çakıroğlu	46	Member	2009
O. Turgay Durak	61	Member	2010
Kutsan Çelebican	68	Member	2012
Ali Y. Koç	46	Member	2008
Ömer M. Koç	51	Member	2004
Davut Ökütçü(1)	67	Member	2012
Robert Sonman	67	Member	1994
Tunç Uluğ	77	Member	2012

The business address of each of the members of the Board is Arçelik A.Ş Karaağaç caddesi No:2-6 34445 Sütlüce Beyoğlu-İstanbul Turkey.

Note:

(1) Mr Ökütçü will be stepping down at the next ordinary General Assembly, currently scheduled for 28 March 2013. An independent director will be elected to replace him.

Rahmi M. Koç, Chairman

Rahmi M. Koç graduated from Johns Hopkins University with a B.S. degree in Business Administration. He began his business career at Otokoç, a Koç Holding company, in 1958. Koç served in various senior management positions at Koç Holding. He became the Chairman of the Executive Committee in 1980 and was appointed the Chairman of the Board of Directors of Koç Holding in 1984, a position he held until 2003 when he began to serve as the Honorary Chairman. He served as the Chairman of the International Chamber of Commerce between 1995 and 1996. In addition to his role as the Honorary Chairman of Koç Holding, Koç also serves as Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founder of Turkish Marine Environment Protection Association ("**TURMEPA**"), Honorary President of the High Advisory Council of the Turkish Industrialists' and Businessmen's Association ("**TUSIAD**"), Member of the Advisory Council of the Turkish Confederation of Employers' Associations ("**TISK**"), Honorary Member of the Foreign Policy Association, Honorary Member of the Board of Trustees of New York's Metropolitan Museum of Art, and Founding Member of the Global Relations Forum.

Mustafa V. Koç, Vice Chairman

After completing Lyceum Alpinum Zuoz in Switzerland, Mustafa V. Koç went on to earn his B.A. degree from George Washington University (US) in 1984. Beginning his business career as a Consultant at Tofaş in 1984, he later served as Sales Manager and Assistant General Manager of Sales at Ram Dış Ticaret. In 1992, he moved to Koç Holding and served as Vice Chairman, Chairman, Member of the Board of Directors and Vice Chairman of the Board of Directors. Koç has been serving as the Chairman of the Board of Directors since 2003. The Honorary Chairman of the High Advisory Council of TUSIAD and a member of the Istanbul Chamber of Commerce and Foreign Economic Relations Board, Koç also serves as the Honorary Consul General of Finland in Istanbul. He is also on the Advisory Board of Kuwait International Bank and Rolls-Royce International Advisory Board. Koç is a member of the Young Presidents' Organization and JP Morgan International Council. Koç was awarded the Cavaliere d'Industria medal by the Government of Italy in 2005. Koç is also a member of the Board of Directors of the Vehbi Koç Foundation, a philanthropic organisation founded by the Koç Family, the members of which are strongly committed to its work in the cultural, educational and medical fields in Turkey in order contribute to its social and cultural life, and which has been recognised internationally by, among others, the World Monuments Fund, the Carnegie Foundation, BNP Paribas and the Board of Trustees of the Educational Volunteers Foundation of Turkey ("**TEGV**").

Semahat S. Arsel, Member

A graduate of the American College for Girls in Istanbul, Semahat S. Arsel studied German at Goethe Institute and is fluent in both English and German. She started her business career as a Member of Koç Holding's Board of Directors in 1964, a position she continues to hold. Arsel is also a Member of the Vehbi Koç Foundation's Board of Directors, Chairman of the Tourism Group Board of Directors, Chairman of Semahat Arsel Nursing Education and Research Centre, and Vice-President of the Florence Nightingale Foundation. She is also the Founder of Koç University's School of Nursing.

Mehmet Barmanbek, Member

Mr. Barmanbek graduated from Ankara University, Faculty of Political Sciences in 1963. Between 1963 and 1977, worked in the Ministry of Finance as an Accounting Specialist. He became the Accounting Manager of Ford Otomotiv Sanayi A.Ş. in 1977, and was appointed as the Assistant General Manager of this company in 1986, where he served until 2002. Mr. Barmanbek was elected as an independent member of the Board of Directors of Arçelik in March 2012.

Levent Çakıroğlu, Member

Mr. Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his MBA degree from University of Illinois (US). He started his business career in the Ministry of Finance in 1988 as an Assistant Tax Specialist. He served as a part-time Lecturer at Bilkent University and Vice Chairman of the Financial Crimes Investigation

Board at the Ministry of Finance between 1997 and 1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş CEO from 2002 to 2007, and Migros CEO from 2007 to 2008. He was appointed Arçelik CEO in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.

O. Turgay Durak, Member

Mr. Durak graduated from Mechanical Engineering at Northwestern University (US). After joining Ford Otomotiv, a Koç Holding company, as a Product Development Engineer in 1976, Durak was appointed Assistant General Manager in 1986, Deputy General Manager in 2000 and CEO of Ford Otosan in 2002. He served as President of Koç Holding's Automotive Group from 2007 until 2009. Durak served as Deputy CEO of Koç Holding from May 2009 until he was appointed Koç Holding CEO and Member of the Board of Directors in April 2010. Durak also served as Chairman of the Board of Directors of the Automotive Manufacturers Association from 2004 until 2010.

Kutsan Çelebican, Member

Mr. Çelebican graduated from Ankara University, Faculty of Political Sciences. He started working in the Ministry of Finance in 1969 as an accounting specialist. He worked as the Assistant General Manager of the Treasury between 1979 and 1982. He also worked for the World Bank. Mr. Çelebican joined Koç Group in 1987 and served as CFO at Koç Holding until 2001. Mr. Çelebican was elected as an independent member of the Board of Directors of Arçelik in March 2012.

Ali Y. Koç, Member

Ali Y. Koç graduated from Rice University (US) with a degree in Business Administration and earned his MBA degree from Harvard Business School. He participated in the Management Trainee Program at the American Express Bank between 1990 and 1991 and worked as an Analyst at Morgan Stanley Investment Bank between 1992 and 1994. He held various senior management positions at Koç Holding, including New Business Development Coordinator and President of Information Technology Group, between 1997 and 2006. Koç served as the President of Koç Holding's Corporate Communications and Information Technology Group from 2006 until 2010 and has been a member of the Koç Holding Board of Directors since January 30, 2008.

Ömer M. Koç, Member

Ömer M. Koç earned his B.A. degree from Columbia College (US) in 1985. He worked at Kofisa Trading for one year. He earned his MBA degree from Columbia Business School in 1989. After working at Ramerica International Inc., he joined Koç Holding in 1990 and has served in various senior management positions as Manager at Gazal A.Ş., Finance Coordinator at Koç Holding, and Vice President and President of the Energy Group. A member of the Board of Directors since 2004, Koç has served as Vice-Chairman of the Board of Directors since May 2008. He also serves as President of the Turkish Educational Foundation (TEV), President of the Geyre Foundation, Chairman of the Board of Directors of Yapı Kredi Cultural Activities, Arts and Publishing, and Chairman of the Board of Directors of Tüpraş.

Davut Ökütçü, Member

Mr. Ökütçü graduated from the Chemical Engineering Department of Robert College and received his Master's degree in Industrial Engineering from the University of Syracuse (US) in 1971. He began working at Bozkurt Mensucat Sanayi A.Ş., a Koç Group Company, in 1971, and became General Manager of this company. In 1991, he was appointed as General Manager of Ramerica International Inc. Between 1996 and 2003 he served as Vice President at Koç Holding A.Ş. He was elected as an independent member of the Board of Directors of Arçelik in March 2012.[1]

Robert Sonman, Member

Robert Sonman earned his undergraduate and graduate degrees from McGill University (Canada) in architecture. He serves as Chairman and Vice Chairman of the Board of Directors at Burla Group Companies, a shareholder of Arçelik. He has been serving as a Member of the Board of Directors of Arçelik A.Ş. since April 1994.

1 Mr. Ökütçü will be stepping down at the next ordinary General Assembly, currently scheduled for 28 March 2013. An independent director will be elected to replace him.

Tunç Uluğ, Member

Mr. Uluğ graduated from the Mechanical Engineering Department of Robert College and received his Master degree in Mechanical Engineering from University of Columbia (US) in 1964. He worked at Bechtel Co. in the United States from 1964-1967. He started working at Koç Group in 1967. Mr. Uluğ became the General Manager in the various Koç Group companies, and served as Vice President at Koç Holding A.Ş. between 1981 and 1997. He was elected as an independent member of the Board of Directors of Arçelik in March 2012.

Executive Management

The following table provides certain information about the executive management as of the date of this Offering Circular:

Name	Age	Position	Years with the Company
Levent Çakıroğlu	46	Chief Executive Officer	5
İsmail Hakki Sağir	56	Chief Technology Officer	33
Dr Fatih Kemal Ebiçlioğlu	46	Chief Financial Officer	8
Şirzat Subaşı	53	Chief Sales Officer – Turkey, Middle East, Africa and Turkic Republics	27
Tülin Karabük	48	Chief Marketing Officer	3
Hakan Hamdi Bulgurlu	41	Chief Sales Officer – Europe, America and Asia-Pacific	3
Cemal Şeref Oğuzhan Öztürk	54	Chief Operating Officer	26

The business address of each of the executive management is Arçelik A.Ş Karaağaç caddesi No:2-6 34445 Sütlüce Beyoğlu-İstanbul Turkey.

Board Committees

Corporate Governance Committee

The Corporate Governance Committee was established in 2010 in accordance with the Corporate Governance Principles issued by the CMB to observe the Company's compliance with corporate governance policies, carry out improvement efforts and suggest policy positions to the Board of Directors. The Committee also fulfils the functions relating to remuneration of the Board of Directors and key executives and Board of Directors nominations. Mehmet Barmanbek and Tunç Uluğ are members of the committee.

Risk Management Committee

The Risk Management Committee was established in 2010 to provide recommendations and make proposals to the Board of Directors concerning subjects such as the identification of strategic, financial and operational risks, the estimation of their impact and the probability of their occurrence, the management and reporting of these risks in accordance with the Company's corporate risk-taking profile, their consideration in decision-making mechanisms and the establishment and integration of effective internal control systems. Mehmet Barmanbek and Turgay Durak are members of the committee.

Audit Committee

The Audit Committee was established to monitor the processes and effectiveness of the system on a continual basis and reports issues and suggests solutions for risk management and internal control mechanisms to the Board of Directors. The Audit Committee is in charge of ensuring reliable fulfilment of the duties and responsibilities of the Board of Directors, and performs its activities in compliance with the CML and the CMB's Corporate Governance Principles. The Audit Committee meets on a quarterly basis and at a minimum of four times per year and receives information from the Company's external auditor, currently E&Y. Kutsan Çelebican and Davut Ökütçü are members of the committee.

Executive Committee (previously Investment and Business Development Committee)

The Executive Committee (previously Investment and Business Development Committee) was established in 2010 to generate ideas and strategies, coordinate the activities of concerned departments, and make proposals and recommendations to the Board of Directors. The Executive Committee works to ensure coordination between relevant departments and accordingly, to determine the areas of specialisation in sectors in which the Company operates, to convey recommendations and suggestions to the Board of Directors in designing new projects and investments, and to monitor the management of accepted strategies and projects. Mustafa V. Koç, Ömer M. Koç, Ali Y. Koç, O. Turgay Durak, Rahmi Koç and Semahat Arsel are members of the committee.

Remuneration of the Board and Executive Management

The aggregate remuneration paid by the Group to its Board of Directors and executive management was TRY34.3 million for the year ended 31 December 2012. General Managers and the executive management are entitled to the same retirement benefits as the Group's other employees.

Conflict of Interests

There is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors or the executive management and their respective private interests or other duties.

OWNERSHIP

Set forth in the table below is the Group's shareholding structure as at the date of this Offering Circular:

	Share%	TRY'000
Shareholders		
Koç Holding A.Ş.	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577
Semahat S. Arsel	2.72	18,397
Suna Kıraç	2.60	17,542
Rahmi M. Koç	2.44	16,474
Mustafa V. Koç	0.91	6,177
Total Koç family members and companies owned by Koç family members	**51,93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722
Vehbi Koç Vakfı	0.13	893
Other	25.19	170,204
Paid-in-capital	**100.00**	**675,728**

A controlling stake in the Group is held by Koç Holding A.Ş. and other Koç Group companies, which are themselves owned by members of the Koç family and companies and trusts under control of the Koç family. The TCC includes provisions with respect to the unlawful use of control by a controlling company, and provides measures for the prevention of abuse of control. In addition, the TCC regulates minority rights to protect minority shareholders against majority shareholders. Furthermore, the rights of shareholders are regulated under the Corporate Governance Principles issued by the CMB with a view to enable all shareholders of the Group to use their rights equally. The Group believes it and its shareholders are in compliance with the regulations stated above.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The US$500,000,000 5.000 per cent. Notes due 2023 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of Arçelik A.Ş. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated 3 April 2013 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**"), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**") and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the "**Paying Agents**") and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the "**Agents**"). The holders of the Notes (the "**Noteholders**") are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 3 April 2013 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement appertaining to the Notes are available for inspection during normal business hours by the holders of the Notes (the "**Noteholders**") at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and the Depository Trust Company ("**DTC**") of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of US$200,000 and integral multiples of US$1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) and the Communiqué Serial II, No. 22 of the Capital Markets Board ("**CMB**") on Registration and Sale of Debt Instruments.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the register of Noteholders.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "Book-Entry Clearance Systems".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to Condition 2.4, be transferred in whole or in part by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes pursuant to Condition 2.1 will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificates – Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Rule 144A Notes, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment by the Noteholder (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest on that Note or (ii) after any such Bond has been called for redemption.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. COVENANTS

So long as any of the Notes remains outstanding:

4.1 Negative pledge:

The Issuer will not create or permit to subsist, and will ensure that its Principal Subsidiaries will not create or permit to subsist, any mortgage, charge, pledge, lien or other form of security interest ("**Security Interest**") (other than a Permitted Security Interest) upon the whole or any part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Principal Subsidiaries to secure any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of any Indebtedness for Borrowed

Money, unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

4.2 Financial statements:

The Issuer shall send to the Fiscal Agent as soon they become available but in any event (i) within six months after the end of each of its financial years, a copy of the Issuer's audited annual consolidated financial statements for such financial year, together with the report thereon by the Issuer's independent auditors, and (ii) within 90 days after the end of each first half year of each of its financial years, a copy of the Issuer's consolidated financial statements for such six-month period, certified by two directors of the Issuer as fairly representing the financial position of the Issuer and its consolidated subsidiaries as at the relevant date, and the results of operations and changes in financial position of the Issuer and its consolidated subsidiaries for the relevant period then ended, each prepared and presented in accordance with the relevant laws of the Republic of Turkey. The Issuer shall procure that the Fiscal Agent delivers a copy of such financial statements, together with, in respect of any audited annual consolidated financial statements, the relevant auditors' report thereon, to any Noteholder promptly upon written request by such Noteholder.

4.3 Maintenance of Authorisations

The Issuer shall (i) take all action considered necessary, in the opinion of the Issuer, to ensure the continuance of its corporate existence, its business and/or operations; and (ii) take all necessary action to obtain, and do or cause to be done all things necessary to (a) ensure the continuance of, all consents, licences, approvals and authorisations in the Republic of Turkey, and (b) make or cause to be made all registrations, recordings and filings, which may be required in the Republic of Turkey, for, in the case of both (a) and (b), the execution, delivery or performance of the Notes and the Fiscal Agency Agreement or for the validity, enforceability or admissibility in evidence thereof.

4.4 Mergers and Consolidations

The Issuer shall not enter into any reorganisation (by way of a merger, accession, division, separation or transformation (as such terms may be construed for the purposes of the laws of the Republic of Turkey) or any other method or procedure for reorganisation contemplated, or as may be contemplated from time to time, by the laws of the Republic of Turkey) if such reorganisation could reasonably be expected to be materially prejudicial to the interests of the Noteholders.

4.5 Transactions with Affiliates

The Issuer shall not directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) in any twelve month period which has or in aggregate have a value in excess of US$25,000,000 with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless the terms of such Affiliate Transaction are no less favourable to the Issuer than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer.

In these Conditions:

"**Affiliates**" of any specified person means any other persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "**control**" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Incurred**" means issue, assume, guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness of a Person existing at the time such Person becomes a Principal Subsidiary of the Issuer (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Principal Subsidiary of the Issuer.

"**Indebtedness**" means any obligation (whether Incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.

"**Indebtedness for Borrowed Money**" means, in this Condition 4.5, any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 180 days primarily as a means of raising finance or financing the acquisition of the relevant asset or service or (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing, excluding in each case trade supply arrangements entered into in the ordinary course of business.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness.

"**Permitted Security Interest**" means:

(i) any Security Interest outstanding as at the 3 April 2013;

(ii) any Security Interest securing Indebtedness for Borrowed Money of a Person existing at the time that such Person is merged into or consolidated with the Issuer or any of its Principal Subsidiaries; provided, however, that such Security Interest was not created or increased in contemplation of such merger or consolidation or event and does not extend to any assets or property of the Issuer or any of its Principal Subsidiaries already existing other than those of the surviving Person and its Principal Subsidiaries or the Person acquired and its Principal Subsidiaries; and is released within six months of such acquisition and provided further that the aggregate amount secured by such Security Interests does not exceed US$100,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates), at any given time;

(iii) any Security Interest already existing on assets or property acquired or to be acquired by the Issuer or any of its Principal Subsidiaries; provided, however, that such Security Interest was not created in contemplation of such acquisition and does not extend to any other assets or property (other than proceeds of such acquired assets or property);

(iv) any Security Interest granted upon or with regard to any property hereafter acquired or constructed in the ordinary course of business by the Issuer or any of its Principal Subsidiaries to secure the purchase price of such property or to secure Indebtedness for Borrowed Money Incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition and repairs related to such property; provided, however, that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness for Borrowed Money Incurred solely for the purpose of financing the acquisition of such property and related transactional expenses and the relevant Security Interest only extends to the property acquired;

(v) any retention of title arrangements in relation to goods supplied to the Issuer or any of its Principal Subsidiaries in the ordinary course of business and not resulting from a default or omission of the Issuer or any of its Principal Subsidiaries;

(vi) any Security Interest arising by operation of law, or pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings which has not been foreclosed or otherwise enforced against the assets to which it applies or which is being contested in good faith provided that the Security Interest shall not remain outstanding for more than 90 days;

(vii) any Security Interest securing reimbursement obligations of the Issuer or any of its Principal Subsidiaries with respect to letters of credit encumbering only documents and other property relating to such letters of credit and the products or proceeds thereof in the ordinary course of business;

(viii) any Security Interest created in the ordinary course of business in favour of a bank or financial institution directly relating to ordinary margin payment, ordinary contractual set-off or netting arrangements on derivatives including, without limitation, interest and currency exchange swaps, transactions and other hedging arrangements which are in each case carried out in the ordinary course of business and for non-speculative purposes and in an aggregate amount not exceeding US$100,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates);

(ix) any Security Interest for taxes or assessments, customs charges, government charges and similar charges, which are not overdue or are being contested in good faith;

(x) any Security Interest securing the Issuer's or any of its Principal Subsidiaries' obligations in favour of the Turkish state or its agencies and arising out of any mandatory laws applicable to the Issuer or any of its Principal Subsidiaries;

(xi) any Security Interest arising from any judgment, award, decree, or other order not exceeding US$100,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates), the time for appeal or petition for re-hearing of which has not expired and in respect of which the Issuer or any of its Principal Subsidiaries is in good faith pursuing an appeal or review and in respect of which a stay of execution pending such appeal or proceedings for review has been granted;

(xii) a right of set-off, a right to combine accounts or any analogous right, which any bank or other financial institution may have relating to any debit or credit balance of the Issuer or any of its Principal Subsidiaries;

(xiii) any Security Interest granted in favour of a Person providing Project Financing if the Security Interest is solely (x) on the property, income, assets or revenues of the project for which the financing was Incurred or (y) the share capital of a Project Finance Company provided, however, (i) such Security Interest is created solely for the purpose of securing Indebtedness for Borrowed Money Incurred by the Issuer or any of its Principal Subsidiaries in compliance with Condition 4.1, and (ii) no such Security Interest shall extend to any other property, income assets or revenues of the Issuer or any of its Principal Subsidiaries;

(xiv) any Security Interest not otherwise permitted by the preceding paragraphs (i) to (xiii) (inclusive), provided that the aggregate principal amount of the Indebtedness secured by such Security Interest does not at any time exceed 10 per cent. of the consolidated total assets of the Issuer, as determined by reference to the audited consolidated balance sheet of the Issuer as at the end of the most recent financial year of the Issuer; or

(xv) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest permitted by any of the above exceptions, provided, however, that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest.

"**Project Finance Company**" means a special purpose company (a) whose sole business comprises a project for the ownership, creation, construction, improvement, operation, development or exploitation of its assets; and (b) which has no Indebtedness other than Indebtedness Incurred for the purposes of the project referred to in paragraph (a).

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance the acquisition, construction, development, operation or exploitation of any assets pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

a "**Principal Subsidiary**" means at any time a Subsidiary of the Issuer:

(i) whose net sales (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated net sales of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate net sales equal to) not less than 10 per cent. of the consolidated net sales of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net sales equal to) not less than 10 per cent. of the consolidated net sales of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this

subparagraph (iii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") (i) in which such first Person owns more than 50 per cent. of share capital or (ii) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 3 April 2013 at the rate of 5.000 per cent. per annum, payable semi-annually in arrear on 3 April and 3 October (each an "**Interest Payment Date**"). The first payment (representing a full six months' interest) shall be made on 3 October 2013.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at such rate until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by US dollar cheque drawn on a bank that processes payments in US dollars mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's registered account means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollar, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second Business Day (as defined in Condition 6.4 below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In these Conditions, "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and New York City and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a European city;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated; and

(e) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Issuer in accordance with Condition *12*.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 3 April 2023.

7.2 Redemption for Taxation Reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 28 March 2013, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

7.3 Purchases

The Issuer or any of its Principal Subsidiaries may at any time purchase Notes in any manner and at any price. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

7.4 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction of Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day.

8.2 Interpretation

In these Conditions:

(a) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

(b) "**Relevant Jurisdiction**" means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. PRESCRIPTION

Claims in respect of principal and interest will become prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date, as defined in Condition 8.

