

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**



**Arçelik A.Ş.**  
**2012**  
ANNUAL REPORT



## Honesty, integrity, and superior business ethics are the foundations of our business conduct.

We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards. We are a leader in serving our society and safeguarding the interests of future generations. Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and our planet.

Vehbi Koç

*Respects*  
**THE GLOBE**  
*Respected*  
**GLOBALLY**

Arçelik Group's vision of "Respects The Globe, Respected Globally" aims to achieve profitable and sustainable growth; to increase market share in its target market; the globe; to reach more consumers in a fast-changing world with innovative products and services; to safeguard the future with corporate responsibility; and to integrate and optimize the components of the global organization while becoming a global group.



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JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

### JANUARY - MARCH

- “Efficient Cooperation for Energy Efficiency in Household Appliances” movement launched by the Ministry of Energy and Natural Resources has been supported.
- 16<sup>th</sup> Beko store has been launched in Lukavica Istocno Region, within Sarajevo, Bosnia and Herzegovina.
- Beko All-Star Organization held in Trabzon within the scope of Beko Turkish Basketball League sponsorship.
- Arçelik 92104 PFEI, world’s least water consuming semi-built-in dishwasher providing up to 85% water saving compared to hand wash has been manufactured.
- Arçelik A.Ş. Authorized Dealers Meeting held in Antalya with the participation of 1,270 authorized dealers.
- Blomberg brand of Arçelik A.Ş. was preferred in Equinox Net-Zero Energy House in U.S.A., which meets all its energy requirements with solar energy.
- Çelik character, representing the technology, innovation and functionality continued to promote Arçelik A.Ş. innovations together with Çeliknaz, the symbol of design, aesthetics, style and grace.

### APRIL - JUNE

- Next generation air-conditioning products of Arçelik A.Ş. met with the visitors at Sodex Istanbul.
- Arçelik A.Ş. Subsidiary Industry Day held in Istanbul.
- 11<sup>th</sup> Beko Chess Festival held in İzmir.
- At 14<sup>th</sup> Invention Day, 455 inventor engineers, manufacturing products with innovative technologies, have been awarded.
- Cactus Dishwasher Project has taken its place among the best practices that will represent Turkey at Rio+20 United Nations Conference on Sustainable Development (Rio+20) to be held in Brazil.
- Beko brand attended to 17<sup>th</sup> Shanghai International Bath & Kitchen Exhibition organized in China.
- UK Minister of State for Trade and Investment Lord Stephen Green and Deputy Prime Minister of Belgium Flemish Government and Minister of Innovation, Public Investment, Media and Poverty Reduction visited the washing machine plant in Çayırova, Istanbul.



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

## JULY - SEPTEMBER

- Largest store of Beko in Montenegro launched in Podgorica city.
- Beko Plc., sponsored the terrace pavilion at UKTI's British Business Embassy at Lancaster House.
- Beko attended to Electrolar Show Exhibition, largest electronic exhibition event of South America, organized in Sao Paulo, Brazil.
- Arçelik A.Ş. exhibited its state-of-the-art and cutting-edge technology products at IFA, Europe's largest technology exhibition, with its international brands Beko and Grundig.
- Beko became the official supporter of FA Cup, which is the world's oldest football tournament, having been organized since 1871 and has awarded Chelsea as last season's winner.
- Beko brand became the new title sponsor of Italian Basketball League, Lega Basket Serie A.
- Strongest teams of Beko Turkish Basketball League, Beko Basketball Bundesliga, Beko Russia Basketball League and Beko Litvania Basketball League brought together at Beko Cup organized in Germany.

## OCTOBER - DECEMBER

- Largest Arçelik Store, apart from Turkey, launched in Babek region of Baku, in Azerbaijan.
- Sales and Marketing Companies in Ukraine as Beko Ukraine and in Egypt as Beko Egypt Trading LLC have been established.
- A loan agreement signed with European Investment Bank for financing R&D activities.
- Within the scope 15<sup>th</sup> year celebrations of the activities in Georgia, Beko launched two new stores and new office and service centers of its Georgia distributor.
- As the member and term spokesman of Turkish Corporate Leaders Group on Climate Change Platform, Arçelik A.Ş. represented Turkey at World Climate Summit held in Doha.
- 2011 Sustainability Report has been prepared as per GRI-Global Reporting Initiative standard at "B+" level.
- Arçelik and Beko Authorized Services came together at three different meetings held in Antalya.
- Malaysia Minister of International Trade and Industry, Dato Sri Mustapa Mohamed and South Africa Deputy Minister of Trade and Industry, Elizabeth Thabethe visited Istanbul Çayirova Plant.
- Prime Minister of Romania visited Arctic Refrigerating Appliances Plant in Romania.