10. EVENTS OF DEFAULT

10.1 Events of Default

The holder of any Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events ("**Events of Default**") shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest when due in respect of the Notes and, in the case of principal, the default continues for a period of 5 days and in the case of interest, the default continues for a period of 10 days; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) (i) any Indebtedness for Borrowed Money of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or (as the case may be) by any originally applicable grace period for the payment thereof; (iii) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that in the case of (i), (ii) and (iii) the aggregate principal amount of such Indebtedness for Borrowed Money exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, provided that the value of the claim of any such enforcement action exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or one or more judgments

or orders or arbitration awards is rendered against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries, that is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, provided that the value of such claim exceeds US$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, provided that such event is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days, or the Issuer ceases or threatens to cease to carry on all or a substantial part of its business or operations or any of the Issuer's Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, save in each case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation or solvent voluntary winding-up on terms approved by an Extraordinary Resolution of the Noteholders; or

(f) (i) the Issuer or any of its Principal Subsidiaries becomes (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, or (ii) an administrator or liquidator is appointed in respect of the Issuer or any of its Principal Subsidiaries or the whole or a material part of the business or operations of the Issuer or any of its Principal Subsidiaries (or application for any such appointment is made and such application is not being contested in good faith by the Issuer or the relevant Principal Subsidiary of the Issuer, as the case may be, and is not discharged or stayed within 60 days), or (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations, or makes a general assignment or an arrangement or composition with or for the benefit of its creditors, or declares a moratorium, in each case in respect of all of, or a material part of, its debts; or

(g) if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) of this Condition 10.

10.2 Interpretation

For the purposes of this Condition 10, "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit, excluding in each case trade supply arrangements entered into in the ordinary course of business.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any

notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

13. MEETINGS OF NOTEHOLDERS AND MODIFICATION

13.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

13.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

15.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are governed by, and will be construed in accordance with, English law.

15.2 Jurisdiction of English courts

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, and any non-contractual obligations arising out of or in connection with the Notes, and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer has waived, to the extent permitted by law, any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

To the extent permitted by law, the Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (including any proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

15.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the English courts according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in the Republic of Turkey in connection with the Notes, any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

15.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Beko plc at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

15.5 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

16. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions of the Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs in this "The Global Certificates" section.

Accountholders

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Payments

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

Notices

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg or DTC, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the US Securities Exchange Act of 1934, and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg or DTC or becoming aware that DTC is no longer so registered. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions of the Notes, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for the period of 15 calendar days ending on (and including) the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the "**Exchanged Global Certificate**") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "*Book-Entry Clearance Systems*".

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Joint Lead Managers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of the Clearing Systems or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

Euroclear and Clearstream, Luxembourg

The Regulation S Global Notes representing the Regulation S Notes will have an ISIN number and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities, and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

The Rule 144A Global Notes representing the Rule 144A Notes will have a CUSIP number and an ISIN number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants' accounts. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held

by, a common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes held through DTC will be represented by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates—Registration of Title*", holders of Notes represented by those individual Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Fiscal Agent will also be responsible for ensuring that payments received by the Fiscal Agent from the Issuer for holders of book-entry interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Clearing and Settlement Procedures

Initial settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

Secondary market trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

General

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements

referred to above and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain US federal and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of US federal and Turkish tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Circular, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction. References to "resident" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.

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Certain US Federal Income Tax Consequences

The following is a summary of certain US federal income tax consequences of the acquisition, ownership and disposition of Notes by a US Holder (as defined below). This summary deals only with initial purchasers of Notes at the issue price that are US Holders that will hold the Notes as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-US or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term "US Holder" means a beneficial owner of Notes that is, for US federal income tax purposes, (i) citizen or individual resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity treated as a partnership for US federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of interest

Interest on a Note will be taxable to a US Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States.

Sale and retirement of the Notes

A US Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. A US Holder's tax basis in a Note will generally be its US dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Gain or loss recognised by a US Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the US Holder for more than one year. Gain or loss realised by a US Holder on the sale or retirement of a Note generally will be US source.

Backup withholding and information reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes, by a US paying agent or other US intermediary will be reported to the US Internal Revenue Service and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign financial asset reporting

Recently enacted legislation imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds USD50,000 at the end of the taxable year or USD75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). US Holders should consult their tax advisers regarding the application of this legislation.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Circular, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or for the income sourced in Turkey otherwise.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of the stay. A resident individual is liable for Turkish taxes on his/her worldwide income, whereas a non-resident individual is liable for Turkish tax for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is needed. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10 per cent. withholding tax for notes with an initial maturity of less than one year;
- 7 per cent. withholding tax for notes with an initial maturity of at least one year and less than three years;
- 3 per cent. withholding tax for notes with an initial maturity of at least three years and less than five years; and
- 0 per cent. withholding tax for notes with an initial maturity of five years and more.

Such withholding tax is the final tax for a non-resident person and no further declaration is required. In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by Law No. 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident persons on capital gains from such Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes by an issuer to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double taxation treaty concluded between Turkey and the nation where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, refunding of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

EU Savings Directive

Under the EU Savings Directive, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the

conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

PLAN OF DISTRIBUTION

The Company intends to offer the Notes through the Joint Lead Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated 28 March 2013 among the Joint Lead Managers and the Company (the "**Subscription Agreement**"), each of the Joint Lead Managers has severally agreed to purchase, and the Company has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below.

Joint Lead Managers	Principal Amount of Notes
J.P. Morgan Securities plc	US$166,667,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$166,667,000
The Royal Bank of Scotland plc	US$166,666,000
TOTAL	US$500,000,000

The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part.

The Company has been informed that the Joint Lead Managers propose to resell beneficial interests in the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-US persons (as defined in Regulation S) outside the United States in reliance upon Regulation S. (See "*Transfer Restrictions*"). The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. (See "*Transfer Restrictions*").

Accordingly, until 40 days after the closing date of this Offering (the "**Distribution Compliance Period**"), an offer or sale of Notes (or beneficial interests therein) within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Company with no established trading market. The Company cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Joint Lead Managers have advised the Company that they currently intend to make a market in the Notes. However, they are not obliged to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Applications have been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Main Securities Market; *however*, no assurance can be given that such applications will be accepted. Accordingly, the Company cannot provide any assurances to investors as to the liquidity of or the trading market for the Notes.

In connection with the Offering, one or more Joint Lead Manager(s) may purchase and sell Notes (or beneficial interests therein) in the open market. These transactions may include overallotment, syndicate covering transactions and stabilising transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Joint Lead Managers in this Offering, which creates a short position for the Joint Lead Managers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising

transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Company and the Company's affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Company and the Company's affiliates in the ordinary course of their business. Certain of the Joint Lead Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Company and/or other members of the Group and/or otherwise participate in transactions with the Group. A portion of the proceeds of the Offering of the Notes will be used to repay certain existing credit facilities under which certain of the Joint Lead Managers are lenders.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Company or the Company's affiliates. In addition, certain of the Joint Lead Managers and/or their respective affiliates hedge their credit exposure to the Company pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Company has agreed to indemnify each Joint Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Lead Managers may be required to make because of those liabilities.

The Group expects that delivery of the Notes will be made on or about the Closing Date, which will be the fifth Business Day following the date of pricing of the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle five Business Days following the pricing date (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding Business Day should consult their own advisor.

SELLING RESTRICTIONS

General

No action has been taken by the Company or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Company has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. (See "*Transfer Restrictions*").

Turkey

The offering of the Notes has been approved by the CMB only for the purpose of the sale of the Notes outside Turkey in accordance with Article 15(b) of Decree 32 and the Communiqué. The Notes (or beneficial interests therein) have to be offered or sold outside Turkey and the CMB has approved the offering of the Notes; provided that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey; provided that they purchase or sell such Notes (or beneficial interests) in the financial markets outside Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations. The issuance certificate relating to the Notes is expected to be approved by the CMB on or about 28 March 2013.

The Joint Lead Managers have agreed that neither they, nor any of their respective affiliates, nor any person acting on behalf of any of the Joint Lead Managers or any of their respective affiliates, have engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. The Joint Lead Managers have further agreed that neither they nor any of their respective affiliates, nor any person acting on behalf of any of the Joint Lead Managers or any of their respective affiliates (i) have engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey, or (ii) will make any disclosure in Turkey in relation to the Issuer, the Notes or the Offering Circular without the prior consent of the Issuer, save as may be required by applicable law, court order or regulation.

United Kingdom

In the United Kingdom, this Offering Circular is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth bodies corporate falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Each Joint Lead Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company, and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer their purchasing proceeds abroad through banks and the intermediary institutions authorised in accordance with capital market legislation.

The Company has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in reliance upon Rule 144A under the Securities Act and (b) to non-US persons outside the United States in reliance upon Regulation S under the Securities Act.

If an investor invests in the Notes, then such investor will be deemed to have acknowledged, represented and agreed with the Joint Lead Managers and the Company as follows:

(a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.

(b) Such investor is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and is not acting on the Company's or any such affiliate's behalf and such investor is either: (i) a QIB and is aware that any sale of Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a "US person" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a US person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(c) Such investor acknowledges that none of the Company or the Joint Lead Managers, or any person representing the Company or the Joint Lead Managers, has made any representation to it with respect to the Company or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Notes. Such investor acknowledges that the Joint Lead Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular. Such investor has had access to such financial and other information concerning the Company and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Company and the Joint Lead Managers.

(d) Such investor is purchasing the Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other law. Such investor agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the Issue Date and the last date on which the Company or any affiliate of the Company was the owner of such Notes (or any predecessor thereto), or (ii), such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**"), only: (A) to the Company, (B) pursuant to a registration statement that has been declared effective under

the Securities Act, (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A, (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date; however, any resale of the Notes thereafter will continue to need to comply with all applicable laws. Such investor acknowledges that the Company reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (D) or (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company.

With respect to the Regulation S Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Regulation S Note, that no offer, sale, pledge or other transfer made during the Distribution Compliance Period (i.e. prior to the date 40 days after the closing date of this Offering) will be made to a US person or for the account or benefit of a US person (other than a distributor).

(e) Each Rule 144A Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN USD250,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND THAT IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT PRIOR TO: (i) THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ISSUE DATE OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE (OR A BENEFICIAL

INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "US PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A US PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A US PERSON WHO IS A QIB THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THE NOTES REPRESENTED HEREBY IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A US PERSON WITHIN THE MEANING OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THE NOTES REPRESENTED HEREBY TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE NOTES REPRESENTED HEREBY TO A US PERSON WHO IS NOT A QIB. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY THAT IS A US PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY THAT SUCH BENEFICIAL OWNER IS A QIB.

Each Regulation S Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(f) If such investor is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, such investor acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes will not be made by such investor to a US person or for the account or benefit of a US person within the meaning of Rule 902 under the Securities Act.

(g) Such investor acknowledges that the Registrar will not be required to accept for registration of transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Company and the Registrar that the restrictions set forth herein have been complied with.

(h) Such investor acknowledges that:

(i) the Company, the Joint Lead Managers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Company and the Joint Lead Managers promptly in writing, and

(ii) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, such investor represents with respect to each such account that:

(A) such investor has sole investment discretion, and

(B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(i) Such investor agrees that it will give to each person to whom it transfers a Note notice of any restrictions on the transfer of such Note.

(j) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Company or the Joint Lead Managers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this "*Transfer Restrictions*" section and "*Selling Restrictions*".

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Company is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Company named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Company are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the US federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;

(d) the judgment is not of a civil nature;

(e) the judgment is clearly against public policy rules of Turkey;

(f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In any suit or action against the Company in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574) or (ii) a national of a state that has signed a bilateral treaty with Turkey which is duly ratified and contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

In connection with the issuance of the Notes, service of process may be made upon the Company at Beko plc, Beko House, Caxton Way, Watford, Hertfordshire, WD18 8UF, United Kingdom with respect to any proceedings in England.

LEGAL MATTERS

Certain matters as to United States law will be passed upon for the Company by Linklaters LLP and certain matters as to Turkish law will be passed upon for the Company by Taboğlu & Demirhan. Certain matters as to English and United States law will be passed upon for the Joint Lead Managers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Joint Lead Managers by Paksoy Ortak Avukat Bürosu (who will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorisation

The issuance and sale of the Notes by the Company and the execution and delivery by the Company of the Transaction Documents have been authorised pursuant to the authority of the officers of the Company under a resolution of its Board of Directors dated 23 January 2013.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the Main Securities Market will be granted on or about 3 April 2013, subject only to the issue of the Notes.

The estimated total expenses related to the admission of the Notes to trading on the Main Securities Market are €4,940.00.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Company in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

Clearing Systems

The Unrestricted Global Certificate has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS0910932788 and Common Code 091093278). Application has been made for acceptance of the Restricted Global Certificate into DTC's book-entry settlement system (ISIN US03938HAA14, Common Code 091093332 and CUSIP 03938HAA1).

No Significant or Material Adverse Change

There has been no significant change in the financial or trading position of either the Group or the Company since 31 December 2012, being the end of the last financial period for which the Group's financial statements have been published, and no material adverse change in the financial position or prospects of either the Group or the Company since 31 December 2012.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Company is aware, no person involved in the offer of the Notes has an interest material to the offer.

Independent Auditors

The annual consolidated financial statements of Arçelik A.Ş. as of and for the years ended 31 December 2012 and 2011 prepared in Turkish have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in the auditor's reports thereon.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) is authorised by the CMB, Banking Regulation and Supervision Agency, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standards Authority Board to conduct independent audits in Turkey.

Certain Information about the Company

Arçelik A.Ş. is a holding and operating company that was incorporated in Turkey on 21 January 1955, under registration number 54957. The Company operates under the TCC. The Company's principal office is at Karaağaç Cad. No: 2/6, 34445 Sütlüce, Beyoğlu, Istanbul, Turkey and its telephone number is +90 212 314 3434.

Documents

The Company produces audited consolidated annual and unaudited consolidated quarterly and semi-annual interim financial statements. Copies (with English translations where the documents at issue

are not in English) of the Company's articles of association and of its audited financial statements as of and for the years ended 31 December 2010, 2011 and 2012, and copies of the transaction documents referred to herein (including the forms of the Notes), will be available for inspection at the offices of the Company and the Fiscal Agent.

As long as the Notes are outstanding, copies of this Offering Circular, the constitutional documents of the Company and (after the Issue Date) the Deed of Covenant and the Agency Agreement will be available for inspection in physical form at the offices of the Company and the Fiscal Agent.

Documents Incorporated by Reference

No document or content of any website are incorporated by reference in this Offering Circular.

Litigation

Neither the Company nor any other member of the Group is or, during the previous 12 months, has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which have had in the recent past, or may have, a significant effect on the financial position and profitability of the Company or the Group.

Material Contracts

The Company has not entered into any material contract outside the ordinary course of its business that could result in the Company being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Language

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FINANCIAL STATEMENTS

Audited consolidated financial statements of the Group as of and for the year ended 31 December 2012 (including comparative financial information as at and for the year ended 31 December 2011) F-2

Audited consolidated financial statements of the Group as of and for the year ended 31 December 2011 (including comparative financial information as at and for the year ended 31 December 2010) F-80

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

Arçelik Anonim Şirketi

Consolidated financial statements at December 31, 2012 together with independent auditors' report

(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

Independent auditors' report

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheets of Arçelik A.Ş. (the Company or "Arçelik") and its Subsidiaries (together "the Group") as at December 31, 2012 and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

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

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

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

(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2012 and of their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the final year of the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Group in accordance with IFRS.

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

Ertan Ayhan, SMMM
Engagement Partner

February 11, 2013
İstanbul, Turkey

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

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

	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current Assets:			
Cash and cash equivalents	5	1,740,789	1,173,889
Derivative financial instruments	8	2,176	2,932
Trade receivables	9	3,261,477	3,180,870
Inventories	11	1,599,658	1,530,141
Other current assets	21	124,007	138,996
Total current assets		**6,728,107**	**6,026,828**
Assets held for sale		8,571	7,021
Non-current assets			
Trade receivables	9	10,969	16,018
Financial investments	6	638,741	491,376
Associates	12	182,614	160,580
Investment properties	13	5,099	6,441
Property, plant and equipment	14	1,603,403	1,446,841
Intangible assets	15	787,601	783,094
Goodwill	16	177,080	196,167
Deferred tax assets	29	85,968	63,387
Total non-current assets		**3,491,475**	**3,163,904**
Total assets		**10,228,153**	**9,197,753**

The consolidated financial statements as at and for the year ended December 31, 2012 have been approved for issue by the Board of Directors on February 11, 2013 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

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

	Notes	December 31, 2012	December 31, 2011
LIABILITIES			
Current liabilities			
Financial liabilities	7	2,144,406	1,628,943
Financial liabilities due to related parties	31	7,030	7,077
Derivative financial instruments	8	3,680	195
Trade payables	9	1,168,774	1,242,454
Other payables	10	164,984	183,691
Current income tax liabilities	29	24,008	23,250
Provisions	19	233,377	232,390
Other current liabilities	21	203,503	212,620
Total current liabilities		**3,949,762**	**3,530,620**
Non-current liabilities			
Financial liabilities	7	1,859,103	1,528,237
Financial liabilities due to related parties	31	59,540	70,539
Provision for employment termination benefits	20	112,254	106,782
Deferred tax liabilities	29	236,406	226,142
Provisions	19	82,148	81,519
Other non-current liabilities		1,705	2,273
Total non-current liabilities		**2,351,156**	**2,015,492**
Total liabilities		**6,300,918**	**5,546,112**
EQUITY			
Paid-in capital	22	675,728	675,728
Adjustment to share capital	22	468,811	468,811
Share premium		889	889
Revaluation fund	22	470,285	341,505
Restricted reserves	22	216,687	190,066
Currency translation differences		86,790	145,922
Contribution to shareholders' equity related to merger	22	14,507	14,507
Retained earnings		1,383,191	1,201,658
Net income for the year attributable to equity holders of the parent		524,764	506,506
Attributable to:			
Equity holders of the parent		3,841,652	3,545,592
Non-controlling interest		85,583	106,049
Total equity		**3,927,235**	**3,651,641**
Total liabilities and equity		**10,228,153**	**9,197,753**
Commitments, contingent assets and liabilities	18		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Notes	2012	2011
Net Sales	23	10,556,861	8,437,239
Cost of sales	23	(7,503,024)	(5,897,009)
Gross profit		**3,053,837**	**2,540,230**
Marketing, selling and distribution expenses	24	(1,820,900)	(1,474,254)
General administrative expenses	24	(389,928)	(342,572)
Research and development expenses	24	(72,998)	(64,847)
Other income	26	69,706	60,194
Other expenses	26	(82,580)	(72,857)
Operating profit		**757,137**	**645,894**
Income from associates (net)	12	34,551	28,378
Financial income	27	336,798	415,558
Financial expenses	28	(499,114)	(474,421)
Income before tax		**629,372**	**615,409**
Income tax expense			
- Taxes on income	29	(85,824)	(71,996)
- Deferred tax expense	29	8,140	(2,326)
Net income		**551,688**	**541,087**
Attributable to:			
Non-controlling interest		26,924	34,581
Equity holders of the parent		**524,764**	**506,506**
Earnings per share (Kr)	30	**0.777**	**0.750**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012	2011
Net income for the year	**551,688**	**541,087**
Other comprehensive income:		
Fair value (decrease)/increase on financial assets	147,365	(167,280)
Tax effect	(7,368)	8,364
	139,997	(158,916)
Foreign currency hedge of net investments in foreign operations	159	(59,205)
Tax effect	(32)	11,841
	127	(47,364)
Cash flow hedges	-	(20,965)
Less: transfers to carrying amounts of hedged items (Note 3)	-	20,965
Share of other comprehensive income of associates	(1,708)	1,151
Tax effect of amortization calculated over intangible assets revaluation increases	420	423
Currency translation differences	(69,768)	169,351
Reclassification:		
Cash flow hedges (net)	-	(271)
Other comprehensive income/(loss) (net of tax)	**69,068**	**(35,626)**
Total comprehensive income	**620,756**	**505,461**
Attributable to:		
Non-controlling interest	24,696	51,421
Equity holders of the parent	**596,060**	**454,040**

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Paid in capital	**Adjustment to share capital**	**Share premium**	**Revaluation funds**	**Restricted reserves**	**Currency translation differences**	**Contribution to shareholders' equity due to merger**	**Re ea**
As of January 1, 2011	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**9**
Comprehensive income								
Net income for the period	-	-	-	-	-	-	-	
Other comprehensive income								
Fair value gains on financial assets (net)	-	-	-	(158,916)	-	-	-	
Cash flow hedges (net)	-	-	-	(271)	-	-	-	
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	(47,364)	-	-	-	
Share of other comprehensive income of associates	-	-	-	1,151	-	-	-	
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	423	-	-	-	
Currency translation differences	-	-	-	36,174	-	116,337	-	
Total other comprehensive income	**-**	**-**	**-**	**(168,803)**	**-**	**116,337**	**-**	
Total comprehensive income	**-**	**-**	**-**	**(168,803)**	**-**	**116,337**	**-**	
Transfers	-	-	-	-	-	-	-	5
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,661)	-	-	-	
Dividends paid	-	-	-	-	21,621	-	-	(27
As of December 31, 2011	**675,728**	**468,811**	**889**	**341,505**	**190,066**	**145,922**	**14,507**	**1,2**
As of January 1, 2012	**675,728**	**468,811**	**889**	**341,505**	**190,066**	**145,922**	**14,507**	**1,2**
Comprehensive income								
Net income for the period	-	-	-	-	-	-	-	
Other comprehensive income:								
Fair value gains on financial assets (net)	-	-	-	139,997	-	-	-	
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	127	-	-	-	
Share of other comprehensive income of associates	-	-	-	(1,708)	-	-	-	
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	420	-	-	-	
Currency translation differences	-	-	-	(8,408)	-	(59,132)	-	
Total other comprehensive income	**-**	**-**	**-**	**130,428**	**-**	**(59,132)**	**-**	
Total comprehensive income	**-**	**-**	**-**	**130,428**	**-**	**(59,132)**	**-**	
Transfers	-	-	-	-	-	-	-	5
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,648)	-	-	-	
Dividends paid	-	-	-	-	26,621	-	-	(32
As of December 31, 2012	**675,728**	**468,811**	**889**	**470,285**	**216,687**	**86,790**	**14,507**	**1,3**

The accompanying notes form an integral part of these consolidated financial sta

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Notes	2012	2011
Operating activities:			
Income before tax		**629,372**	**615,409**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Depreciation and amortization	25	260,788	217,834
Interest expenses	28	187,745	103,530
Changes in provisions	34	81,438	107,749
Income from associates (net)	12	(34,551)	(28,378)
Interest income	27	(25,217)	(35,572)
Loss/(gain) from sales of tangible and intangible assets (net)	26	(536)	1,043
Loss from sale of financial assets		-	19
Net cash flow from operating activities before changes in operating assets and liabilities		**1,099,039**	**981,634**
Changes in operating assets and liabilities (net)	34	(316,556)	(996,691)
Corporate taxes paid		(82,433)	(70,613)
Cash flows from operating activities		**700,050**	**(85,670)**
Investing activities:			
Acquisition of subsidiary, net of cash acquired	3	-	(502,400)
Interest received		24,932	38,436
Dividends received	12	10,809	5,553
Cash provided from sales of tangible and intangible assets		3,700	7,477
Acquisition of tangible and intangible assets		(474,555)	(359,517)
Cash provided from sales of financial assets		-	4
Cash flows from investing activities		**(435,114)**	**(810,447)**
Financing activities:			
Proceeds from bank borrowings		2,059,964	1,746,970
Repayment of bank borrowings		(1,216,441)	(656,882)
Dividends paid		(345,162)	(261,554)
Interest paid		(184,938)	(93,730)
Cash flows from financing activities		**313,423**	**734,804**
Currency translation differences (net)		(11,744)	20,900
Net (decrease)/ increase in cash and cash equivalents		**566,615**	**(140,413)**
Cash and cash equivalents at January 1	5	**1,172,662**	**1,313,075**
Cash and cash equivalents at December 31	5	**1,739,277**	**1,172,662**

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

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 22).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At December 31, 2012, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in 2012 is 22,839. (2011: 19,136).

Subsidiaries and branches	Country of incorporation	Core Business	Nature of business
Continuing operations as of balance sheet date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding,
Ardutch B.V. Taiwan ("Ardutch Taiwan") *	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") *	Australia, New Zealand	Sales	Consumer Durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (Beko France")	France	Sales	Consumer Durables/Electronics
Beko 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 ("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 B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia") *	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer Durables/Electronics
Ceased operations as of balance sheet date:			
Archin Limited ("Archin")	Hong Kong, China	-	-
ArcticPro SRL ("ArcticPro")	Romania	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")	Hungary	-	-
Beko S.A. Hungary ("Beko Hungary")	Hungary	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
Carron SA (Proprietary) Limited ("Defy Carron")	Republic of South Africa	-	-
Grundig Ceska Republika S.r.o ("Grundig Czech Republic")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Grundig Slovakia s.r.o ("Grundig Slovakia")	Slovakia	-	-
Ocean Appliances Limited. ("Defy Ocean")	Republic of South Africa	-	-

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

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

Associates	Country of incorporation	Core Business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı A.Ş. ("Koç Tüketici Finans")	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 and communication

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the financial reporting standards published by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué No. XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Authority (former Turkish Accounting Standards Board), IAS/IFRS issued by the IASB shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008 and 9 January 2009, including the compulsory disclosures.

Arçelik maintains its books of account and prepare its statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared under the historical cost convention except for the derivative financial instruments and financial investments presented at fair values, and the revaluations as the difference between carrying and fair values of tangible and intangible assets arisen in the business combinations.

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

New and amended standards and interpretations

The accounting policies, which are basis of presentation of consolidated financial statements for the financial period ending at December 31, 2012, are consistent with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations of the previous financial year except for the new standards and interpretation adopted in the periods beginning on January 1, 2012. The effects of these standards and interpretations on Group's financial position and performance are summarized in below related paragraphs.

The new standards and interpretation adopted in the periods beginning on January 1, 2012 summarized below:

IAS 12 "Deferred Taxes: Recovery of Underlying Assets (Amended)"

IAS 12,

i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale,

ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Amendments are to be retrospectively applied .This amendment did not have impact on the financial position or performance of the Group.

IFRS 7 "Financial instruments: Disclosures' on transfers of assets (Amended)"

These amendments arise from the IASB's review of off-balance-sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This amendment did not have impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements are summarized below The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become effective.

IAS 1 " Presentation of Financial Statements (Amended)" Presentation of other comprehensive income statement items

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendment will only affect the basis of presentation and this amendment will not have an impact on its financial position or performance.

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

IAS 19 " Employee Benefits (Amended)"

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Of these amendments, the most important ones are removal of the corridor mechanism, presentation of actuarial gains/losses related to defined benefit plans under other comprehensive income and the distinction made between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group accounts for the actuarial gains and losses under other comprehensive income statement beginning on financial year 2013.

IAS 27 " Separate Financial Statements (Amended)"

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 28 "Investments in Associates and Joint Ventures (Amended)"

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)"

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)"

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment only affects disclosure requirements.

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

IFRS 9 "Financial Instruments – Classification and measurement"

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 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. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 "Consolidated Financial Statements"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are early adopted simultaneously.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The new standard did not have a significant impact over the financial position or performance of the Group.

IFRS 11 "Joint Arrangements"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities are early adopted simultaneously.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The new standard did not have an impact over the financial position or performance of the Group

IFRS 12 " Disclosure of Interests in Other Entities"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements are early adopted simultaneously.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard, the Group will provide more comprehensive disclosures for interests in other entities.

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

UFRS 13 " Fair Value Measurement"

The new standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is mandatory for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The new standard did not have a significant impact over the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as "the beginning of the annual reporting period in which IFRS 10 is applied for the first time‘. The assessment of whether control exists is made at the date of initial application rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/IFRS 12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The new standard did not have a significant impact over the financial position or performance of the Group

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs 2009-2011 cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Group does not expect that the project will have a significant impact on the financial statements of the Group.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment, which meet the definition of property, plant and equipment, should not be classified as inventory.

IAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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

Improvements to IFRSs (Continued)

IAS 34 Interim Financial Reporting:
Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. 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

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity with CMB Financial Reporting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Arçelik has capability to control the financial and operating policies for the benefit of Arçelik, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2012 and 2011 (%) and their functional currencies:

		December 31, 2012		December 31, 2011	
	Functional Currency	Ownership interest	Effective shareholding	Ownership Interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96,71	96,71	96,71	96,71
Ardutch	Euro	100,00	100,00	100,00	100,00
Ardutch Taiwan	Taiwanese Dollar	100,00	100,00	100,00	100,00
Beko Australia	Australian Dollar/New Zealand Dollar	100,00	100,00	100,00	100,00
Beko China	Chinese Yuan	100,00	100,00	100,00	100,00
Beko Czech	Czech Koruna	100,00	100,00	100,00	100,00
Beko Deutschland	Euro	100,00	100,00	100,00	100,00
Beko Espana	Euro	100,00	100,00	100,00	100,00
Beko Egypt ([1])	Egyptian Lira	100,00	100,00	-	-
Beko France	Euro	100,00	100,00	100,00	100,00
Beko Italy	Euro	100,00	100,00	100,00	100,00
Beko Polska	Polish Zloty	100,00	100,00	100,00	100,00
Beko Russia	Russian Ruble	100,00	100,00	100,00	100,00
Beko Slovakia	Euro	100,00	100,00	100,00	100,00
Beko Shanghai	Chinese Yuan	100,00	100,00	100,00	100,00
Beko UK ([2])	British Pound/Euro	50,00	50,00	50,00	50,00
Beko Ukraine ([1])	Ukrainian Hryvna	100,00	100,00	-	-
Defy	South African Rand	100,00	100,00	100,00	100,00
Defy Botswana	Botswana Pula	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
Raupach	Euro	100,00	100,00	100,00	100,00
Ceased operations as of balance sheet date:					
Archin	-	100,00	100,00	100,00	100,00
Arctic Pro	-	100,00	100,00	100,00	100,00
Beko Cesko	-	100,00	100,00	100,00	100,00
Beko Magyarorszag	-	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
Blomberg Vertrieb ([3])	-	-	-	100,00	100,00
Defy Carron	-	100,00	100,00	100,00	100,00
Defy Ocean	-	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 Italy ([4])	-	-	-	100,00	100,00
Grundig Hungary	-	100,00	100,00	100,00	100,00
Grundig Polska ([4])	-	-	-	100,00	100,00
Grundig Portugal	-	100,00	100,00	100,00	100,00
Grundig Slovakia	-	100,00	100,00	100,00	100,00

([1]) Established in 2012.
([2]) Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders' stating that the power to govern the financial and operating policies of the Subsidiary is exerted by Arçelik A.Ş.
([3]) Legally merged with Beko Deutschland in 2012.
([4]) Dissolved in 2012.

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2012 and 2011 (%)

	2012	**2011**
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Tanı Pazarlama	32,00	32,00

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

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income.

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

Comparatives and restatement of prior periods' financial statements(Continued)

In order to conform with changes in presentation in the current period consolidated balance sheet, assets obtained as loan/receivable collateral, which were accounted in other current assets in the previous period's consolidated balance sheet, are classified under asset held for sales in the current period; short-term portion of payables to related parties, which are associated with intangible assets (Note 31) and accounted in short-term trade payables in previous periods, are accounted as financial liabilities to related parties in the current period due to the fact that the account does not have a commercial nature. Additionally, a reclassification is made in the prior period's consolidated statement of cash flow between changes in provisions and net change in operating assets and liabilities As a result of these reclassifications, current assets decreased by amounting to TRY 7,021 which is classified under asset held for sale and trade payables under short term liabilities decreased by the amount of TRY 7,077 and same amount is accounted under financial liabilities to related parties as of December 31, 2011. The reclassification between changes in provision and net change of assets and liabilities amounts to TRY 3.927 in consolidated statement of cash flow for the period ended December 31, 2012.

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

2.3 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 31).

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

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

Trade receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income (Note 26).

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

Classification (Continued)
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(c) Financial assets at fair value through profit or loss - Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

Derivative financial instruments held for trading

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments provide effective economic hedges for the Group, as such derivatives do not meet the criteria for hedge accounting they have been accounted as derivative financial instruments held for trading in the consolidated financial statements. Any gains or losses arising from changes in fair value on these derivatives are taken directly to the consolidated income statement.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts accounted for under equity are transferred to the consolidated statement of income and classified as income or expense in the period in which the hedged item affects the statement of income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred to income statement on the disposal of the foreign operation (Note 32).

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

Cash and cash equivalents

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

Investment properties

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

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

Property, plant and equipment and related depreciation

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

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

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

Gains or losses on disposals of property, plant and equipment are included in other income or expense accounts.

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

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

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note15).

a) Brands

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

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

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

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

c) Computer software and rights

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

d) Trademark licenses and patents

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

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

Business combinations and goodwill

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

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 3, 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in retained earnings.

Fair value changes of contingent consideration that arise from business combinations occurred before January 1, 2010 are adjusted against goodwill.

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

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

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 29).

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

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

Current and deferred income tax (Continued)

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income and expenses in the consolidated statements of income, except for the effective portion of the foreign currency hedge of net investments in foreign operations. Non-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

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

Revenue recognition

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

Incentives for investments, research and development activities

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

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 22).

Paid-in capital

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

Share premium

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

Provisions

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

Warranty expenses

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

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

Assembly Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

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

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

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

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

2.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in Note 2.1 (defined as CMB Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 to December 31, 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with IFRS.

NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31,2012.

On November 30,2011 the Group has acquired 100% of the shares of Defy company who owns 100% shares of Defy Namibia, Defy Trust, Defy Kindoc, Defy Ocean, Defy Carron (together be called as "Defy Group" hereinafter.) Defy Group is located in South Africa and its main activities are production of refrigerators, freezers, dryers, ovens, cooking appliances and selling and marketing of all kinds of durable home appliances.

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

Total sales consideration and the fair value of assets and liabilities acquired at the date of acquisition are summarized as follows:

Consideration in cash	351,854
Consideration paid against the payables to former shareholders	150,096
Contingent consideration	2,698
Total consideration transferred	**504,648**
The effect of cash flow hedges	20,965
Total consideration	**525,613**

The fair value amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	20,515
Derivative financial instruments	974
Trade receivables	131,493
Inventories	88,179
Other assets	971
Tangible assets	51,716
Intangible assets (brand)	230,046
Deferred tax assets	96
Trade payables and other payables	(71,074)
Tax provision and other provisions	(19,517)
Other liabilities	(18,832)
Provisions for employment termination benefits	(433)
Deferred tax liabilities	(67,916)
Total fair value of identifiable net assets	**346,218**
Goodwill	179,395
Total consideration	**525,613**

NOTE 3 - BUSINESS COMBINATIONS(Continued)

In 2011 consolidated income statement, contribution to consolidated sales by Defy Group after the date of acquisition is TRY 62,641. In the same period, excluding the effects of inter-company sales profitability, the contribution by Defy Group to consolidated net profit of Arçelik Group amounts to TRY 570.

Had the financial statements of Defy Group been consolidated since January 1, 2011, the 2011 consolidated sales of Arçelik Group would have been TRY 9,047,702.

In year 2011, the total amount of acquisition costs, included in the general and administrative expenses, is TRY 6,498.

The details of cash outflow due to acquisition as of December 31, 2012 are as follows:

Consideration – paid in cash in 2011	522,915
Contingent consideration –paid in cash in 2012	2,698
Cash and cash equivalents –acquired	(20,515)
Cash outflow due to acquisition of subsidiary (net)	**505,098**

NOTE 4 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised 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 CMB Financial Reporting Standards.

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2012 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	7,079,397	1,798,216	1,679,248	10,556,861
Gross profit	2,265,258	347,211	441,368	3,053,837
Depreciation and amortisation	210,612	46,169	9,939	266,720
Capital expenditures	424,892	46,396	9,199	480,487
Income from associates	-	-	34,551	34,551

NOTE 4 - SEGMENT REPORTING(Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	5,560,182	1,451,332	1,425,725	8,437,239
Gross profit	1,829,914	320,510	389,806	2,540,230
Depreciation and amortisation	172,483	41,004	8,856	222,343
Capital expenditures	316,749	37,275	10,002	364,026
Income from associates	-	-	28,378	28,378

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

2012	**Turkey**	**Europe**	**Africa**	**Other**	**Total**
Total segment revenue	4,453,607	4,100,719	925,862	1,076,673	10,556,861
Income from associates	34,551	-	-	-	34,551
2011	**Turkey**	**Europe**	**Africa**	**Other**	**Total**
Total segment revenue	3,976,915	3,336,787	225,421	898,116	8,437,239
Income from associates	28,378	-	-	-	28,378

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31,2011
Cash in hand	304	309
Cash at banks		
- demand deposits	98,558	90,986
- time deposits	1,578,386	1,040,416
Cheques and notes	58,500	38,044
Other	3,529	2,907
Cash and cash equivalents in cash flow statement	**1,739,277**	**1,172,662**
Interest income accruals	1,512	1,227
	1,740,789	**1,173,889**

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

Up to 30 days	1,362,729	839,628
30-90 days	378,060	334,261
	1,740,789	**1,173,889**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2012		December 31, 2011	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	637,253	3.98	489,888
Other		1,488		1,488
		638,741		**491,376**

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

	2012	2011
As of January 1	**491,376**	**658,679**
Fair value gains/(losses)	147,365	(167,280)
Sale of financial asset	-	(23)
As of December 31	**638,741**	**491,376**

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 139,997 (December 31, 2011: unrealized loss amounting to TRY 158,916) net of deferred tax effect amounting to TRY 7,368 (December 31, 2011: TRY 8,364) have been recognized in consolidated shareholders' equity under the "revaluation reserves" in the year ended at December 31, 2012.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.80%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, Turkish Lira based discount rate of 12.9 % (2011: 15.4%) has been taken into consideration.

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2012	December 31, 2011
Short-term bank borrowings	785,039	1,078,206
Short-term portion of long-term bank borrowings	1,359,235	550,554
Other	132	183
	2,144,406	**1,628,943**

As of December 31, 2012, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	0.0	-	12,175
EUR	1.1	240,788,355	566,262
USD	1.1	73,639,937	131,271
RUB	8.6	1,027,529,633	59,679
CNY	5.6	55,102,667	15,632
RON	7.8	38,968	20
			785,039

As of December 31, 2011, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.0	-	26,710
EUR	2.1	388,022,169	948,245
RUB	7.3	1,564,499,204	90,976
CNY	6.0	35,056,933	10,570
USD	0.4	887,118	1,676
RON	6.3	52,422	29
			1,078,206

b) Long-term financial liabilities

	December 31, 2012	December 31, 2011
Long-term bank borrowings	1,858,992	1,528,130
Other	111	107
	1,859,103	**1,528,237**

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2012, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	7.9	-	1,061,403
EUR	2.5	652,765,392	1,535,109
USD	2.5	177,442,071	316,309
ZAR	6.7	684,001,830	143,947
GBP	2.6	50,172,417	144,035
RUB	8.1	300,000,000	17,424
			3,218,227
Less: Short-term portion			(1,359,235)
			1,858,992

As of December 31, 2011, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	11.6	-	505,254
EUR	3.7	419,908,838	1,026,175
USD	2.2	127,356,398	240,563
ZAR	7.2	684,257,945	160,246
GBP	3.2	50,204,425	146,446
			2,078,684
Less: Short-term portion			(550,554)
			1,528,130

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

	December 31, 2012	December 31, 2011
2013	-	1,039,370
2014	743,590	488,760
2015	812,294	-
2016	99,294	-
2017	99,294	-
2018 and after	104,520	-
	1,858,992	**1,528,130**

The analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

Up to 6 months	3,514,922	2,660,751
6 - 12 months	176,840	306,685
1-5 years	311,504	189,454
	4,003,266	**3,156,890**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012			December 31, 2011		
	Contract Amount	Fair value Assets /(Liabilities)		Contract amount	Fair Value Assets /(Liabilities)	
Held for trading:						
Forward transactions	436,522	325	(2,415)	400,607	2,364	(134)
Foreign currency swap contracts	553,781	1,851	(1,265)	294,270	568	(61)
	990,303	**2,176**	**(3,680)**	**694,877**	**2,932**	**(195)**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2012	December 31, 2011
Short-term trade receivables:		
Trade receivables	1,906,489	1,864,092
Notes receivables	1,248,940	1,241,891
Cheques receivables	193,523	165,888
Due from related parties (Note 31)	22,586	23,402
Short-term trade receivables (gross)	**3,371,538**	**3,295,273**
Less: Provision for doubtful receivables	(93,229)	(93,579)
Less: Unearned credit finance income	(16,832)	(20,824)
Short-term trade receivables (net)	**3,261,477**	**3,180,870**

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

	2012	2011
As of January 1	**93,579**	**110,611**
Current year additions (Note 26)	27,756	23,326
Provisions no longer required (Note 26)	(2,700)	(1,808)
Write-offs (*)	(23,699)	(46,328)
Acquisition of subsidiary (Note 3)	-	241
Currency translation differences	(1,707)	7,537
As of December 31	**93,229**	**93,579**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2012	December 31, 2011
Long-term trade receivables		
Trade receivables	10,969	16,018
	10,969	**16,018**

Short-term trade payables		
Trade payables	1,001,156	1,120,739
Due to related parties (Note 31)	173,032	133,283
Unearned credit finance charges	(5,414)	(11,568)
	1,168,774	**1,242,454**

NOTE 10 - OTHER PAYABLES

	December 31, 2012	December 31, 2011
Other payables		
Taxes and duties payable	92,878	122,096
Payables to personnel	55,331	51,655
Deposits and guarantees received	9,876	6,243
Other	6,899	3,697
	164,984	**183,691**

NOTE 11 - INVENTORIES

	December 31, 2012	December 31, 2011
Raw materials and supplies	807,397	783,785
Work in progress	61,216	49,382
Finished goods	648,538	576,128
Trade goods	142,292	184,157
Inventories (gross)	**1,659,443**	**1,593,452**
Less: Provision for impairment on inventories	(59,785)	(63,311)
Inventories (net)	**1,599,658**	**1,530,141**

There are no inventories pledged as security for liabilities (December 31, 2011:None).

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

Raw materials and supplies	51,939	55,059
Finished goods	5,034	5,698
Trade goods	2,812	2,554
	59,785	**63,311**

NOTE 11 – INVENTORIES (Continued)

The movements of provision for impairment on inventories for the years ended December 31, are as follows:

	2012	2011
As of January 1	**63,311**	**72,578**
Current year additions (Note 26)	3,891	2,182
Realised due to sales of inventory	(6,861)	(13,822)
Acquisition of subsidiary	-	802
Currency translation differences	(556)	1,571
As of December 31	**59,785**	**63,311**

NOTE 12 - ASSOCIATES

	December 31, 2012		December 31, 2011	
	%	**TRY**	**%**	**TRY**
Koç Tüketici Finans	47.0	80,119	47.0	74,287
Arçelik - LG	45.0	80,625	45.0	67,296
Ram Dış Ticaret	33.5	15,478	33.5	13,026
Tanı Pazarlama	32.0	6,392	32.0	5,971
		182,614		**160,580**

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

	2012	2011
As of January 1	**160,580**	**136,604**
Share of income/(loss)	34,551	28,378
Share of other comprehensive income/expense	(1,708)	1,151
Dividends received	(10,809)	(5,553)
As of December 31	**182,614**	**160,580**

Share of income/(loss) of associates

	2012	2011
Koç Tüketici Finans	16,942	15,048
Arçelik - LG	13,329	8,518
Ram Dış Ticaret	3,859	3,522
Tanı Pazarlama	421	1,290
	34,551	**28,378**

NOTE 12 – ASSOCIATES (Continued)

Aggregated summary figures of the financial statements of associates

	December 31, 2012	December 31, 2011
Total assets	2,111,607	1,996,446
Total liabilities	1,692,604	1,631,776

	2012	2011
Sales revenues	1,791,362	1,694,374
Net income/(loss) for the year	78,502	65,490

NOTE 13 - INVESTMENT PROPERTIES

	2012	2011
As of January 31		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net book value	**6,441**	**5,480**
Net book value at the beginning of the year	**6,441**	**5,480**
Currency translation differences	(258)	1,105
Current year depreciation	(143)	(144)
Impairment provision	(941)	-
Net book value at the end of the year	**5,099**	**6,441**
As of December 31		
Cost	12,268	13,754
Accumulated depreciation	(7,169)	(7,313)
Net book value	**5,099**	**6,441**

As of December 31, 2012, impairment provision writing down investment property to its recoverable amount is accounted for in the financial statements. Fair value which provide the basis for the valuation was calculated by an independent valuation firm at January 24, 2013 (2011: January 18, 2012).