“

“Arçelik A.Ş. reached a consolidated turnover of TL 10.6 billion and a net profit of TL 552 million in 2012.”

”



## Esteemed Shareholders,

Welcome to our Ordinary General Shareholders Meeting. I would like to welcome you on behalf of our Board of Directors and myself.

It is obvious that the crisis, which has been influencing European countries for several years, still prevails in ripples. Growth rate decreases are expected both for European economies and the world economy. In the European countries; primarily Greece, Portugal and Italy, fiscal discipline measures taken by the governments cause social disturbances. Despite all, recently it seems that a mutual agreement has been provided for supporting Euro, this is an important step for the future of Europe.

Even though fiscal discipline practices prevented the crisis from deepening, it is understood that recovering from the current situations of economic indicators such as budget

deficits, national debts, rates of unemployment will take quite a while. It cannot be expected from European Union to reach the strong growth rates within this period.

Economic recession of Europe, which I tried to describe, has affected the total developed countries average and the countries within this group could only achieve 1.3% growth rate last year across the globe. As for the group of developing countries, they have reached 5.3% growth rate with the effect of China.

When we look at our geography, we see that the political and economic effects of Arab Spring have not yet been settled down. Especially the situation still continues in our nearby neighbor Syria concerns us and it is unknown when and how it will end up.

As for our national economy, it has been affected from all of these adverse events at minimum and was able to maintain a stable course. Even though the targeted 4% growth rate cannot be achieved, we have the edge over many developed or developing countries both with our rate of growth and other indicators. This also gains acceptance in international economic platform, hence a prestigious credit rating agency upgraded Turkey's credit rating to investable grade.

Both growth rate and this positive outlook achieved in economic stabilization were the results of government policies as well as the consequence of well-disciplined and dynamic attitude displayed by real sector.

In case the current policies and government-real sector compliance maintained, it is obvious that further direct foreign investments will be made and thus the economy will be supported. It has been seen that this kind of positive atmospheres was achieved also in the past years from time to time but these have been interrupted due to various reasons, we hope that this time our economy will achieve much higher targets without interruption.

Despite the current affairs, changes emerging both in international platform and in our country, competition in the business world rapidly strengthens. The 2012 performance of Arçelik A.Ş., Turkey's leader in durable consumer goods sector, which is one of our main fields of operation, and one of the key players in the world, is much more appreciated within the frame of mentioned general economic outlook.

With the innovative products designed and manufactured with unique technology of Arçelik A.Ş. has reached a leading position, increased its market share, won many national and international prizes, became one of the leader companies of the world thanks to its environment and social responsibility conscious acts. This is not only a proud for Koç Group but also for Turkey.

Following closely the developments in the global market, our company continues to grow both organically and with acquisitions. We are leader in Turkish market and 3<sup>rd</sup> largest company of European sector and we have the leading position in UK, Romania and South Africa markets. In addition to Europe, positive developments that we experienced in new markets such as Middle East, Africa and Commonwealth of Independent States will further strengthen with the resolution of some political disturbances.

Providing products and services in such a wide geography, Arçelik A.Ş. reached a consolidated turnover of TL 10.6 billion and a net profit of TL 552 million in 2012. Successful business results also reflected to the market capitalization and more share value increase than domestic and international competitors has been achieved.

Also in the forthcoming period, we will continue to our globalization activities with sustainable growth target by investing in R&D, innovation, technology and human resources and strengthen our competitive structure.

I would like to take this occasion to thank our employees, dealers, suppliers, customers and shareholders, who add value and contribute to Arçelik A.Ş. Wishing a successful, peaceful and happy 2013, I extend my kindest regards to all of you.



**RAHMI M. KOÇ**  
Chairman  
Arçelik A. Ş.





allowing it to become the biggest production center in Europe. Turkey's exports increased 13 percent and exceeded 16 million units. The size of the domestic market was a record 6.5 million units and was on par with the previous year.