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2012	Additions	Disposals	Transfers	Currency translation differences	December 31, 2012
Cost						
Land	15,040	304	(304)	127	(227)	**14,940**
Land improvements	32,904	568	-	10	-	**33,482**
Buildings	561,327	8,247	(844)	917	(6,182)	**563,465**
Machinery, equipment and moulds	2,804,867	186,482	(77,086)	92,559	(13,708)	**2,993,114**
Motor vehicles and fixtures	273,069	28,576	(5,182)	26,692	(1,921)	**321,234**
Leasehold improvements	40,490	1,338	(79)	35	(104)	**41,680**
Construction in progress	15,966	156,724	(7)	(120,340)	(2,502)	**49,841**
	3,743,663	**382,239**	**(83,502)**	**-**	**(24,644)**	**4,017,756**
Accumulated depreciation						
Land improvements	(17,918)	(1,519)	-	-	-	(19,437)
Buildings	(177,153)	(12,067)	46	-	1,406	(187,768)
Machinery, equipment and Moulds	(1,880,524)	(162,365)	75,439	-	6,599	(1,960,851)
Motor vehicles and Fixtures	(186,504)	(28,644)	4,855	-	711	(209,582)
Leasehold improvements	(34,723)	(2,063)	21	-	50	(36,715)
	(2,296,822)	**(206,658)**	**80,361**	**-**	**8,766**	**(2,414,353)**
Net book value	**1,446,841**					**1,603,403**

There is no mortgage on property, plant and equipment as of December 31, 2012 (December 31, 2011: None).

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Transfers	Currency translation differences	December 31, 2011
Cost							
Land	15,628	-	698	(2,464)	532	646	15,040
Land improvements	29,903	-	471	-	2,530	-	32,904
Buildings	505,318	24,352	3,942	(1,837)	1,791	27,761	561,327
Machinery, equipment and moulds	2,589,939	20,675	48,270	(72,097)	170,697	47,383	2,804,867
Motor vehicles and fixtures	225,687	4,152	19,743	(4,644)	21,814	6,317	273,069
Leasehold improvements	37,123	47	2,438	-	-	882	40,490
Construction in progress	6,942	2,490	203,139	-	(197,364)	759	15,966
	3,410,540	**51,716**	**278,701**	**(81,042)**	**-**	**83,748**	**3,743,663**
Accumulated depreciation							
Land improvements	(16,471)	-	(1,447)	-	-	-	(17,918)
Buildings	(160,584)	-	(11,559)	335	-	(5,345)	(177,153)
Machinery, equipment and moulds	(1,782,550)	-	(141,197)	68,273	-	(25,050)	(1,880,524)
Motor vehicles and fixtures	(166,169)	-	(19,968)	3,917	-	(4,284)	(186,504)
Leasehold improvements	(32,521)	-	(1,832)	-	-	(370)	(34,723)
	(2,158,295)	**-**	**(176,003)**	**72,525**	**-**	**(35,049)**	**(2,296,822)**
Net book value	**1,252,245**						**1,446,841**

NOTE 15 - INTANGIBLE ASSETS

	January 1, 2012	Additions	Disposals	Currency translation differences	December 31, 2012
Cost					
Brands	548,450	-	-	(33,143)	515,307
Development costs	295,917	90,915	-	-	386,832
Computer software and rights	98,140	7,333	(930)	(452)	104,091
Trademark licenses and patents	17,620	-	(69)	(661)	16,890
	960,127	**98,248**	**(999)**	**(34,256)**	**1,023,120**
Accumulated amortization					
Development costs	(97,034)	(47,936)	-	-	(144,970)
Computer software and rights	(66,825)	(8,688)	907	29	(74,577)
Trademark licenses and patents	(13,174)	(3,295)	69	428	(15,972)
	(177,033)	**(59,919)**	**976**	**457**	**(235,519)**
Net book value	**783,094**				**787,601**

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Currency translation differences	December 31, 2011
Cost						
Brands	268,489	230,046	-	-	49,915	548,450
Development costs	222,802	-	73,115	-	-	295,917
Computer software and rights	83,475	-	12,210	(16)	2,471	98,140
Trademark licenses and patents	14,923	-	-	(159)	2,856	17,620
	589,689	**230,046**	**85,325**	**(175)**	**55,242**	**960,127**
Accumulated amortization						
Development costs	(61,190)	-	(35,844)	-	-	(97,034)
Computer software and rights	(58,850)	-	(7,010)	13	(978)	(66,825)
Trademark licenses and patents	(8,232)	-	(3,342)	159	(1,759)	(13,174)
	(128,272)	**-**	**(46,196)**	**172**	**(2,737)**	**(177,033)**
Net book value	**461,417**					**783,094**

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

	December 31, 2012	December 31, 2011
Defy(*)	219,332	244,074
Grundig(*)	202,393	210,322
Beko	81,040	81,040
Other brands(*)	12,542	13,014
	515,307	**548,450**

(*) Values of brands in their original currencies are same as of December 31, 2012 and 2011 and the difference arises from foreign currency translation.

NOTE 15 - INTANGIBLE ASSETS (Continued)

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2012. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with rates between 1% and 3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 7.4% to 9.7% discount rates.

NOTE 16 – GOODWILL

	2012	2011
As of January 1	**196,167**	**7,190**
Acquisition of subsidiary (Note 3)	-	179,395
Effect of the change in contingent liabilities arising from acquisition of subsidiary (*)	-	(1,596)
Currency translation differences	(19,087)	11,178
As of December 31	**177,080**	**196,167**

(*) Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

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

As of December 31, 2012, Goodwill over Defy acquisition and other acquisitions are TRY 171,160 (December 31, 2011: TRY 190,148) and TRY 5,920 (December 31, 2011: TRY 6,019) respectively.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2012:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2013 and December 31, 2017.

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

Weighted average cost of capital rate of 9% - 9.5% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

NOTE 16 – GOODWILL (Continued)

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

Recoverable value of cash generating unit is 70% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortisation ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

Originally, average EBITDA of the future five years is assumed to be 68% greater than the value of the year 2012. Had average EBITDA of the future five years been assumed to be 38% above the value, the recoverable amount would have been calculated as 15% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Long term growth rate

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 0%, the recoverable amount would have been 27% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 9.5%. Had the rate been assumed to be 11.5%, the recoverable amount would have been 28% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 17 - GOVERNMENT GRANTS

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

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

Grants which are accounted for under other income for year ended December 31, 2012 are as follows:

i) Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 1,985 (2011: TRY 2,065),
ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 35,906 (2011: TRY 15,657),
iii) Donation received related to European Union 7th Framework Program amounts to TRY 274 (2011: TRY 825).

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2012, export commitments from Turkey under the scope of export incentives amounts to full USD 968,510,365 (December 31, 2011: 1,244,265,732 USD).

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

	December 31, 2012	December 31, 2011
Up to 1 year	14,147	14,330
1-5 years	27,211	25,651
Over 5 years	15,202	19,076
Operating lease commitments	**56,560**	**59,057**

Derivative financial instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2012 and December 31, 2011 are as follows.

December 31, 2012	Foreign exchange purchase commitments	Foreign exchange sales commitments
TRY	24,519	50,965
USD	320,581	17,241
EUR	104,514	37,983
AUD	657	18,477
ZAR	-	41,535
GBP	-	196,650
SEK	5,088	21,775
PLN	8,336	23,174
RON	23,371	-
RUB	8,317	87,120
	495,383	**494,920**

December 31, 2011	Foreign exchange purchase commitments	Foreign exchange sales commitments
TRY	-	38,916
USD	250,916	5,899
EUR	79,772	19,550
ZAR	-	17,715
GBP	-	102,096
SEK	-	39,470
PLN	-	26,507
RON	12,273	-
RUB	5,815	95,948
	348,776	**346,101**

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

	December 31, 2012	December 31, 2011
Collaterals obtained	2,205,854	1,989,719

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2012 and 2011 are as follows:

CPM's given by the company	December 31, 2012	December 31, 2011
A. CPM's given on behalf of own corporate entities	323,043	177,329
B. CPM's given on behalf of fully consolidated subsidiaries	31,195	14,167
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**354,238**	**191,496**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2012 and 2011:

CPM's given	December 31, 2012	December 31, 2011
USD	311,784	130,297
TRY	26,059	32,248
EUR	12,714	26,857
Other	3,681	2,094
	354,238	**191,496**

NOTE 19 - PROVISIONS

	December 31, 2012	December 31, 2011
Short-term provisions:		
Warranty provision	136,967	128,996
Assembly provision	39,300	44,605
Provision for transportation cost	9,686	9,250
Provision for returns	7,461	6,756
Provision for lawsuit risks	6,284	8,021
Other	33,679	34,762
	233,377	**232,390**
Long-term provisions:		
Warranty provision	80,311	79,761
Other	1,837	1,758
	82,148	**81,519**

NOTE 19 – PROVISIONS (Continued)

The movements of warranty and assembly provisions for the year ended December 31, 2012 are as follows:

2012	Warranty provision	Assembly provision
As of January 1	**208,757**	**44,605**
Additions	236,029	197,897
Disposals	(224,187)	(203,202)
Currency translation differences	(3,321)	-
As of December 31	**217,278**	**39,300**

2011	Warranty provision	Assembly provision
As of January 1	**168,572**	**38,774**
Additions	218,049	168,117
Disposals	(200,717)	(162,286)
Acquisition of subsidiary	8,175	-
Currency translation differences	14,678	-
As of December 31	**208,757**	**44,605**

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY 3,033.98 (December 31, 2011: full TRY 2,731.85) for each period of service at December 31, 2012.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.	**2012**	**2011**
Net discount rate (%)	3.86	4.63
Turnover rate related the probability of retirement (%)	96	97

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 3,129.25 (January 1, 2012: full TRY 2,917.27) which is effective from January 1, 2013 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits are as follows:

	2012	**2011**
As of January 1	**106,782**	**99,700**
Interest expense	4,937	4,645
Actuarial (gains)/ losses	(6,311)	6,002
Acquisition of subsidiary (Note 3)	-	433
Increase during the year	30,592	11,180
Payments during the year	(23,506)	(15,757)
Currency translation differences	(240)	579
As of December 31	**112,254**	**106,782**

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

Turkey	110,470	103,161
Non - Turkey	1,784	3,621
	112,254	**106,782**

NOTE 21 - OTHER ASSETS AND LIABILITIES

	December 31, 2012	December 31, 2011
Other current assets:		
Taxes and funds deductible	39,596	59,136
Prepaid taxes and funds	26,318	24,855
Prepaid expenses	21,980	15,988
Value added tax and private consumption tax receivables	12,210	24,811
Income accruals	8,489	1,245
Advances given for fixed assets	3,429	4,480
Other	11,985	8,481
	124,007	**138,996**
Other current liabilities		
Accruals for customer premiums	145,459	115,406
Accruals for license fee expenses	22,121	19,121
Accruals for sales and marketing expenses	17,165	11,234
Accruals for advertising expenses	8,071	6,166
Accruals for bonuses and premiums	6,926	7,057
Advances received	617	47,483
Liabilities attributable to the acquisition of subsidiary	-	2,676
Other	3,144	3,477
	203,503	**212,620**

NOTE 22 - EQUITY

Paid-in capital

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

	December 31, 2012	December 31, 2011
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.

NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2012		December 31, 2011	
	Share %	**Amount**	**Share %**	**Amount**
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "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

It is related to merger with Grundig Elektronik A.Ş. dated June 30, 2009.

NOTE 22 - EQUITY (Continued)

Revaluation fund

Increases/decreases in carrying amounts resulted from revaluations recognized directly in the equity are followed in the funds described below:

	December 31, 2012	December 31, 2011
Financial assets fair value difference	468,792	328,795
Non-current assets fair value difference	59,024	68,660
Foreign currency hedge of net investments in foreign operations	(56,974)	(57,101)
Cash flow hedges	(557)	1,151
Revaluation fund total	**470,285**	**341,505**

Restricted reserves

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

The details of these restricted reserves are as follows:

	December 31, 2012	December 31, 2011
General legal reserves	83,690	83,690
Other legal reserves	132,997	106,376
	216,687	**190,066**

As agreed in the ordinary general meeting dated March 29, 2012, the decision to pay dividend as cash has been taken and the payment was made in April 2012 (previous year in March 2011). The dividend details are as follows: 44.4% (2011:37.0%) corresponding to gross TRY 0.44397 (full) (2011:TRY 0.36997 (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; 40.1% (2011:37.0%) corresponding to gross TRY 0.44397 (full) (2011: TRY 0.36997 (full)) and net TRY 0.40056 (full) (2011: TRY 0.31449 (full)) per share of TRY 1,00 (full) nominal value to the other shareholders.

NOTE 22 – EQUITY (Continued)

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in capital" and not been transferred to capital yet, shall be classified under the "Inflation adjustment to share capital";
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount that has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings".

Dividend distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

In accordance with the Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, companies which are required to prepare consolidated financial statements are allowed to calculate, the distributable profit based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29, as long as the amount can be met from the resources in their statutory books.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remainder of current year income and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY 581,179 (December 31, 2011: 726,671 TRY).

NOTE 23 - SALES AND COST OF SALES

	2012	2011
Domestic sales	4,628,429	4,125,234
Foreign sales	6,788,210	4,913,727
Gross sales	**11,416,639**	**9,038,961**
Less: Discounts	(859,778)	(601,722)
Net sales	**10,556,861**	**8,437,239**
Cost of sales	(7,503,024)	(5,897,009)
Gross profit	**3,053,837**	**2,540,230**

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2012	2011
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	530,989	399,323
Warranty and assembly expenses	433,926	386,166
Advertising and promotion expenses	328,454	281,013
Personnel expenses	271,024	216,154
License expenses	42,828	21,237
Depreciation and amortisation expenses	17,694	11,894
Energy expenses	6,510	5,988
Other	189,475	152,479
	1,820,900	**1,474,254**
General administrative expenses:		
Personnel expenses	188,734	164,143
Insurance expenses	30,048	25,333
Information technology expenses	26,738	20,311
Depreciation and amortisation expenses	26,162	22,245
Legal consultancy and audit expenses	22,485	22,913
Rent expenses	12,039	10,314
Donations	7,177	8,136
Duties, taxes and levies	6,136	8,206
Energy expenses	4,798	4,331
Repair and maintenance expense	4,419	4,938
Other	61,192	51,702
	389,928	**342,572**
Research and development expenses (*) :		
Depreciation and amortisation expenses	54,170	36,803
Personnel expenses	11,541	19,313
Other	7,287	8,731
	72,998	**64,847**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 115,976 in 2012 (2011: TRY 102,118).

NOTE 25 - EXPENSES BY NATURE

	2012	2011
Raw materials, supplies and trade goods	6,633,810	5,459,496
Changes in finished goods, work in process and trade goods	(42,379)	(310,301)
Personnel expenses	995,187	824,170
Transportation, distribution and storage expenses	582,910	440,058
Warranty and assembly expenses	433,926	386,166
Advertising and promotion expenses	328,454	281,013
Depreciation and amortisation expenses	260,788	217,834
Energy expenses	90,202	70,335
Repair and maintenance expenses	61,693	51,725
License expenses	42,828	21,237
Provision expense for doubtful receivables	27,756	23,326
Product recall expenses	14,734	30,459
Other	439,521	356,021
	9,869,430	**7,851,539**

NOTE 26 - OTHER INCOME AND EXPENSES

	2012	2011
Other operating income		
Income from claims and grants	42,206	29,719
Reversal of provisions	4,107	12,228
Reversal of provisions for doubtful receivables	2,700	1,808
Income from sales of property, plant and equipment	1,973	2,631
Other	18,720	13,808
	69,706	**60,194**
Other operating expenses		
Provision expense for doubtful receivables	(27,756)	(23,326)
Product recall expenses (*)	(14,734)	(30,459)
Provision expense for impairment on inventories	(3,891)	(2,182)
Loss from sales of property, plant and equipment	(1,437)	(3,674)
Other	(34,762)	(13,216)
	(82,580)	**(72,857)**

(*) Product recall expenses includes expenses of voluntary recall which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000-2006 in England and Ireland with expired warranties. Although, these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who gives importance to product safety, required modifications were met free of charge with the aim to remove the potential risks.

NOTE 27 - FINANCIAL INCOME

	2012	2011
Foreign exchange gains (*)	262,955	292,123
Gains on derivative financial instruments	28,682	28,175
Interest income	25,217	35,572
Credit finance income	19,827	59,582
Other	117	106
	336,798	**415,558**

NOTE 28 - FINANCIAL EXPENSES

	2012	2011
Foreign exchange losses (*)	(226,260)	(311,756)
Interest expenses	(187,745)	(103,530)
Losses on derivative financial instruments	(55,916)	(19,816)
Cash discounts expenses	(14,270)	(18,262)
Credit finance charges	(4,160)	(9,576)
Other	(10,763)	(11,481)
	(499,114)	**(474,421)**

(*) Except for the effective portion of foreign exchange differences of the financial borrowings designated as foreign currency hedge of net investments in foreign operations, all of the foreign exchange gains and losses, arising from the translation of foreign currency denominated monetary assets and liabilities, are accounted for as foreign exchange income and expenses in the income statements under financial income and expenses respectively. There is no foreign exchange gain or loss, capitalized on assets or included above operating profit.

NOTE 29 - TAX ASSETS AND LIABILITIES

	December 31, 2012	December 31, 2011
Corporation and income taxes	86,591	61,483
Less: prepaid tax	(62,583)	(38,233)
Current income tax liabilities (net)	**24,008**	**23,250**
Deferred tax assets	85,968	63,387
Deferred tax liabilities	(236,406)	(226,142)
Deferred tax liabilities, (net)	**(150,438)**	**(162,755)**

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

The corporation tax rate is 20% in Turkey (December 31, 2011: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended at December 31, are as follows:

	2012	2011
Tax expenses		
- Current period tax expense	(85,824)	(71,996)
- Deferred tax expense	8,140	(2,326)
Tax expenses (net)	**(77,684)**	**(74,322)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB 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 CMB Financial Reporting Standards and tax purposes.

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Property, plant and equipment and intangible assets	1,213,884	1,148,784	(261,202)	(257,693)
Available-for-sale investments	493,467	346,102	(24,672)	(17,305)
Unearned credit finance income/expense (net)	27,427	41,353	(5,485)	(8,271)
Unused tax credits	(276,205)	(178,166)	57,116	42,150
Provision for warranty and assembly expense	(163,698)	(166,353)	33,066	33,158
Provision for employment termination benefits	(110,790)	(103,621)	22,184	20,761
Provision for impairment on inventories	(51,695)	(57,077)	10,417	11,467
Provision for doubtful receivables	(12,976)	(12,967)	2,514	2,266
Accrual for licenses	(1,815)	(7,322)	363	1,464
Derivative financial instruments	(1,504)	2,308	201	(462)
Other	(63,717)	(38,940)	15,060	9,710
Deferred tax liabilities (net)			**(150,438)**	**(162,755)**

	2012	2011
As of January 1	**(162,755)**	**(89,305)**
Tax expense recognized in income statement	8,140	(2,326)
Tax recognized directly in the shareholders' equity	(6,948)	8,787
Acquisition of subsidiary (Note 3)	-	(67,820)
Currency translation differences	11,125	(12,091)
As of December 31	**(150,438)**	**(162,755)**

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 221,427. Maturity analysis of this amount is as follows:

	December 31, 2012
2013	4,897
2014	11,360
2015	10,747
2016	12,029
2017 and after	182,394
	221,427

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31,2012, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 433,533.(December 31,2011: TRY 430,403)

Reconciliation between tax expenses for the years ended December 31, 2012 and 2011 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2012	**2011**
Profit before tax	629,372	615,409
Tax expense calculated using 20% local tax rate	**(125,874)**	**(123,082)**
Exemptions	29,949	28,079
Effect of unused tax losses for which no deferred tax asset was recognized	(5,209)	(3,834)
Expenses not deductible for tax purposes	(15,694)	(12,135)
Impact of different tax rates in other countries	(5,195)	(7,924)
Adjustments with no tax effects	17,490	22,838
Utilization of previously unrecognized tax losses	24,479	21,854
Other	2,370	(118)
Taxation expense recognized in income statement	**(77,684)**	**(74,322)**
Effective tax rate	**12.3%**	**12.1%**

NOTE 30 - EARNINGS PER SHARE

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

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

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

	December 31, 2012	December 31, 2011
Net income attributable to the equity holders of the parent	524,764	506,506
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.777**	**0.750**
Dividends distributed to the equity holders of the parent	300,000	250,000
Gross dividend distributed per share (*)	**0.444**	**0.370**

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

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2012	December 31, 2011
(a) Due from related parties		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ([1])	19,441	16,876
Koçtaş Yapı Marketleri Ticaret A.Ş. ([1])	2,104	5,286
Other	1,041	1,240
	22,586	**23,402**

	December 31, 2012	December 31, 2011
(b) Due to related parties:		
Short-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş. ([2])	83,719	88,065
Arçelik-LG ([2])	64,162	15,955
Ram Dış Ticaret ([2])	15,855	19,139
Other	9,296	10,124
	173,032	**133,283**

([1]) Koç Holding group companies
([2]) Associates

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2012	December 31, 2011
Short term financial liabilities		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	7,030	7,077
Long term financial liabilities		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	59,540	70,539

(*) 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 financial liabilities to related parties, amounts to TRY 81,040 as of December 31, 2012. (December 31, 2011: TRY 81,040).

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

	December 31, 2012	December 31, 2011
Financial liabilities to related parties - gross		
Up to 1 year	11,221	10,956
1 to 5 years	40,823	43,634
Over 5 years	30,482	43,067
	82,526	**97,657**
Less: future finance charges on financial liabilities	(15,956)	(20,041)
Present value of financial liabilities to related parties - net	**66,570**	**77,616**

Maturity analysis of the present value of financial liabilities to related parties is as follows:

	December 31, 2012	December 31, 2011
Up to 1 year	7,030	7,077
1 to 5 years	31,466	32,039
Over 5 years	28,074	38,500
	66,570	**77,616**

(c) Deposits:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries ([1])	590,068	430,733
(d) Bank borrowings:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries ([1])	370,755	446,220

([1]) Koç Holding group companies

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

December 31, 2012	Contract amount	Fair value Assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	352,538	-	(284)

December 31, 2011	Contract amount	Fair value Assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	210,069	920	-

(ii) Transactions with related parties

	2012	2011
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	77,333	70,300
Zer Merkezi Hizmetler ve Ticaret A.Ş.	57,092	55,188
Koçtaş Yapı Marketleri Ticaret A.Ş.	23,510	27,430
Arçelik-LG	4,096	16,543
Other	24,318	15,471
	186,349	**184,932**

	2012	2011
(b) Purchases of goods and services:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	628,428	502,301
Arçelik-LG	443,271	356,423
Ram Dış Ticaret	70,098	81,865
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ([1])	25,563	21,487
Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*)	23,070	20,893
Setur Servis Turistik A.Ş. ([1])	20,541	16,749
Other	49,722	65,497
	1,260,693	**1,065,215**

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.

(1) Koç Holding group companies
(*) The amount is composed of accrued premiums in the period ending December 31, 2012 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.

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2012 amounts to TRY 34,300 (2011: TRY 37,815). Compensation includes only short-term benefits.

(d) Other transactions

	2012	2011
Interest income		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	10,458	12,064
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	13,030	8,316

NOTE 32 - 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 Group eliminates the risk of failure to settle its financial and commercial liabilities by managing the balance sheet according to expected cash flows.

In this context, the maturities of the financial liabilities are arranged according to the maturities of assets, and a mismatch between the maturities is eliminated. There is a level of "acid-test" ratio to manage the consolidated and standalone balance sheets followed by the Group Companies' managements.

Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2012 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	4,003,509	4,380,242	683,480	1,588,440	2,055,032	53,290
Trade payables	1,168,774	1,174,188	1,150,902	23,286	-	-
Financial payables to related parties	66,570	82,526	2,606	8,615	40,823	30,482
Other payables	72,106	72,106	64,474	7,632	-	-
Other liabilities	205,208	205,208	200,799	2,704	1,705	-
	5,516,167	**5,914,270**	**2,102,261**	**1,630,678**	**2,097,559**	**83,772**

Derivative financial instruments	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		495,583	495,583	-	-	-
Derivative cash outflows		(497,087)	(497,087)	-	-	-
Derivative instruments, net	**(1,504)**	**(1,504)**	**(1,504)**	**-**	**-**	**-**

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2011 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	-
Trade payables	1,242,454	1,250,142	1,243,272	6,870	-	-
Financial payables to related parties	77,616	97,657	1,736	9,220	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	-	-
Other liabilities	214,893	214,893	206,720	5,900	2,273	-
	4,753,738	**4,966,439**	**2,340,888**	**923,045**	**1,659,439**	**43,067**

Derivative financial instruments	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		348,805	348,805	-	-	-
Derivative cash outflows		(346,068)	(346,068)	-	-	-
Derivative instruments, net	**2,737**	**2,737**	**2,737**	**-**	**-**	**-**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

Average effective annual interest rates of balance sheet items as of December 31, 2012 and 2011 are as follows:

December 31, 2012 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**	**ZAR**	**PLN**	**SEK**
Current Asset										
Cash and cash equivalents	8.39	1.71	2.76	0.25	5.25	-	2.22	4.50	4.30	0.11
Trade receivable	4.08	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	0.00	1.09	1.12	-	7.80	8.57	5.60	-	-	-
Trade payables	6.06	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	7.85	2.49	2.50	2.59	-	8.10	-	6.73	-	-

December 31, 2011 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**	**ZAR**	**PLN**	**CZK**
Current Asset										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	13.00	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	11.60	3.69	2.24	3.20	-	-	-	7.18	-	-

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2012	2011
Financial instruments with fixed interest rates		
Time deposits	960,460	436,144
Financial liabilities	946,659	696,887
Financial instruments with variable interest rates		
Time deposits	619,438	605,499
Financial liabilities	3,056,607	2,460,004

At December 31, 2012, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 25,620 (2011: TRY 18,545) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2012 and 2011 are as follows:

	Trade Receivables		Bank	Derivative
December 31, 2012	**Related parties**	**Third parties**	**deposits**	**financial instruments**
Maximum exposed credit risk as of reporting date [(1)]	**22,586**	**3,249,860**	**1,678,456**	**2,716**
Secured portion of the maximum credit risk by guarantees, etc. [(2)]	-	(2,712,636)	-	-
A. Net book value of financial asset either are not due or not impaired	22,586	3,004,198	1,678,456	2,716
-Secured portion by guarantees, etc.	-	(2,505,990)	-	-
B. Financial assets with renegotiated conditions	-	26,556	-	-
- Secured portion by guarantees, etc.	-	(25,967)	-	-
C. Net book value of overdue but not impaired financial assets	-	168,384	-	-
- Secured portion by guarantees, etc.	-	(129,957)	-	-
D. Net book value of the impaired assets	-	50,722	-	-
- Overdue (Gross book value)	-	143,951	-	-
- Impairment (-)	-	(93,229)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,722)		

	Trade Receivables		Bank	Derivative
December 31, 2011	**Related parties**	**Third parties**	**deposits**	**financial instruments**
Maximum exposed credit risk as of reporting date [(1)]	**23,402**	**3,173,486**	**1,132,629**	**2,932**
Secured portion of the maximum credit risk by guarantees, etc. [(2)]	-	(2,379,314)	-	-
A. Net book value of financial asset either are not due or not impaired	23,402	2,944,983	1,132,629	2,932
-Secured portion by guarantees, etc.	-	(2,187,054)	-	-
B. Financial assets with renegotiated conditions	-	29,685	-	-
- Secured portion by guarantees, etc.	-	(26,850)	-	-
C. Net book value of overdue but not impaired financial assets	-	140,562	-	-
- Secured portion by guarantees, etc.	-	(106,980)	-	-
D. Net book value of the impaired assets	-	58,256	-	-
- Overdue (Gross book value)	-	151,835	-	-
- Impairment (-)	-	(93,579)	-	-
- Secured portion of the net value by guarantees, etc.	-	(58,376)	-	-

(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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2012	December 31, 2011
Group 1	24,004	10,458
Group 2	2,968,205	2,917,628
Group 3	61,131	69,984
	3,053,340	**2,998,070**

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

	December 31, 2012	December 31, 2011
0-1 month	116,741	100,241
1-3 months	31,983	22,109
3-12 months	14,606	10,995
1-5 years	5,054	7,217
	168,384	**140,562**

c) Geographical concentration of the trade receivables

	December 31, 2012	December 31, 2011
Turkey	1,732,102	1,758,175
Europe	1,102,820	986,444
Other	437,524	452,269
	3,272,446	**3,196,888**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations performed using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilising forward foreign currency transactions.

The Group used derivative financial instruments in forms of foreign exchange forward contracts and options, which are designated as a cash flow hedge against the foreign currency risk in the cash outflows expected during the acquisition of subsidiary.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in 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 December 31, 2012, a portion of bank borrowings in Euro amounting to EUR 328,750,000(before tax) was designated as a net investment hedging instrument (December 31, 2011: EUR 150,000,000).

Foreign currency position

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

	December 31, 2012	December 31, 2011
Assets	2,368,713	1,762,858
Liabilities	(2,874,892)	(2,496,757)
Net balance sheet position	**(506,179)**	**(733,899)**
Net position of derivative financial instruments	617,836	340,290
Net foreign currency position	**111,657**	**(393,609)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominate equivalent at December 31, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK
Current assets										
Trade receivables	356,153	95,911	116,538	1,714,475	45,479	93,253	-	154,373	20,644	671
Monetary financial assets	143,626	61,775	6	1	-	-	-	-	6,327	-
Other	21,570	43,307	52	-	-	-	-	-	-	-
Non-Current assets										
Trade receivables	-	-	-	-	-	-	-	-	793,130	-
Total assets	**521,349**	**200,993**	**116,596**	**1,714,476**	**45,479**	**93,253**	**-**	**154,373**	**820,101**	**671**
Current liabilities										
Trade payables	91,918	101,970	211	964	-	-	742	23,050	-	-
Financial liabilities	297,834	197,442	50,172	-	-	-	-	-	684,002	-
Other monetary financial liabilities	2,118	10,663	1,221	-	-	-	-	-	-	-
Non-Current liabilities										
Trade payables	-	33,400	-	-	-	-	-	-	-	-
Financial liabilities	405,048	50,000	-	-	-	-	-	-	-	-
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-
Total liabilities	**796,918**	**393,475**	**51,604**	**964**	**-**	**-**	**742**	**23,050**	**684,002**	**-**
Net balance sheet position	**(275,569)**	**(192,482)**	**64,992**	**1,713,512**	**45,479**	**93,253**	**(742)**	**131,323**	**136,099**	**671**
Off-balance sheet derivative financial assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-
Off-balance sheet derivative financial liabilities (*)	(16,151)	(9,672)	(68,500)	(1,500,000)	(40,000)	-	-	(80,000)	(110,000)	-
Net position of off-balance sheet items	281,687	170,167	(68,500)	(1,356,797)	(25,611)	-	-	(61,306)	(110,000)	-
Net foreign currency asset/ (liability) position	**6,118**	**(22,315)**	**(3,508)**	**356,715**	**19,868**	**93,253**	**(742)**	**70,017**	**26,099**	**671**

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation balance sheet derivative assets.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK
Against TRY	(13,711)	(4,062)	(9,856)	356,715	19,868	93,573	1	93,067	16,971	-
Against EUR	-	(1,467)	-	-	-	(320)	-	-	9,128	-
Against RUB	2,672	(1,225)	-	-	-	-	-	-	-	-
Against PLN	(1,998)	18	-	-	-	-	-	-	-	-
Against GBP	6,436	-	-	-	-	-	-	-	-	-
Against RON	6,365	1,126	3,234	-	-	-	-	-	-	(34)
Against CZK	(1,305)	-	-	-	-	-	-	-	-	-
Against NOK	(8)	(299)	-	-	-	-	-	(23,050)	-	705
Against SEK	35	(79)	-	-	-	-	(743)	-	-	-
Against CNY	3,786	(15,360)	3,114	-	-	-	-	-	-	-
Against ZAR	(161)	1,092	-	-	-	-	-	-	-	-
Against AUD	5,730	966	-	-	-	-	-	-	-	-
Against EGP	(1,186)	(3,025)	-	-	-	-	-	-	-	-
Against UAH	(531)	-	-	-	-	-	-	-	-	-
Other	(6)	-	-	-	-	-	-	-	-	-
	6,118	**(22,315)**	**(3,508)**	**356,715**	**19,868**	**93,253**	**(742)**	**70,017**	**26,099**	**671**

NOTE 32 - 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 I

	EUR	USD	GBP	RUB	PLN	CZK	NOK	S
Current assets								
Trade receivables	344,250	79,315	98,398	1,380,711	50,831	57,369	2	151,1
Monetary financial assets	14,406	1,857	6	100,001	48	-	81	
Other	15,385	43,504	49	-	-	-	-	
Non-Current assets								
Trade receivables	-	-	-	-	-	-	-	
Total assets	**374,041**	**124,676**	**98,453**	**1,480,712**	**50,879**	**57,369**	**83**	**151,1**
Current liabilities								
Trade payables	97,852	76,719	1,127	-	-	-	-	87,5
Financial liabilities	295,363	1,243	204	-	-	-	-	
Other monetary financial liabilities	2,324	2,846	-	-	-	-	-	
Non-Current liabilities								
Trade payables	-	37,344	-	-	-	-	-	
Financial liabilities	300,044	127,000	50,000	-	-	-	-	
Other monetary financial liabilities	-	-	-	-	-	-	-	
Total liabilities	**695,583**	**245,152**	**51,331**	**-**	**-**	**-**	**-**	**87,5**
Net balance sheet position	**(321,542)**	**(120,476)**	**47,122**	**1,480,712**	**50,879**	**57,369**	**83**	**63,5**
Off-balance sheet derivative financial assets (*)	152,643	132,837	-	100,000	-	-	-	
Off-balance sheet derivative financial liabilities (*)	(8,000)	(3,123)	(35,000)	(1,650,000)	(48,000)	-	-	(145,0
Net position of off-balance sheet items	144,643	129,714	(35,000)	(1,550,000)	(48,000)	-	-	(145,0
Net foreign currency asset/ (liability) position	**(176,899)**	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,4**

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation balance sheet derivative assets.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK
Against TRY	(177,328)	18,434	7,250	(69,288)	1,836	57,689	84
Against EUR	-	372	-	-	1,043	(320)	-
Against RUB	336	1,783	-	-	-	-	-
Against PLN	(1,593)	9	-	-	-	-	-
Against GBP	4,797	-	-	-	-	-	-
Against RON	(789)	3,062	2,502	-	-	-	-
Against CZK	(3,038)	-	-	-	-	-	-
Against NOK	414	-	-	-	-	-	-
Against SEK	392	(1,058)	-	-	-	-	(1)
Against CNY	1,491	(9,593)	2,370	-	-	-	-
Against ZAR	(1,575)	(3,771)	-	-	-	-	-
Other	(6)	-	-	-	-	-	-
	(176,899)	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2012, sensitivity analysis of foreign exchange rate tables is presented below, Secured portions include impact of derivative financial instruments.

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	**Foreign Exchange depreciation by 10%**	**Foreign Exchange appreciation by 10%**	**Foreign Exchange depreciation by 10%**
USD net asset/liability	(34,312)	34,312	(34,312)	34,312
Secured portion from USD risk	30,334	(30,334)	30,334	(30,334)
USD Net effect	**(3,978)**	**3,978**	**(3,978)**	**3,978**
EUR net asset/liability	(2,954)	2,954	(27,414)	27,414
Secured portion from EUR risk	4,394	(4,394)	66,244	(66,244)
EUR Net effect	**1,440**	**(1,440)**	**38,830**	**(38,830)**
GBP net asset/liability	18,658	(18,658)	34,146	(34,146)
Secured portion from GBP risk	(19,665)	19,665	(19,665)	19,665
GBP Net effect	**(1,007)**	**1,007**	**14,481**	**(14,481)**
RUB net asset/liability	9,952	(9,952)	25,681	(25,681)
Secured portion from RUB risk	(7,880)	7,880	(7,880)	7,880
RUB Net effect	**2,072**	**(2,072)**	**17,801**	**(17,801)**
RON net asset/liability	6,926	(6,926)	31,006	(31,006)
Secured portion from RON risk	-	-	-	-
RON Net effect	**6,926**	**(6,926)**	**31,006**	**(31,006)**
PLN net asset/liability	2,635	(2,635)	6,927	(6,927)
Secured portion from PLN risk	(1,484)	1,484	(1,484)	1,484
PLN Net effect	**1,151**	**(1,151)**	**5,443**	**(5,443)**
CZK net asset/liability	877	(877)	1,770	(1,770)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	**877**	**(877)**	**1,770**	**(1,770)**
NOK net asset/liability	(24)	24	973	(973)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**(24)**	**24**	**973**	**(973)**
SEK net asset/liability	3,574	(3,574)	4,365	(4,365)
Secured portion from SEK risk	(1,669)	1,669	(1,669)	1,669
SEK Net effect	**1,905**	**(1,905)**	**2,696**	**(2,696)**
NZD net asset/liability	338	(338)	338	(338)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	**338**	**(338)**	**338**	**(338)**
ZAR net asset/liability	2,864	(2,864)	41,806	(41,806)
Secured portion from ZAR risk	(2,315)	2,315	(2,315)	2,315
ZAR Net effect	**549**	**(549)**	**39,491**	**(39,491)**
AUD net asset/liability	2,682	(2,682)	2,684	(2,684)
Secured portion from AUD risk	(1,782)	1,782	(1,782)	1,782
AUD Net effect	**900**	**(900)**	**902**	**(902)**
DKK net asset/liability	21	(21)	21	(21)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	**21**	**(21)**	**21**	**(21)**
EGP net asset/liability	-	-	90	(90)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	**-**	**-**	**90**	**(90)**
UAH net asset/liability	-	-	194	(194)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	**-**	**-**	**194**	**(194)**
JPY net asset/liability	(4)	4	(4)	4
Secured portion from JPY risk	-	-	-	-
JPY Net effect	**(4)**	**4**	**(4)**	**(4)**
	11,166	**(11,166)**	**150,054**	**(150,054)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2011, sensitivity analysis of foreign exchange rate tables is presented below. Secured portions include impact of derivative financial instruments.

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	**Foreign Exchange depreciation by 10%**	**Foreign Exchange appreciation by 10%**	**Foreign Exchange depreciation by 10%**
USD net asset/liability	(22,757)	22,757	(22,757)	22,757
Secured portion from USD risk	24,502	(24,502)	24,502	(24,502)
USD Net effect	**1,745**	**(1,745)**	**1,745**	**(1,745)**
EUR net asset/liability	(49,252)	49,252	(62,146)	62,146
Secured portion from EUR risk	6,022	(6,022)	35,348	(35,348)
EUR Net effect	**(43,230)**	**43,230**	**(26,798)**	**26,798**
GBP net asset/liability	13,745	(13,745)	33,045	(33,045)
Secured portion from GBP risk	(10,210)	10,210	(10,210)	10,210
GBP Net effect	**3,535**	**(3,535)**	**22,835**	**(22,835)**
RUB net asset/liability	8,610	(8,610)	23,367	(23,367)
Secured portion from RUB risk	(9,013)	9,013	(9,013)	9,013
RUB Net effect	**(403)**	**403**	**14,354**	**(14,354)**
RON net asset/liability	-	-	28,237	(28,237)
Secured portion from RON risk	-	-	-	-
RON Net effect	**-**	**-**	**28,237**	**(28,237)**
PLN net asset/liability	2,810	(2,810)	5,443	(5,443)
Secured portion from PLN risk	(2,651)	2,651	(2,651)	2,651
PLN Net effect	**159**	**(159)**	**2,792**	**(2,792)**
CZK net asset/liability	549	(549)	1,117	(1,117)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	**549**	**(549)**	**1,117**	**(1,117)**
NOK net asset/liability	3	(3)	123	(123)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**3**	**(3)**	**123**	**(123)**
SEK net asset/liability	1,730	(1,730)	2,422	(2,422)
Secured portion from SEK risk	(3,947)	3,947	(3,947)	3,947
SEK Net effect	**(2,217)**	**2,217**	**(1,525)**	**1,525**
ZAR net asset/liability	-	-	39,614	(39,614)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	**-**	**-**	**39,614**	**(39,614)**
AED net asset/liability	499	(499)	499	(499)
Secured portion from AED risk	-	-	-	-
AED Net effect	**499**	**(499)**	**499**	**(499)**
AUD net asset/liability	-	-	104	(104)
Secured portion from AUD risk	-	-	-	-
AUD Net effect	**-**	**-**	**104**	**(104)**
	(39,360)	**39,360**	**83,097**	**(83,097)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2012 and 2011 are as follows:

	2012		2011	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	1,058,816,343	2,440,091	832,758,148	1,961,295
USD	275,566,286	493,105	232,512,373	384,625
GBP	258,135,976	733,652	226,960,417	613,175
Other		455,776		309,499
Total exports		**4,122,624**		**3,268,594**
EUR	455,054,620	1,046,470	407,980,902	948,152
USD	1,019,116,675	1,828,107	807,889,674	1,357,796
GBP	978,674	2,781	897,526	2,448
Other		4,087		9,383
Total imports		**2,881,445**		**2,317,779**

Capital Risk Management

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

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

The gearing ratios at December 31, 2012 and 2011 are as follows:

	December 31, 2012	**December 31, 2011**
Total financial liabilities (Note 7)	4,003,509	3,157,180
Less: Cash and cash equivalents (Note 5)	(1,740,789)	(1,173,889)
Net financial liabilities	2,262,720	1,983,291
Total shareholders' equity	3,927,235	3,651,641
Total capital invested	**6,189,955**	**5,634,932**
Gearing ratio	**37%**	**35%**

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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

Financial Assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

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

Financial Liabilities

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

As of December 31, 2012 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,218,227 (December 31, 2011: TRY 2,078,684) (Note 7), and TRY 3,215,608 (December 31, 2011: TRY 2,094,429) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

NOTE 33 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31, 2012 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,176	
Financial assets	-	637,253	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	3,680	-

Fair value hierarchy table as at December 31, 2011 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,932	
Financial assets	-	489,888	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	195	-

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements,

"Changes in provisions" and "Changes in operating assets and liabilities" presented in the consolidated statements of cash flows are as follows:

	December 31, 2012	December 31, 2011
Changes in provisions:		
Accrual for customer premiums	30,053	53,442
Provision for doubtful receivables	27,756	23,326
Warranty provision	8,521	32,010
Accrual for sales and marketing expenses	5,931	(8,113)
Provision for employment termination benefits	5,472	6,070
Provision for impairment on inventories	3,891	2,182
Accruals for license expenses	3,000	(907)
Accrual for advertisement expenses	1,905	(4,935)
Provisions for impairment on investment property	941	-
Return provisions	705	521
Accrual for bonuses and premiums	(131)	(4,066)
Provision for legal claims	(1,737)	1,394
Assembly and transportation provision	(4,869)	6,825
	81,438	**107,749**
Changes in operating assets and liabilities:		
Other non-current liabilities	(489)	274
Other current assets and liabilities	(54,619)	(8,235)
Inventories	(73,408)	(456,618)
Trade payables and due to related parties	(84,726)	219,570
Trade receivables and due from related parties	(103,314)	(751,682)
	(316,556)	**(996,692)**

NOTE 35- EVENTS AFTER BALANCE SHEET DATE

Arçelik A.Ş. applied to Capital Markets Board of Turkey on January 24, 2013 for an approval for a bond issuance, up to US Dollars 1 billion in total or its equivalent in any other foreign currency to be sold to investors in financial markets outside of Turkey. Application is on the agenda of Capital Markets Board of Turkey and process of evaluation is in progress.

………………………

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

Arçelik Anonim Şirketi

Consolidated financial statements at December 31, 2011 together with independent auditors' report

Independent auditors' report

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheets of Arçelik A.Ş. (the Company or "Arçelik") and its Subsidiaries (together "the Group") as at December 31, 2011 and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2011 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

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

Ertan Ayhan, SMMM
Engagement Partner

February 16, 2012
İstanbul, Turkey

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

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

	Notes	December 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	5	1,173,889	1,317,166
Derivative financial instruments	8	2,932	1,185
Trade receivables	9	3,180,870	2,324,578
Inventories	11	1,530,141	987,526
Other current assets	21	146,017	117,984
Total current assets		**6,033,849**	**4,748,439**
Non-current assets			
Trade receivables	9	16,018	12,461
Financial investments	6	491,376	658,679
Associates	12	160,580	136,604
Investment properties	13	6,441	5,480
Property, plant and equipment	14	1,446,841	1,252,245
Intangible assets	15	783,094	461,417
Goodwill	16	196,167	7,190
Deferred tax assets	29	63,387	39,244
Total non-current assets		**3,163,904**	**2,573,320**
Total assets		**9,197,753**	**7,321,759**

The consolidated financial statements as at and for the year ended December 31, 2011 have been approved for issue by the Board of Directors on February 16, 2012 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

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

	Notes	December 31, 2011	December 31, 2010
LIABILITIES			
Current liabilities			
Financial liabilities	7	1,628,943	839,220
Derivative financial instruments	8	195	239
Trade payables	9	1,249,531	968,962
Other payables	10	183,691	129,530
Current income tax liabilities	29	23,250	18,970
Provisions	19	232,390	205,160
Other current liabilities	21	212,620	179,908
Total current liabilities		**3,530,620**	**2,341,989**
Non-current liabilities			
Financial liabilities	7	1,528,237	1,218,072
Due to related parties	31	70,539	63,681
Provision for employment termination benefits	20	106,782	99,700
Deferred tax liabilities	29	226,142	128,549
Provisions	19	81,519	58,136
Other non-current liabilities		2,273	3,898
Total non-current liabilities		**2,015,492**	**1,572,036**
Total liabilities		**5,546,112**	**3,914,025**
EQUITY			
Paid-in capital	22	675,728	675,728
Adjustment to share capital	22	468,811	468,811
Share premium		889	889
Revaluation fund	22	341,505	511,969
Restricted reserves	22	190,066	168,445
Currency translation differences		145,922	29,585
Contribution to shareholders' equity related to the merger	22	14,507	14,507
Retained earnings		1,201,658	954,525
Net income for the year attributable to equity holders of the parent		506,506	517,093
Attributable to:			
Equity holders of the parent		3,545,592	3,341,552
Non-controlling interest		106,049	66,182
Total equity		**3,651,641**	**3,407,734**
Total liabilities and equity		**9,197,753**	**7,321,759**
Commitments, contingent assets and liabilities	18		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Notes	2011	2010
Net sales	23	8,437,239	6,936,420
Cost of sales	23	(5,897,009)	(4,868,473)
Gross profit		**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	24	(1,474,254)	(1,161,489)
General administrative expenses	24	(342,572)	(280,363)
Research and development expenses	24	(64,847)	(60,520)
Other income	26	60,194	130,416
Other expenses	26	(72,857)	(58,341)
Operating profit		**645,894**	**637,650**
Income from associates (net)	12	28,378	11,907
Financial income	27	415,558	287,046
Financial expenses	28	(474,421)	(279,965)
Income before tax		**615,409**	**656,638**
Income tax expense			
- Taxes on income	29	(71,996)	(83,492)
- Deferred tax expense	29	(2,326)	(23,899)
Net income		**541,087**	**549,247**
Attributable to:			
Non-controlling interest		34,581	32,154
Equity holders of the parent		**506,506**	**517,093**
Earnings per share (Kr)	30	**0.750**	**0.765**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011	2010
Net income for the year	**541,087**	**549,247**
Other comprehensive income:		
Fair value (decrease)/increase on financial assets	(167,280)	262,865
Tax effect	8,364	(13,143)
	(158,916)	**249,722**
Foreign currency hedge of net investments in foreign operations	(59,205)	(12,171)
Tax effect	11,841	2,434
	(47,364)	**(9,737)**
Share of other comprehensive income of associates	1,151	-
	1,151	-
Cash flow hedges	(20,965)	789
Less: transfers to carrying amounts of hedged items (Note 3)	20,965	-
Tax effect	-	(158)
	-	**631**
Tax effect of amortization calculated over intangible assets revaluation increases	**423**	**363**
Currency translation differences	**169,351**	**(16,251)**
Reclassification:		
Cash flow hedges (net)	(271)	(360)
Other comprehensive income/(loss) (net of tax)	**(35,626)**	**224,368**
Total comprehensive income	**505,461**	**773,615**
Attributable to:		
Non-controlling interest	51,421	32,241
Equity holders of the parent	**454,040**	**741,374**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Paid-in capital	Adjustment to share capital	Share premium	Revaluation funds	Restricted reserves	Currency translation differences	Contribution to shareholders' equity due to merger	Retained earnings
As of January 1,2010	**675,728**	**468,811**	**889**	**283,558**	**161,824**	**35,137**	**14,507**	**574,257**
Comprehensive income								
Net income for the period	-	-	-	-	-	-	-	-
Other comprehensive income								
Fair value gains on financial assets (net)	-	-	-	249,722	-	-	-	-
Cash flow hedges (net)	-	-	-	271	-	-	-	-
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(9,737)	-			
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	363	-	-	-	-
Currency translation differences	-	-	-	(10,786)	-	(5,552)	-	-
Total other comprehensive income	-	-	-	**229,833**	-	**(5,552)**	-	-
Total comprehensive income	-	-	-	**229,833**	-	**(5,552)**	-	-
Transfers	-	-	-	-	-	-	-	485,410
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,422)	-	-	-	1,422
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57
Dividents paid(Note 30)	-	-	-	-	6,621	-	-	(106,621)
As of December 31,2010	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**
As of January 1,2011	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**
Comprehensive income								
Net income for the period	-	-	-	-	-	-	-	-
Other comprehensive income								
Fair value lossrs on financial assets (net)	-	-	-	(158,916)	-	-	-	-
Cash flow hedges (net)	-	-	-	(271)	-	-	-	-
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(47,364)	-	-	-	-
Share of other comprehensive income/(loss) of associates	-	-	-	1,151	-	-	-	-
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	423	-	-	-	-
Currency translation differences	-	-	-	36,174	-	116,337	-	-
Total other comprehensive income	-	-	-	**(168,803)**	-	**116,337**	-	-
Total comprehensive income	-	-	-	**(168,803)**	-	**116,337**	-	-
Transfers	-	-	-	-	-	-	-	517,093
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,661)	-	-	-	1,661
Dividents paid(Note 30)	-	-	-	-	21,621	-	-	(271,621)
As of December 31,2011	**675,728**	**468,811**	**889**	**341,505**	**190,066**	**145,922**	**14,507**	**1,201,658**

The accompanying notes form an integral part of these consolidated financial statem

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Notes	2011	2010
Operating activities:			
Income before tax		**615,409**	**656,638**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Changes in provisions	34	111,676	35,773
Depreciation and amortization	25	217,834	192,538
Interest income	27	(35,572)	(39,080)
Interest expenses	28	103,530	101,071
Income from associates (net)	12	(28,378)	(11,907)
Loss/(gain) from sales of tangible and intangible assets (net)	26	1,043	(37,310)
Loss from sale of financial assets		19	-
Net cash flow from operating activities before changes in operating assets and liabilities		**985,561**	**897,723**
Changes in operating assets and liabilities (net)	34	(1,000,618)	9,067
Corporate taxes paid		(70,613)	(61,872)
Cash flows from operating activities		**(85,670)**	**844,918**
Investing activities:			
Acquisition of subsidiary, net of cash acquired	3	(502,400)	-
Acquisition of tangible and intangible assets		(359,517)	(249,365)
Interest received		38,436	39,590
Cash provided from sales of tangible and intangible assets		7,477	53,825
Dividends received	12	5,553	4,472
Cash provided from sales of financial assets		4	-
Cash flows from investing activities		**(810,447)**	**(151,478)**
Financing activities:			
Proceeds from bank borrowings		1,746,970	1,830,029
Repayment of bank borrowings		(656,882)	(1,878,675)
Dividends paid		(261,554)	(109,384)
Interest paid		(93,730)	(107,174)
Cash flows from financing activities		**734,804**	**(265,204)**
Currency translation differences (net)		20,900	(15,294)
Net (decrease)/ increase in cash and cash equivalents		**(140,413)**	**412,942**
Cash and cash equivalents at January 1	5	**1,313,075**	**900,133**
Cash and cash equivalents at December 31	5	**1,172,662**	**1,313,075**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "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 22).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At December 31, 2011, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in the year is 19,136 (2010: 17,931).

Subsidiaries	Country of incorporation	Core Business	Nature of business
Continuing operations as of balance sheet date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Purchase	Consumer durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Sales	Consumer durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
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 Italy SRL ("Beko Italy")	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales	Consumer Durables
Defy Namibia (Proprietary) Limited ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Limited ("Defy Trust Two")	Republic of South Africa	Investment	Real Estate
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate

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

Subsidiaries	Country of incorporation	Core Business	Nature of business
Ceased operations as of balance sheet date			
Archin Limited ("Archin")	Hong Kong, China	-	-
ArcticPro SRL ("ArcticPro")	Romania	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")	Hungary	-	-
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb")	Germany	-	-
Beko S.A. Hungary ("Beko Hungary")	Hungary	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
Grundig Ceska Republika S.r.o ("Grundig Ceska")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Polska Sp. Z o.o. ("Grundig Polska")	Poland	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Grundig Slovakia s.r.o ("Grunding Slovakia")	Slovakia	-	-
Ocean Appliances Limited. ("Defy Ocean")	Republic of South Africa	-	
Carron SA (Proprietary) Limited ("Defy Carron")	Republic of South Africa	-	-

Associates	Country of incorporation	Core Business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı A.Ş. ("Koç Tüketici Finans")	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 and communication

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the financial reporting standards published by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué No. XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

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

As of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008 and 9 January 2010, including the compulsory disclosures.

Arçelik maintains its books of account and prepare its statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared under the historical cost convention except for the derivative financial instruments and financial investments presented at fair values, and the revaluations as the difference between carrying and fair values of tangible and intangible assets arisen in the business combinations.

The new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective for the financial period ending at December 31, 2011:

The accounting policies, which are basis of presentation of consolidated financial statements for the financial period ending at December 31, 2011, are consistent with IFRS and IFRIC interpretations of the previous financial year except for the new standards and interpretation adopted in the periods beginning on January 1, 2011 summarized below:

- IFRIC 14 "IAS 19" - Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 32 Financial Instruments: Presentation-Classification on Rights Issues (Amended)
- IAS 24 Related Party Disclosures (Amended)
- Improvements to IFRS's (May 2010)

Aforementioned new and amended IFRS and IFRIC interpretations do not have any significant impact on consolidated financial statements of the Group.

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

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements:

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements are summarized below:

IFRS 9 Financial Instruments – Classification and measurement
As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IAS 12 "Deferred Taxes: Recovery of Underlying Assets (Amended)"
The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IFRS 7 "Financial Instruments – Disclosures as part of its comprehensive review of off balance sheet activities (Amended)”
Effective for annual periods beginning on or after July 1, 2011. This amendment allows users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial statements of the Group.

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

IFRS 10 " Consolidated Financial Statements"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early and retrospective application is required.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

IFRS 12 " Disclosure of Interests in Other Entities "

The standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early and retrospective application is required.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

UFRS 13 " Fair Value Measurement"

The new standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is mandatory for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

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

IAS 27 " Separate Financial Statements (Amended)”
As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 28 " Investments in Associates and Joint Ventures (Amended)"
As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial statements of the Group.

IAS 19 " Employee Benefits (Amended)”
Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the amendment.

IAS 1 " Presentation of Financial Statements (Amended)”
The amendments are effective for annual periods beginning on or after July,1 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. This standard has not yet been endorsed by the EU. The amendment will only affect the basis of presentation and the Group does not expect that this amendment will have an impact on its financial position or performance.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. 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

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity with CMB Financial Reporting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Arçelik has capability to control the financial and operating policies for the benefit of Arçelik, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, at December 31, 2011 and 2010 (%):

	December 31, 2011		December 31, 2010	
	Ownership interest	**Effective shareholding**	**Ownership interest**	**Effective shareholding**
Archin	100.00	100.00	100.00	100.00
Arctic	96.71	96.71	96.71	96.71
Arctic Pro	100.00	100.00	100.00	100.00
Ardutch	100.00	100.00	100.00	100.00
Ardutch Taiwan ([1])	100.00	100.00	-	-
Bekodutch B.V. ("Bekodutch") ([2])	-	-	100.00	100.00
Beko Australia ([1])	100.00	100.00	-	-
Beko Cesko	100.00	100.00	100.00	100.00
Beko China	100.00	100.00	100.00	100.00
Beko Czech	100.00	100.00	100.00	100.00
Beko Deutschland	100.00	100.00	100.00	100.00
Beko Elektronik Llc ("Beko Elektronik Russia") ([3])	-	-	100.00	100.00
Beko Espana	100.00	100.00	100.00	100.00
Beko France	100.00	100.00	100.00	100.00
Beko Hungary	100.00	100.00	100.00	100.00
Beko Italy	100.00	100.00	100.00	100.00
Beko Magyarorszag	100.00	100.00	100.00	100.00
Beko Polska	100.00	100.00	100.00	100.00
Beko Russia	100.00	100.00	100.00	100.00
Beko Slovakia	100.00	100.00	100.00	100.00
Beko Shanghai	100.00	100.00	100.00	100.00
Beko UK ([4])	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Defy ([5])	100.00	100.00	-	-
Defy Carron ([5])	100.00	100.00	-	-
Defy Kindoc ([5])	100.00	100.00	-	-
Defy Namibia ([5])	100.00	100.00	-	-
Defy Ocean ([5])	100.00	100.00	-	-
Defy Trust Two ([5])	100.00	100.00	-	-
Elektra Bregenz	100.00	100.00	100.00	100.00
Grundig Multimedia	100.00	100.00	100.00	100.00
Grundig Austria	100.00	100.00	100.00	100.00
Grundig Czech Republic	100.00	100.00	100.00	100.00
Grundig Nordic DK A/S ("Grundig Denmark") ([6])	-	-	100.00	100.00
Grundig Nordic Fin OY ("Grundig Finland ") ([6])	-	-	100.00	100.00
Grundig Intermedia	100.00	100.00	100.00	100.00
Grundig Italy	100.00	100.00	100.00	100.00
Grundig Hungary	100.00	100.00	100.00	100.00
Grundig Norway	100.00	100.00	100.00	100.00
Grundig Portugal	100.00	100.00	100.00	100.00
Grundig Polska	100.00	100.00	100.00	100.00
Grundig Slovakia	100.00	100.00	100.00	100.00
Grundig Sweden	100.00	100.00	100.00	100.00
Grundig Schweiz AG ("Grundig Switzerland") ([6])	-	-	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(1) Established in 2011.
(2) Legally merged with Ardutch in 2011.
(3) Legally merged with Beko Russia in 2011.
(4) Activities such as appointment of the subsidiary's management or votes of the board of directors are controlled by Arçelik, accordingly the subsidiary has been fully consolidated when the shareholding percentage is 50%.
(5) Acquired in 2011 (Note 3)
(6) Dissolved in 2011.

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2011 and 2010 (%):

	2011	2010
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

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

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income.

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. 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. The estimates used in the preparation of the current year consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2011, except for the changes explained below in Note 2.2.1 and Note 2.2.2.

2.2.1. Changes in estimates used in revenue recognition

Sales on credit terms are discounted using an imputed rate of interest, and the difference between fair value and nominal value of the sales consideration is recognized in the following periods on an accrual basis as financial income. Applicable for the periods beginning on or after January 1, 2011, with the effect of the declining effective interest rates compared to previous periods, sales with the credit terms with less than one year, are recognized with nominal values and are not subject to any discounting due to materiality.

2.2.2 Changes in estimates used in recognition of material and inventory purchases

When the materials constituting the cost of material and stocks are purchased on credit terms, these purchases and assets are recognized by discounting in order to eliminate the credit finance part over the purchase. Applicable for the periods beginning on or after January 1, 2011, purchases of materials and stocks are accounted for with nominal values and are not subject to any discounting due to materiality.

2.3 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 31).

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

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

Trade receivables

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

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income (Note 26).

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

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

(b) Available-for-sale financial assets

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

(c) Financial assets at fair value through profit or loss - Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

Derivative financial instruments held for trading

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments provide effective economic hedges for the Group, as such derivatives do not meet the criteria for hedge accounting they have been accounted as derivative financial instruments held for trading in the consolidated financial statements. Any gains or losses arising from changes in fair value on these derivatives are taken directly to the consolidated income statement.

Cash flow hedge

The Group designated various derivative financial contracts as a cash flow hedge against any gains or losses arising from price and foreign currency risks which may affect income statement in possible cash outflows resulting from commodity purchase and share purchase in scope of acquisition at the date of contracts.

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts accounted for under equity are transferred to the consolidated statement of income and classified as income or expense in the period in which the hedged item affects the statement of income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred to income statement on the disposal of the foreign operation (Note 32).

Cash and cash equivalents

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

Investment properties

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

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

Property, plant and equipment and related depreciation

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

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

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

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

Gains or losses on disposals of property, plant and equipment are included in other income or expense accounts.

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

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note15).

a) Brands

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

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

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

b) Trademark licenses and patents

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

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

c) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

d) Computer software and rights

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

Business combinations and goodwill

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 3, 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in retained earnings.

Fair value changes of contingent consideration that arise from business combinations occured before January 1, 2010 are adjusted against goodwill.

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

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 29).

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

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

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income and expenses in the consolidated statements of income, except for the effective portion of the foreign currency hedge of net investments in foreign operations. Non-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

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

Revenue recognition

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

Incentives for investments, research and development activities

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

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 22).

Paid-in capital

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

Share premium

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

Provisions

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

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

Warranty expenses

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

Assembly Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

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

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

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

2.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in Note 2.1 (defined as CMB Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 to December 31, 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with IFRS.

NOTE 3 - BUSINESS COMBINATIONS

On November 30,2011 the Group has acquired 100% of the shares of Defy company who owns 100% shares of Defy Namibia, Defy Trust Two, Defy Kindoc, Defy Ocean, Defy Carron (together be called as "Defy Group" hereinafter.) Defy Group is located in South Africa and its main activities are production of refrigerators, freezers, dryers, ovens, cooking appliances and selling and marketing of all kinds of durable home appliances.

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

Total sales consideration and the fair value of assets and liabilities acquired at the date of acquisition are summarized as follows:

Consideration in cash	351,854
Consideration paid against the payables to former shareholders	150,096
Contingent consideration	2,698
Total consideration transferred	**504,648**
The effect of cash flow hedges-the effective portion	20,965
Total consideration	**525,613**

The fair value amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	20,515
Derivative financial instruments	974
Trade receivables	131,493
Inventories	88,179
Other assets	971
Tangible assets	51,716
Intangible assets (brand)	230,046
Deferred tax assets	96
Trade payables and other payables	(71,074)
Tax provision and other provisions	(19,517)
Other liabilities	(18,832)
Provisions for employment termination benefits	(433)
Deferred tax liabilities	(67,916)
Total fair value of identifiable net assets	**346,218**
Goodwill	179,395
Total consideration	**525,613**

NOTE 3 - BUSINESS COMBINATIONS (Continued)

In the consolidated income statement, contribution to consolidated sales by Defy Group after the date of acquisition is TRY 62,641. In the same period, excluding the effects of inter-company sales profitability, the contribution by Defy Group to consolidated net profit of Arçelik Group amounts to TRY 570.

Had the financial statements of Defy Group been consolidated since January 1, 2011, the consolidated sales of Arçelik Group would have been TRY 9,047,702.

As of December 31, 2011, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 6,498.

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

Total consideration in cash	522,915
Cash and cash equivalents –acquired	(20,515)
Cash outflow due to acquisition of subsidiary (net)	**502,400**

NOTE 4 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised 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 CMB Financial Reporting Standards.

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.

NOTE 4 - SEGMENT REPORTING (Continued)

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	5,560,182	1,451,332	1,425,725	8,437,239
Gross profit	1,829,914	320,510	389,806	2,540,230
Depreciation and amortisation	172,483	41,004	8,856	222,343
Capital expenditures	316,749	37,275	10,002	364,026
Income from associates	-	-	28,378	28,378

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2010 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	4,391,627	1,255,580	1,289,213	6,936,420
Gross profit	1,587,447	261,772	218,728	2,067,947
Depreciation and amortisation	144,448	44,312	7,890	196,650
Capital expenditures	214,630	32,618	6,229	253,477
Income from associates	-	-	11,907	11,907

c) Sales revenue that are grouped geographically for the years ended in December 31, 2011 and 2010 are shown below:

2011	Turkey	Europe	Other	Total
Total segment revenue	3,976,915	3,336,787	1,123,537	8,437,239
Income from associates	28,378	-	-	28,378

2010	Turkey	Europe	Other	Total
Total segment revenue	3,417,766	2,669,718	848,936	6,936,420
Income from associates	11,907	-	-	11,907

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Cash in hand	309	328
Cash at banks		
- demand deposits	90,986	52,587
- time deposits	1,040,416	1,229,706
Cheques and notes	38,044	29,914
Other	2,907	540
Cash and cash equivalents in cash flow statement	**1,172,662**	**1,313,075**
Interest income accruals	1,227	4,091
	1,173,889	**1,317,166**

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

Up to 30 days	839,628	887,270
30-90 days	334,261	429,896
	1,173,889	**1,317,166**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2011		**December 31,2010**	
	%	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	3.98	489,888	3.98	657,168
Other		1,488		1,511
		491,376		**658,679**

The details of financial investments for the year ended as of 31 December is as follows:

	2011	2010
As of January 1	**658,679**	**395,814**
Fair value gains/(losses)	(167,280)	262,865
Sale of financial asset	(23)	-
As of December 31	**491,376**	**658,679**

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

The unrealized loss/gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 158, 916 (December 31, 2010: TRY 249,722), net of deferred tax effect amounting to TRY 8,364 (December 31, 2010: TRY 13,143) have been recognized in consolidated shareholders' equity under the "revaluation reserves" in the year ended at December 31, 2011.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,80%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, US Dollar based discount rate of 15.4 % has been taken into consideration.

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2011	December 31, 2010
Short-term bank borrowings	1,078,206	599,098
Short-term portion of long-term bank borrowings	550,554	239,738
Other	183	384
	1,628,943	**839,220**

As of December 31, 2011, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.0	-	26,710
EUR	2.1	388,022,169	948,245
RUB	7.3	1,564,499,204	90,976
CNY	6.0	35,056,933	10,570
USD	0.4	887,118	1,676
RON	6.3	52,422	29
			1,078,206

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2010, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	-	-	11,574
EUR	1.8	267,733,921	548,614
RUB	7.3	578,733,822	29,070
CNY	4.5	40,049,800	9,365
RON	3.6	614,033	291
USD	1.0	119,278	184
			599,098

b) Long-term financial liabilities

	December 31, 2011	December 31, 2010
Long-term bank borrowings	1,528,130	1,218,002
Other	107	70
	1,528,237	**1,218,072**

As of December 31, 2011, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	11.6	-	505,254
EUR	3.7	419,908,838	1,026,175
USD	2.2	127,356,398	240,563
ZAR	7.2	684,257,945	160,246
GBP	3.2	50,204,425	146,446
			2,078,684
Less: Short-term portion			(550,554)
			1,528,130

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2010, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.3	-	503,404
EUR	2.7	308,180,043	631,492
USD	2.3	100,312,500	155,083
GBP	2.9	50,191,264	119,887
RUB	6.3	953,094,699	47,874
			1,457,740
Less: Short-term portion			(239,738)
			1,218,002

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

	December 31, 2011	December 31, 2010
2012	-	489,062
2013	1,039,370	728,940
2014	488,760	-
	1,528,130	**1,218,002**

The analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

Up to 6 months	3,156,890	1,929,393
6 - 12 months	-	127,445
	3,156,890	**2,056,838**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,2011			December 31,2010		
	Contract	Fair value		Contract	Fair value	
	amount	Assets	(Liabilities)	amount	Assets	(Liabilities)
Held for trading:						
Forward transactions	400,607	2,364	(134)	217,977	817	(207)
Foreign currency swap contracts	294,270	568	(61)	71,440	29	(32)
Held for hedging:						
Commodity swap contracts	-	-	-	1,414	339	-
	694,877	**2,932**	**(195)**	**290,831**	**1,185**	**(239)**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2011	December 31,2010
Short-term trade receivables		
Trade receivables	1,864,092	1,381,506
Notes receivables	1,241,891	961,075
Cheques receivables	165,888	128,754
Due from related parties (Note 31)	23,402	22,869
Short-term trade receivables (gross)	**3,295,273**	**2,494,204**
Less: Provision for doubtful receivables	(93,579)	(110,611)
Less: Unearned credit finance income	(20,824)	(59,015)
Short-term trade receivables (net)	**3,180,870**	**2,324,578**

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

	2011	2010
As of January 1	**110,611**	**107,312**
Current year additions (Note 26)	23,326	19,882
Provisions no longer required (Note 26)	(1,808)	(8,306)
Write-offs (*)	(46,328)	(8,847)
Acquisition of subsidiary (Note 3)	241	-
Currency translation differences	7,537	210
As of December 31	**93,579**	**110,611**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2011	December 31, 2010
Long-term trade receivables		
Trade receivables	16,018	12,461
	16,018	**12,461**

Short-term trade payables		
Trade payables	1,127,816	787,755
Due to related parties (Note 31)	133,283	186,003
Unearned credit finance charges	(11,568)	(4,796)
	1,249,531	**968,962**

NOTE 10 - OTHER PAYABLES

	December 31, 2011	December 31, 2010
Other payables		
Taxes and duties payable	122,096	81,002
Payables to personnel	51,655	38,768
Deposits and guarantees received	6,243	6,140
Other	3,697	3,600
	183,691	**129,530**

NOTE 11 - INVENTORIES

	December 31, 2011	December 31, 2010
Raw materials and supplies	783,785	560,738
Work in progress	49,382	37,861
Finished goods	576,128	346,418
Trade goods	184,157	115,087
Inventories (gross)	**1,593,452**	**1,060,104**
Less: Provision for impairment on inventories	(63,311)	(72,578)
Inventories (net)	**1,530,141**	**987,526**

There are no inventories pledged as security for liabilities (December 31, 2010: None).

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

	December 31, 2011	December 31, 2010
Raw materials and supplies	55,059	63,734
Finished goods	5,698	6,442
Trade goods	2,554	2,402
	63,311	**72,578**

NOTE 11 – INVENTORIES (Continued)

The movements of provision for impairment on inventories for the years ended December 31, are as follows:

	2011	2010
As of January 1	**72,578**	**98,339**
Current year additions (Note 26)	2,182	5,909
Realised due to sales of inventory	(13,822)	(29,663)
Acquisition of subsidiary	802	-
Currency translation differences	1,571	(2,007)
As of December 31	**63,311**	**72,578**

NOTE 12 - ASSOCIATES

	December 31, 2011		December 31, 2010	
	%	TRY	%	TRY
Koç Tüketici Finans	47.0	74,287	47.0	62,787
Arçelik-LG	45.0	67,296	45.0	58,778
Ram Dış Ticaret	33.5	13,026	33.5	10,358
Tanı Pazarlama	32.0	5,971	32.0	4,681
		160,580		**136,604**

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

	2011	2010
As of January 1	**136,604**	**129,169**
Share of income/(loss)	28,378	11,907
Share of other comprehensive income	1,151	-
Dividends received	(5,553)	(4,472)
As of December 31	**160,580**	**136,604**

Share of income/(loss) of associates

	2011	2010
Koç Tüketici Finans	15,048	6,954
Arçelik-LG	8,518	852
Ram Dış Ticaret	3,522	3,488
Tanı Pazarlama	1,290	613
	28,378	**11,907**

NOTE 12 – ASSOCIATES (Continued)

Aggregated summary figures of the financial statements of associates

	2011	**2010**
Total assets	1,996,446	1,773,383
Total liabilities	1,631,776	1,463,626
Sales revenues	1,694,374	1,158,449
Net income/(loss) for the year	65,490	29,016

NOTE 13 - INVESTMENT PROPERTIES

	2011	**2010**
As of January 1		
Cost	11,441	12,711
Accumulated depreciation	(5,961)	(6,367)
Net book value	**5,480**	**6,344**
Net book value at the beginning of the year	**5,480**	**6,344**
Disposals	-	(412)
Currency translation differences	1,105	(328)
Current year depreciation	(144)	(124)
Net book value at the end of the year	**6,441**	**5,480**
As of December 31		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net book value	**6,441**	**5,480**

As of December 31, 2011, the carrying values of investment properties represent their fair values.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Transfers	Currency translation differences	December 31, 2011
Cost							
Land	15,628	-	698	(2,464)	532	646	15,040
Land improvements	29,903	-	471	-	2,530	-	32,904
Buildings	505,318	24,352	3,942	(1,837)	1,791	27,761	561,327
Machinery, equipment and moulds	2,589,939	20,675	48,270	(72,097)	170,697	47,383	2,804,867
Motor vehicles and fixtures	225,687	4,152	19,743	(4,644)	21,814	6,317	273,069
Leasehold improvements	37,123	47	2,438	-	-	882	40,490
Construction in progress	6,942	2,490	203,139	-	(197,364)	759	15,966
	3,410,540	**51,716**	**278,701**	**(81,042)**	**-**	**83,748**	**3,743,663**
Accumulated depreciation:							
Land improvements	(16,471)	-	(1,447)	-	-	-	(17,918)
Buildings	(160,584)	-	(11,559)	335	-	(5,345)	(177,153)
Machinery, equipment and moulds	(1,782,550)	-	(141,197)	68,273	-	(25,050)	(1,880,524)
Motor vehicles and fixtures	(166,169)	-	(19,968)	3,917	-	(4,284)	(186,504)
Leasehold improvements	(32,521)	-	(1,832)	-	-	(370)	(34,723)
	(2,158,295)	**-**	**(176,003)**	**72,525**	**-**	**(35,049)**	**(2,296,822)**
Net book value	**1,252,245**						**1,446,841**

There is no mortgage on property, plant and equipment as of December 31, 2011 (December 31, 2010-nil).

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost						
Land	16,254	34	(461)	-	(199)	15,628
Land improvements	28,360	1,571	(28)	-	-	29,903
Buildings	521,666	938	(22,673)	6,472	(1,085)	505,318
Machinery, equipment and moulds	2,523,068	25,025	(71,189)	117,425	(4,390)	2,589,939
Motor vehicles and fixtures	205,439	23,896	(4,108)	1,614	(1,154)	225,687
Leasehold improvements	33,422	3,819	(83)	-	(35)	37,123
Construction in progress	4,348	128,339	(99)	(125,511)	(135)	6,942
	3,332,557	**183,622**	**(98,641)**	**-**	**(6,998)**	**3,410,540**
Accumulated depreciation						
Land improvements	(15,199)	(1,300)	28	-	-	(16,471)
Buildings	(163,650)	(11,138)	13,136	-	1,068	(160,584)
Machinery, equipment and moulds	(1,723,570)	(128,879)	65,656	-	4,243	(1,782,550)
Motor vehicles and fixtures	(156,586)	(13,918)	3,709	-	626	(166,169)
Leasehold improvements	(29,443)	(3,129)	44	-	7	(32,521)
	(2,008,448)	**(158,364)**	**82,573**	**-**	**5,944**	**(2,158,295)**
Net book value	**1,244,109**					**1,252,245**

NOTE 15 - INTANGIBLE ASSETS

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Currency translation differences	December 31, 2011
Cost:						
Brands	268,489	230,046	-	-	49,915	548,450
Development costs	222,802	-	73,115	-	-	295,917
Computer software and rights	83,475	-	12,210	(16)	2,471	98,140
Trademark licences and patents	14,923	-	-	(159)	2,856	17,620
	589,689	**230,046**	**85,325**	**(175)**	**55,242**	**960,127**
Accumulated amortization:						
Development costs	(61,190)	-	(35,844)	-	-	(97,034)
Computer software and rights	(58,850)	-	(7,010)	13	(978)	(66,825)
Trademark licences and patents	(8,232)	-	(3,342)	159	(1,759)	(13,174)
	(128,272)	**-**	**(46,196)**	**172**	**(2,737)**	**(177,033)**
Net book value	**461,417**					**783,094**

	January 1, 2010	Additions	Disposals	Currency translation differences	December 31, 2010
Cost:					
Brands	278,159	-	-	(9,670)	268,489
Development costs	162,808	59,994	-	-	222,802
Computer software and rights	75,377	9,861	(1,605)	(158)	83,475
Trademark licences and patents	15,728	-	-	(805)	14,923
	532,072	**69,855**	**(1,605)**	**(10,633)**	**589,689**
Accumulated amortization:					
Development costs	(31,869)	(29,321)	-	-	(61,190)
Computer software and rights	(54,668)	(5,952)	1,570	200	(58,850)
Trademark licences and patents	(5,542)	(2,889)	-	199	(8,232)
	(92,079)	**(38,162)**	**1,570**	**399**	**(128,272)**
Net book value	**439,993**				**461,417**

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2011. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 2.5% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 9% to 11% discount rates.

NOTE 16 – GOODWILL

	2011	2010
As of January 1	**7,190**	**7,511**
Acquisition of subsidiary (Note 3)	179,395	-
Effect of the change in contingent liabilities arising from acquisition of subsidiary (*)	(1,596)	(108)
Currency translation differences	11,178	(213)
As of December 31	**196,167**	**7,190**

(*) Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

As of December 31, 2011, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial plans approved by the board of directors covering a five-year period were used in these calculations. Pre-tax cash flow projections beyond five-year period are extrapolated by 2.5% expected growth rates. The estimated cash flows are discounted to their present values with 9% before tax ratio.

NOTE 17 - GOVERNMENT GRANTS

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

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

NOTE 17 - GOVERNMENT GRANTS (Continued)

Grants which are accounted for under other income are as follows:

i) Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 2,065 for year ended December 31, 2011 (2010: TRY 5,953).
ii) Donation received related to European Union 7th Framework Programme amounts to TRY 825 (2010: TRY 135).
iii) Brand support incentive received from Undersecretariat of Turkey Prime Ministry for Foreign Trade (known as "Turquality") amounts to TRY 15,657 for the year ended December 31, 2011 (2010: TRY 23,349).

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	December 31, 2011	December 31, 2010
Operational lease commitments	59,057	41,869

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

	December 31, 2011	December 31, 2010
Up to 1 year	14,330	10,972
1-5 years	25,651	13,928
Over 5 years	19,076	16,969
	59,057	**41,869**

The Company has export commitment of USD 1,244,265,732 in scope of export incentive as of December 31, 2011 (December 31, 2010: USD 480,534,762).

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments arising from the derivative contracts in terms of currencies as of December 31, 2011 and 2010 are as follows:

December 31, 2011	**Purchase commitments**	**Sales commitments**
EUR	79,772	19,550
TRY	-	38,916
USD	250,916	5,899
GBP	-	102,096
PLN	-	26,507
RUB	5,815	95,948
RON	12,273	-
SEK	-	39,470
ZAR	-	17,715
	348,776	**346,101**

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

December 31, 2010	**Purchase commitments**	**Sales commitments**
EUR	93,903	3,396
TRY	23,930	11,830
USD	23,768	-
GBP	-	83,601
PLN	2,691	12,935
RUB	713	32,650
	145,005	**144,412**

	December 31, 2011	**December 31, 2010**
Collaterals obtained	1,989,719	1,887,230

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2011 and 2010 are as follows:

CPM's given by the company	**December 31, 2011**	**December 31, 2010**
A. CPM's given on behalf of own corporate entities	177,329	110,512
B. CPM's given on behalf of fully consolidated subsidiaries	14,167	11,595
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C.	-	-
(Group Companies which are not in scope B-C and D.i)		
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
Total	**191,496**	**122,107**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2011 and 2010:

CPM's given	**December 31, 2011**	**December 31, 2010**
USD	130,297	82,777
TRY	32,248	16,806
EUR	26,857	21,747
Other	2,094	777
	191,496	**122,107**

NOTE 19 - PROVISIONS

	December 31, 2011	December 31, 2010
Short-term provisions		
Warranty provision	128,996	111,890
Assembly provision	44,605	38,774
Provision for transportation cost	9,250	7,591
Provision for lawsuit risks	8,021	9,018
Provision for returns	6,756	6,235
Other	34,762	31,652
	232,390	**205,160**

	December 31, 2011	December 31, 2010
Long-term provisions		
Warranty provision	79,761	56,682
Other	1,758	1,454
	81,519	**58,136**

The movements of warranty and assembly provisions for the year ended December 31, 2011 are as follows:

	Warranty provision	Assembly provision
As of January 1	**168,572**	**38,774**
Additions	218,049	168,117
Disposals	(200,717)	(162,286)
Acquisition of subsidiary	8,175	-
Currency translation differences	14,678	-
As of December 31	**208,757**	**44,605**

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY 2,731.85 (December 31, 2010: full TRY 2,571.01) for each period of service at December 31, 2011.

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2011	**2010**
Net discount rate (%)	4.63	4.66
Turnover rate related the probability of retirement (%)	97	98

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 2,805.04 (January 1, 2011: full TRY 2,623.23) which is effective from January 1, 2012 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits are as follows:

	2011	**2010**
As of January 1	**99,700**	**85,335**
Interest expense	4,645	4,916
Actuarial losses	6,002	3,168
Acquisition of subsidiary (Note 3)	433	-
Increase during the year	11,180	18,274
Payments during the year	(15,757)	(11,862)
Currency translation differences	579	(131)
As of December 31	**106,782**	**99,700**

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

Turkey	103,161	96,606
Non - Turkey	3,621	3,094
	106,782	**99,700**

NOTE 21 - OTHER ASSETS AND LIABILITIES

	2011	2010
Other current assets		
Taxes and funds deductible	59,136	29,920
Prepaid taxes and funds	24,855	12,393
Value Added Tax and Private Consumption Tax receivables	24,811	21,709
Prepaid expenses	15,988	16,079
Assets obtained as loan/receivable collateral	7,021	6,433
Advances given for fixed assets	4,480	2,149
Order advances given	1,530	16,222
Other	8,196	13,079
	146,017	**117,984**

	2011	2010
Other current liabilities		
Accruals for customer premiums	115,406	47,781
Advances received	47,483	71,620
Accruals for license fee expenses	19,121	20,028
Accruals for sales and marketing expenses	11,234	19,347
Accruals for bonuses and premiums	7,057	6,474
Accruals for advertising expenses	6,166	11,100
Liabilities attributable to the acquisition of subsidiary	2,676	1,669
Other	3,477	1,889
	212,620	**179,908**

NOTE 22 - 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:

	2011	2010
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.

NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2011		December 31, 2010	
	Share%	**Amount**	**Share %**	**Amount**
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "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

It is related to merger with Grundig Elektronik A.Ş. dated June 30, 2009.

NOTE 22 - EQUITY (Continued)

Revaluation fund

Increases/decreases in carrying amounts resulted from revaluations recognized directly in the equity are followed in the funds described below:

	December 31, 2011	December 31, 2010
Financial assets fair value difference	328,795	487,711
Non-current assets fair value difference	68,660	33,724
Foreign currency hedge of net investments in foreign operations	(57,101)	(9,737)
Cash flow hedges	1,151	271
Revaluation fund total	**341,505**	**511,969**

Restricted reserves

The Turkish Commercial Code ("TCC") stipulates that the first 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. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to exemption for sale of participation shares and property, a 75% portion of corporations' profits arising from such sales are not withdrawn within five years and are followed in special reserves.

The details of these restricted reserves are as follows:

	December 31, 2011	December 31, 2010
Legal reserves	185,902	164,281
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	190,066	**168,445**

The Company paid a cash dividend at the rate of 37.0%, which corresponds to full TRY 0.36997 gross and net cash dividend for the shares with a nominal value of full TRY 1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 37.0%, which corresponds to full TRY 0.36997 gross and full TRY 0.31449 net cash dividend for the shares with a nominal value of full TRY 1.00 to other shareholders in March, 2011.

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

NOTE 22 - EQUITY (Continued)

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in capital" and not been transferred to capital yet, shall be classified under the "Inflation adjustment to share capital";

- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings".

Dividend distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

In accordance with the CMB Decision No. 02/51 and dated January 27, 2010, concerning allocation basis of profit from operations of 2010, minimum profit distribution will not be applied for the listed companies for the year 2009. In accordance with Board's Decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, companies which are required to prepare consolidated financial statements are allowed to calculate, the distributable profit based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29, as long as the amount can be met from the resources in their statutory books.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remainder of current year income and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY 726,671 (December 31, 2010: TRY 855,740)

NOTE 23 - SALES AND COST OF SALES

	2011	2010
Domestic sales	4,125,234	3,547,277
Foreign sales	4,913,727	3,841,715
Gross sales	**9,038,961**	**7,388,992**
Less: Discounts	(601,722)	(452,572)
Net sales	**8,437,239**	**6,936,420**
Cost of sales	(5,897,009)	(4,868,473)
Gross profit	**2,540,230**	**2,067,947**

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2011	2010
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	399,323	308,721
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Personnel expenses	216,154	176,700
License expenses	21,237	9,471
Depreciation and amortisation expenses	11,894	8,739
Energy expenses	5,988	5,633
Other	152,479	117,360
	1,474,254	**1,161,489**
General administrative expenses:		
Personnel expenses	164,143	141,452
Insurance expenses	25,333	21,949
Legal consultancy and audit expenses	22,913	10,322
Depreciation and amortisation expenses	22,245	18.418
Information technology expenses	20,311	10,905
Rent expenses	10,314	7,896
Donations	8,136	9,451
Duties, taxes and levies	8,206	7,304
Repair and maintenance expense	4,938	4,061
Energy expenses	4,331	3,381
Other	51,702	45,224
	342,572	**280,363**
Research and development expenses (*):		
Depreciation and amortisation expenses	36,803	32,599
Personnel expenses	19,313	14,044
Other	8,731	13,877
	64,847	**60,520**

(*)Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 102,118 in 2011 (2010: TRY 91,192).

NOTE 25 - EXPENSES BY NATURE

	2011	2010
Raw materials, supplies and trade goods	5,459,496	4,254,118
Changes in finished goods, work in process and trade goods	(310,301)	(14,298)
Personnel expenses	824,170	706,386
Transportation, distribution and storage expenses	440,058	320,577
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Depreciation and amortisation expenses	217,834	192,538
Energy expenses	70,335	59,327
Repair and maintenance expenses	51,725	43,908
License expenses	21,237	10,937
Other	336,949	262,487
	7,778,682	**6,370,845**

NOTE 26 - OTHER INCOME AND EXPENSES

	2011	2010
Other operating income		
Income from claims and grants	29,719	44,847
Reversal of provisions	12,228	10,198
Income from sales of property, plant and equipment (**)	2,631	42.431
Reversal of provisions for doubtful receivables	1,808	8,306
Other	13,808	24,634
	60,194	**130,416**

	2011	2010
Other operating expenses		
Product recall expenses (*)	(30,459)	-
Provision expense for doubtful receivables	(23,326)	(19,882)
Loss from sales of property, plant and equipment	(3,674)	(5,121)
Provision expense for impairment on inventories	(2,182)	(5,909)
Other	(13,216)	(27,429)
	(72,857)	**(58,341)**

(*) Product recall expenses includes expenses of voluntary recall process in 2011, which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000-2006 in England and Ireland with expired warranties. Although, these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who gives importance to product safety, required modifications were met free of charge with the aim to remove the potential risks.

(**) In 2010, the Group realized gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to Koç University amounting to TRY40,055 (Note 31).

NOTE 27 - FINANCIAL INCOME

	2011	2010
Foreign exchange gains	292,123	124,310
Credit finance income	59,582	90,064
Interest income	35,572	39,080
Gains on derivative financial instruments	28,175	33,248
Other	106	344
	415,558	**287,046**

NOTE 28 - FINANCIAL EXPENSES

	2011	2010
Foreign exchange losses	(311,756)	(120,302)
Interest expenses	(103,530)	(101,071)
Losses on derivative financial instruments	(19,816)	(15,191)
Cash discounts expenses	(18,262)	(13,600)
Credit finance charges	(9,576)	(25,424)
Other	(11,481)	(4,377)
	(474,421)	**(279,965)**

NOTE 29 - TAX ASSETS AND LIABILITIES

	December 31, 2011	December 31, 2010
Corporation and income taxes	61,483	82,688
Less: prepaid tax	(38,233)	(63,718)
Current income tax liabilities (net)	**23,250**	**18,970**
Deferred tax assets	63,387	39,244
Deferred tax liabilities	(226,142)	(128,549)
Deferred tax liabilities, (net)	**(162,755)**	**(89,305)**

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

The corporation tax rate is 20% in Turkey (31 December 2010: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended at December 31 are summarised as follows:

	2011	2010
Tax expenses		
- Current period tax expense	(71,996)	(83,492)
- Deferred tax expense	(2,326)	(23,899)
Tax expenses (net)	**(74,322)**	**(107,391)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB 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 CMB Financial Reporting Standards and tax purposes.

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2011	**2010**	**2011**	**2010**
Property, plant and equipment and intangible assets	1,148,784	755,046	(257,693)	(158,277)
Available-for-sale investments	346,102	513,381	(17,305)	(25,669)
Unearned credit finance income/expense (net)	41,353	(15,302)	(8,271)	3,032
Derivative financial instruments	2,308	946	(462)	(189)
Unused tax credits	(178,166)	(91,109)	42,150	18,223
Provision for warranty and assembly expense	(166,353)	(146,672)	33,158	29,014
Provision for employment termination benefits	(103,621)	(96,635)	20,761	19,327
Provision for impairment on inventories	(57,077)	(64,941)	11,467	12,996
Provision for doubtful receivables	(12,967)	(6,796)	2,266	1,215
Accrual for licenses	(7,322)	(20,028)	1,464	4,006
Other	(38.940)	(31,271)	9,710	7,017
Deferred tax liabilities (net)			**(162,755)**	**(89,305)**

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

	2011	2010
As of January 1	**(89,305)**	**(53,692)**
Tax expense recognized in income statement	(2,326)	(23,899)
Tax recognized directly in the shareholders' equity	8,787	(12,848)
Acquisition of subsidiary (Note 3)	(67,820)	-
Currency translation differences	(12,091)	1,134
As of December 31	**(162,755)**	**(89,305)**

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 425,927. Maturity analysis of this amount is as follows:

	December 31, 2011
2012	10,390
2013	9,286
2014	27,919
2015	76,497
2016 and after	301,835
	425,927

Reconciliation between tax expenses for the years ended December 31, 2011 and 2010 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2011	2010
Profit before tax	615,409	656,638
Tax expense calculated using 20% local tax rate	**(123,082)**	**(131,328)**
Exemptions	28,079	40,208
Effect of unused tax losses for which no deferred tax asset was recognized	(3,834)	(8,494)
Expenses not deductable for tax purposes	(12,135)	(12,661)
Impact of different tax rates in other countries	(7,924)	(6,059)
Adjustments with no tax effects	22,838	6,472
Utilization of previously unrecognized tax losses	21,854	4,338
Other	(118)	133
Taxation expense recognized in income statement	**(74,322)**	**(107,391)**
Effective tax rate	**12.1%**	**16.4%**

NOTE 30 - EARNINGS PER SHARE

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

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

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

	December 31, 2011	December 31, 2010
Net income attributable to the equity holders of the parent	506,506	517,093
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.750**	**0.765**
Dividends distributed to the equity holders of the parent	250,000	100,000
Gross dividend distributed per share (*)	**0.370**	**0.148**

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

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2011	December 31, 2010
(a) Due from related parties		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	16,876	10,153
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,286	-
Tanı Pazarlama	-	12,559
Other	1,240	157
	23,402	**22,869**

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2011	December 31, 2010
(b) Due to related parties		
Short-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	88,065	63,454
Ram Dış Ticaret	19,139	10,892
Arçelik-LG	15,955	105,054
Other	10,124	6,603
	133,283	**186,003**
Long-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	70,539	63,681
	70,539	**63,681**

(*)In January 2001, a contract was signed regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products for the following 20 years, between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.). 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. The long term payables to related parties include the principal amount of the payables in USD, which will be paid until 2020, in exchange of the value determined and recognized as intangible asset.

(c) Deposits

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	430,733	473,926
	430,733	**473,926**

(d) Bank borrowings

	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	446,220	259,851
	446,220	**259,851**

e) Derivative financial instruments

December 31, 2011	Contract amount	Fair value assets	Fair value (liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	210,069	920	-
	210,069	**920**	**-**

NOTE 31 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

December 31, 2010	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	119,452	270	(32)
	119,452	**270**	**(32)**

(ii) Transactions with related parties

(a) Sales of goods and services	2011	2010
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	70,300	57,671
Zer Merkezi Hizmetler ve Ticaret A.Ş.	55,188	42,699
Koçtaş Yapı Marketleri Ticaret A.Ş.	27,430	19,460
Arçelik-LG	16,543	31,155
Other	15,471	15,722
	184,932	**166,707**

(b) Purchases of goods and services		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	502,301	409,024
Arçelik-LG	356,423	295,783
Ram Dış Ticaret	81,865	35,555
Ram Sigorta Aracılık Hizmetleri A.Ş.	20,893	17,828
Setur Servis Turistik A.Ş.	16,749	12,655
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	21,487	19,713
Other	65,497	54,412
	1,065,215	**844,970**

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.

NOTE 31 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2011 amounts to TRY 37,815 (December 31,2010: TRY 32,207). The compensation includes only short-term benefits.

(d) Other transactions

	2011	2010
Income from sale of tangible assets	-	40,055
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	12,064	7,956
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,316	5,064

NOTE 32 - 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 minimise potential adverse effects on the financial performance of the Group.

Hedging operations and derivative financial instruments

Liquidity Risk

The Group eliminates the risk of failure to settle its financial and commercial liabilities by managing the balance sheet according to expected cash flows.

In this context, the maturities of the financial liabilities are arranged according to the maturities of assets, and a mismatch between the maturities is eliminated. There is a level of "acid-test" ratio to manage the consolidated and stand alone balance sheets followed by the Group Companies' managements.

Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2011 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	-
Trade payables	1,320,070	1,347,799	1,245,008	16,090	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	-	-
Other liabilities	214,893	214,893	206,720	5,900	2,273	-
	4,753,738	**4,966,439**	**2,340,888**	**923,045**	**1,659,439**	**43,067**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		(348,805)	(348,805)	-	-	-
Derivative cash outflows		(346,068)	(346,068)	-	-	-
Derivative instruments, net	**2,737**	**2,737**	**2,737**	**-**	**-**	**-**

Group's maturity analysis of financial liabilities as of December 31, 2010 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,057,292	2,183,694	554,980	345,562	1,283,152	-
Trade payables	1,032,643	1,053,686	927,094	46,664	35,867	44,061
Other payables	48,508	48,508	43,938	4,570	-	-
Other liabilities	183,806	183,806	168,332	11,576	3,898	-
	3,322,249	**3,469,694**	**1,694,344**	**408,372**	**1,322,917**	**44,061**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		146,434	146,434	-	-	-
Derivative cash outflows		(145,488)	(145,488)	-	-	-
Derivative instruments, net	**946**	**946**	**946**	**-**	**-**	**-**

(*) Undiscounted contractual cash flows

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

Average effective annual interest rates of balance sheet items as of December 31, 2011 and 2010 are as follows:

December 31, 2011 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	CZK
Current Asset										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	13.0	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	11.6	3.69	2.24	3.20	-	-	-	7.18	-	-

December 31, 2010 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY
Current assets							
Cash and cash equivalents	9. 04	1. 58	3. 13	0. 31	2. 64	2. 21	1. 05
Trade receivables	20. 40	0. 82	0. 82	5. 00	-	-	-
Current liabilities							
Financial liabilities	-	1. 80	0. 98	-	3. 55	7. 25	4. 48
Trade payables	6. 32	0. 48	0. 48	3. 10	-	-	-
Non-current liabilities							
Financial liabilities	8. 30	2. 69	2. 25	2. 93	-	6. 26	-

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2011	December 31, 2010
Financial instruments with fixed interest rates		
Time deposits	436,144	815,695
Financial liabilities	696,887	414,934
Financial instruments with variable interest rates		
Time deposits	605,499	418,102
Financial liabilities	2,460,004	1,641,904

At December 31, 2011, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 18,545 (2010: TRY 12,238) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2011 and 2010 are as follows:

December 31, 2011	Trade receivables		Deposits	Derivative
	Related party	Third party	in banks	financial instruments
Maximum exposed credit risk as of reporting date (1)	**23,402**	**3,173,486**	**1,132,629**	**2,932**
Secured portion of the maximum credit risk by guarantees, etc,	-	(2,379,314)	-	-
A. Net book value of financial asset either are not due or not impaired	23,402	2,944,983	1,132,629	2,932
-Secured portion by guarantees, etc	-	(2,187,054)	-	-
B. Financial assets with renegotiated conditions	-	29,685	-	-
-Secured portion by guarantees, etc,	-	(26,850)	-	-
C. Net book value of overdue but not impaired financial assets	-	140,562	-	-
-Secured portion by guarantees, etc,	-	(106,980)	-	-
D. Net book value of the impaired assets	-	58,256	-	-
-Overdue (Gross book value)	-	151,835	-	-
-Impairment (-)	-	(93,579)	-	-
-Secured portion of the net value by guarantees, etc.	-	(58,376)	-	-

December 31, 2010	Trade receivables		Deposits	Derivative
	Related party	Third party	in banks	financial instruments
Maximum exposed credit risk as of reporting date (1)	**22,869**	**2,314,170**	**1,286,384**	**1,185**
Secured portion of the maximum credit risk by guarantees, etc,	-	(1,725,492)	-	-
A. Net book value of financial asset either are not due or not impaired	22,869	2,098,900	1,286,384	1,185
-Secured portion by guarantees, etc	-	(1,559,134)	-	-
B. Financial assets with renegotiated conditions	-	21,387	-	-
-Secured portion by guarantees, etc,	-	(20,108)	-	-
C. Net book value of overdue but not impaired financial assets	-	148,556	-	-
-Secured portion by guarantees, etc,	-	(101,196)	-	-
D. Net book value of the impaired assets	-	45,327	-	-
-Overdue (Gross book value)	-	155,938	-	-
-Impairment (-)	-	(110,611)	-	-
-Secured portion of the net value by guarantees, etc.	-	(45,054)	-	-

(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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit quality of financial assets which are not overdue and not impaired

	December 31, 2011	December 31, 2010
Group 1	10,458	10,045
Group 2	2,917,628	1,940,405
Group 3	69,984	192,706
	2,998,070	**2,143,156**

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

	December 31, 2011	December 31, 2010
0-1 month	100,241	74,712
1-3 months	22,109	27,378
3-12 months	10,995	29,305
1-5 years	7,217	17,161
	140,562	**148,556**

c) Geographical concentration of the trade receivables

	December 31, 2011	December 31, 2010
Turkey	1,758,175	1,384,018
Europe	986,444	711,907
Other	452,269	241,114
	3,196,888	**2,337,039**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations performed using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilising forward foreign currency transactions.

The Group used derivative financial instruments in forms of foreign exchange forward contracts and options, which are designated as a cash flow hedge against the foreign currency risk in the cash outflows expected during the acquisition of subsidiary.

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in 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 December 31, 2011, 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, 2010 – EUR 87,500,000).

Foreign currency position

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

	December 31, 2011	December 31, 2010
Assets	1,762,858	1,362,205
Liabilities	(2,496,757)	(1,586,420)
Net balance sheet position	**(733,899)**	**(224,215)**
Net position of derivative financial instruments	340,290	131,932
Net foreign currency position	**(393,609)**	**(92,283)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, 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 December 31, 2011 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	AED	TRY Equivalents
Current assets											
Trade receivables	344,250	79,315	98,398	1,380,711	50,831	57,369	2	151,136	-	9,657	1,438,098
Monetary financial assets	14,406	1,857	6	100,001	48	-	81	-	-	-	44,598
Other	15,385	43,504	49	-	-	-	-	-	-	-	119,916
Non-Current assets											
Trade receivables	-	-	-	-	-	-	-	-	684,258	-	160,246
Total assets	**374,041**	**124,676**	**98,453**	**1,480,712**	**50,879**	**57,369**	**83**	**151,136**	**684,258**	**9,657**	**1,762,858**
Current liabilities											
Trade payables	97,852	76,719	1,127	-	-	-	-	87,599	-	-	411,178
Financial liabilities	295,363	1,243	204	-	-	-	-	-	4,258	-	725,748
Other monetary financial liabilities	2,324	2,846	-	-	-	-	-	-	-	-	11,055
Non-Current liabilities											
Trade payables	-	37,344	-	-	-	-	-	-	-	-	70,539
Financial liabilities	300,044	127,000	50,000	-	-	-	-	-	680,000	-	1,278,237
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**695,583**	**245,152**	**51,331**	**-**	**-**	**-**	**-**	**87,599**	**684,258**	**-**	**2,496,757**
Net balance sheet position	**(321,542)**	**(120,476)**	**47,122**	**1,480,712**	**50,879**	**57,369**	**83**	**63,537**	**-**	**9,657**	**(733,899)**
Off-balance sheet derivative financial assets (*)	152,643	132,837	-	100,000	-	-	-	-	-	-	629,759
Off-balance sheet derivative financial liabilities (*)	(8,000)	(3,123)	(35,000)	(1,650,000)	(48,000)	-	-	(145,000)	-	-	(289,469)
Net position of off-balance sheet items	144,643	129,714	(35,000)	(1,550,000)	(48,000)	-	-	(145,000)	-	-	340,290
Net foreign currency asset/ (liability) position	**(176,899)**	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,463)**	**-**	**9,657**	**(393,609)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in off balance sheet derivative assets.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	AED	TRY Equivalents
Against TRY	(177,328)	18,434	7,250	(69,288)	1,836	57,689	84	6,136	9,657	(368,202)
Against EUR	-	372	-	-	1,043	(320)	-	-	-	1,249
Against RUB	336	1,783	-	-	-	-	-	-	-	4,189
Against PLN	(1,593)	9	-	-	-	-	-	-	-	(3,876)
Against GBP	4,797	-	-	-	-	-	-	-	-	11,723
Against RON	(789)	3,062	2,502	-	-	-	-	-	-	11,154
Against CZK	(3,038)	-	-	-	-	-	-	-	-	(7,424)
Against NOK	414	-	-	-	-	-	-	(87,599)	-	(22,833)
Against SEK	392	(1,058)	-	-	-	-	(1)	-	-	(1,040)
Against CNY	1,491	(9,593)	2,370	-	-	-	-	-	-	(7,563)
Against ZAR	(1,575)	(3,771)	-	-	-	-	-	-	-	(10,972)
Other	(6)	-	-	-	-	-	-	-	-	(14)
	(176,899)	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,463)**	**9,657**	**(393,609)**

NOTE 32 - 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, 2010 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	TRY Equivalent
Current assets								
Trade receivables	307,380	94,216	90,032	990,326	30,984	1,414	3,956	1,058,679
Monetary financial assets	41,075	64,955	1	30	410	6	-	184,806
Other	26,994	40,678	27	-	879	-	-	118,720
Total assets	**375,449**	**199,849**	**90,060**	**990,356**	**32,273**	**1,420**	**3,956**	**1,362,205**
Current liabilities								
Trade payables	113,980	97,786	150	-	-	-	-	385,091
Financial liabilities	191,390	312	191	-	-	-	-	393,115
Other monetary financial liabilities	9,120	2,915	699	-	-	-	-	24,865
Non-current liabilities								
Trade payables	-	41,191	-	-	-	-	-	63,681
Financial liabilities	216,701	100,000	50,000	-	-	-	-	718,072
Other monetary financial liabilities	-	-	668	-	-	-	-	1,596
Total liabilities	**531,191**	**242,204**	**51,708**	**-**	**-**	**-**	**-**	**1,586,420**
Net balance sheet position	**(155,742)**	**(42,355)**	**38,352**	**990,356**	**32,273**	**1,420**	**3,956**	**(224,215)**
Off-balance sheet derivative financial assets (*)	115,827	15,374	-	14,200	5,200	-	-	264,513
Off-balance sheet derivative financial liabilities	(1,657)	-	(35,000)	(650,000)	(25,000)	-	-	(132,581)
Net position of off-balance sheet items	114,170	15,374	(35,000)	(635,800)	(19,800)	-	-	131,932
Net foreign currency asset/ (liability) position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

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

	EUR	USD	GBP	RUB	PLN	RON	AED	TRY Equivalent
Against TRY	(24,361)	(14,304)	(943)	354,556	11,182	1,420	3,956	(48,345)
Against EUR	-	398	-	-	1,291	-	-	1,283
Against RUB	(37)	(6,848)	-	-	-	-	-	(10,663)
Against PLN	(1,528)	(30)	-	-	-	-	-	(3,177)
Against GBP	3,622	-	-	-	-	-	-	7,422
Against other currencies	(19,268)	(6,197)	4,295	-	-	-	-	(38,803)
Net foreign currencyposition	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in off balance sheet derivative assets.

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2011, sensitivity analysis of foreign exchange rate tables is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign Exchange Depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(22,757)	22,757	(22,757)	22,757
Secured portion from USD risk (*)	24,502	(24,502)	24,502	(24,502)
USD net effect	**1,745**	**(1,745)**	**1,745**	**(1,745)**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(49,252)	49,252	(62,146)	62,146
Secured portion from EUR risk (*)	6,022	(6,022)	35,348	(35,348)
EUR net effect	**(43,230)**	**43,230**	**(26,798)**	**26,798**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	13,745	(13,745)	33,045	(33,045)
Secured portion from GBP risk (*)	(10,210)	10,210	(10,210)	10,210
GBP net effect	**3,535**	**(3,535)**	**22,835**	**(22,835)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	8,610	(8,610)	23,367	(23,367)
Secured portion from RUB risk (*)	(9,013)	9,013	(9,013)	9,013
RUB net effect	**(403)**	**(403)**	**14,354**	**14,354**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	28,237	(28,237)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**28,237**	**(28,237)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	2,810	(2,810)	5,443	(5,443)
Secured portion from PLN risk (*)	(2,651)	2,651	(2,651)	2,651
PLN net effect	**159**	**(159)**	**2,792**	**(2,792)**
+/-10% fluctuation of CZK rate				
CZK net asset/liability	549	(549)	1,117	(1,117)
Secured portion from CZK risk (*)	**-**	-	-	-
CZK net effect	**549**	**(549)**	**1,117**	**(1,117)**
+/-10% fluctuation of NOK rate				
NOK net asset/liability	3	(3)	123	(123)
Secured portion from NOK risk (*)	**-**	-	-	-
NOK net effect	**3**	**(3)**	**123**	**(123)**
+/-10% fluctuation of SEKrate				
SEK net asset/liability	1,730	(1,730)	2,422	(2,422)
Secured portion from SEK risk (*)	(3,947)	3,947	(3,947)	3,947
SEK net effect	**(2,217)**	**2,217**	**(1,525)**	**1,525**
+/-10% fluctuation of ZAR rate				
ZAR net asset/liability	-	-	39,614	(39,614)
Secured portion from ZAR risk (*)	-	-	-	-
ZAR net effect	**-**	**-**	**39,614**	**(39,614)**
+/-10% fluctuation of AED rate				
AED net asset/liability	499	(499)	499	(499)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	**499**	**(499)**	**499**	**(499)**
+/-10% fluctuation of AUD rate				
AUD net asset/liability	**-**	**-**	104	(104)
Secured portion from AUD risk (*)	**-**	**-**	-	-
AUD net effect	**-**	**-**	**104**	**(104)**
	(39,360)	**39,360**	**83,097**	**(83,097)**

(*) Includes impact of derivative financial instruments

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2010, sensitivity analysis of foreign exchange rates tables is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,548)	6,548	(6,548)	6,548
Secured portion from USD risk (*)	2,377	(2,377)	2,377	(2,377)
USD net effect	**(4,171)**	**4,171**	**(4,171)**	**4,171**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(17,569)	17,569	(20,396)	20,396
Secured portion from EUR risk (*)	9,051	(9,051)	23,395	(23,395)
EUR net effect	**(8,518)**	**8,518**	**2,999**	**(2,999)**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	9,161	(9,161)	20,928	(20,928)
Secured portion from GBP risk (*)	(8,360)	8,360	(8,360)	8,360
GBP net effect	**801**	**(801)**	**12,568**	**(12,568)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	4,975	(4,975)	17,784	(17,784)
Secured portion from RUB risk (*)	(3,194)	3,194	(3,194)	3,194
RUB net effect	**1,781**	**(1,781)**	**14,590**	**(14,590)**
+/-10% fluctuation of RON rate				
RON net asset/liability	67	(67)	21,682	(21,682)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**67**	**(67)**	**21,682**	**(21,682)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,670	(1,670)	3,512	(3,512)
Secured portion from PLN risk (*)	(1,024)	1,024	(1,024)	1,024
PLN net effect	**646**	**(646)**	**2,488**	**(2,488)**
+/-10% fluctuation of AED rate				
AED net asset/liability	168	(168)	168	(168)
Secured portion from AED risk (*)				
AED net effect	**168**	**(168)**	**168**	**(168)**
	(9,226)	**9,226**	**50,324**	**(50,324)**

(*) Includes impact of off- balance sheet derivative financial instruments

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	832,758,148	1,961,295	800,371,489	1,588,198
USD	232,512,373	384,625	330,241,694	496,716
GBP	226,960,417	613,175	216,400,746	501,010
Other		309,499		126,341
Total exports		**3,268,594**		**2,712,265**
EUR	407,980,902	948,152	372,153,519	738,393
USD	807,889,674	1,357,796	675,378,575	1,012,140
GBP	897,526	2,448	604,818	1,400
Other		9,383		13,812
Total imports		**2,317,779**		**1,765,745**

Capital Risk Management

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

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

The gearing ratios at December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Total financial liabilities (Note 7)	3,157,180	2,057,292
Less: Cash and cash equivalents (Note 5)	(1,173,889)	(1,317,166)
Net financial liabilities	1,983,291	740,126
Total shareholders' equity	3,651,641	3,407,734
Total capital invested	**5,634,932**	**4,147,860**
Gearing ratio	**35%**	**18%**

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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

Financial Assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

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

Financial Liabilities

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

As of December 31, 2011 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 2,078,684 (2010: TRY 1,457,740) (Note 7) and TRY 2,094,429 (2010: TRY 1,461,635), respectively.

NOTE 33 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31, 2011 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,932	
Financial assets	-	491,376	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	195	-

Fair value hierarchy table as at December 31, 2010 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	1,185	
Financial assets	-	658,679	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	239	-

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements,

"Changes in provisions" and "Changes in operating assets and liabilities" presented in the consolidated statements of cash flows are as follows:

	2011	2010
Changes in provisions:		
Accrual for customer premiums	53,442	(15,092)
Warranty provision	32,010	426
Assembly and transportation provision	6,825	3,841
Accrual for sales and marketing expenses	(8,113)	1,226
Accrual for bonuses and premiums	(4,066)	5,216
Provision for doubtful receivables	23,326	19,882
Provision for employment termination benefits	6,070	14,365
Provision for impairment on inventories	2,182	5,909
	111,676	**35,773**
Change in operating assets and liabilities:		
Trade receivables and due from related parties	(751,682)	(119,656)
Inventories	(456,618)	(86,649)
Other current assets and liabilities	(12,162)	15,765
Other non-current liabilities	274	(3,254)
Trade payables and due to related parties	219,570	202,861
	(1,000,618)	**9,067**

NOTE 35- EVENTS AFTER BALANCE SHEET DATE

Due to approvals from local authorities, purchase of 100% shares of Defy (Botswana) (Proprietary) Limited ("Defy Botswana") has been completed in January 31, 2012. Defy Botswana's main line of business is sale of durable goods in Botswana.

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