### **Our different brands continue to grow in global markets.**

In 2012, the positions of our brands strengthened in the countries in which we operate thanks to an increased market share and price index. We maintained our undisputed leadership in Turkey's white goods, built-in appliances, LCD TV, and air conditioning markets. Internationally, we are the third biggest white goods company in Europe. Our Arctic brand in Romania and our Defy brand in South Africa are undisputed market leaders. Moreover, our Beko brand is topping the UK market. In 2012, Beko improved its market share on the Western European market overall as well as specifically in the UK, France, Germany, Italy, Belgium and in the Polish market in the Eastern European region. For consumer electronics, our Grundig brand increased its market share, with its turnover soaring by more than 40 percent in Germany and in Northern Europe.

### **Our strong growth was reflected in our financial results; our turnover exceeded 10 billion Turkish lira threshold.**

Our financial results for 2012 confirm our rapid and consistent growth. By delivering over 20 percent growth for two years in a row, we have displayed an extraordinary performance in comparison to our competition.

We have exceeded the 10 billion Turkish lira turnover threshold this year, with an increase of 25 percent over last year. In line with our goal of expanding our global presence, our international sales made up almost 60 percent of our turnover.

### **We took important steps to expand our global presence.**

While maintaining our growth in the markets in which we already operate, we are also taking important steps in our bid for global presence. In accordance with our organic growth strategy and our goal of expanding to new markets, we have established new sales and marketing companies: Beko Ukraine LLC in Ukraine and Beko Egypt Trading LLC in Egypt. Our integration process took off after our Defy acquisition, which continues to grow at an accelerated pace. Our goal is ever greater growth in Sub-Saharan Africa. We are intensifying our operations and expanding our business volume in our focus markets, including Africa, the Middle East, the Gulf Region, and the Turkic Republics.

### **We continued to differentiate with our innovative products and applications.**

In 2012, we launched several pioneering products that raise our customers' quality of life beyond their expectations while providing the maximum possible energy and water efficiency. In addition, we continued to launch to the market noise reduction, hygiene, food conservation, cooking, washing, and drying applications using innovative technology.

### **Esteemed Shareholders, Business Partners, and Colleagues,**

2012 has been a year under the influence of negative growth indicators and continued economic issues in developed economies. Struggling with the global crisis, financial authorities continued monetary expansion measures. Inflationary effects of these measures were prevalent throughout the year. Particularly in countries with strong commercial and economic ties with Europe, investment decisions have been based on the principle of risk avoidance. While employment improved in many countries, fears of limited growth stunted the ability to reach desired levels. Global growth in 2013 is expected to be limited. It is expected that interest rates will remain low and quantitative easing will continue to have inflationary effects.

#### **The global white goods sector experienced limited growth.**

While the white goods sector had limited growth in terms of product quantity across the globe, its \$175 billion volume is predicted to be only slightly lower than in the previous year. Unlike in previous years, however, global LCD TV market growth is projected to be only around 1-2 percent. The white goods market in Western Europe narrowed due to the downturned economies of the UK, France, Italy, and Spain, whereas Eastern Europe continued to grow thanks to Russia, the biggest market in the region. On the other hand, Turkey's white goods industry surpassed Italy's,

We developed and launched new products in parallel with the latest technology and road maps based on trends such as energy and the environment, increasing and aging population, urbanization, and new markets. We included in our product range washing machine that is 40 percent more energy efficient than the A+++ energy class; the world's most energy-efficient combi no-frost refrigerator, which uses 10 percent less energy than the A+++ energy class; A+++ energy class dryer; the world's most energy efficient oven that uses 40 percent less energy than the requirements for the A energy class; the world's quietest conventional refrigerator (36dBA); the world's quietest built-in oven (43dBA); the world's quietest dishwasher (37dBA); the world's first A+++ energy class dishwasher that is distinguished by its 45 cm width; and a combination washer-dryer machine.

In 2012, we made a significant innovation in terms of our product and communications strategy. We launched "In love" series washing machines, the first product of the combination of the Arçelik's brand mascot, Çelik, which represents technology and innovation with Çeliknaz, which symbolizes design and elegance. Standing out with superior energy efficiency and design, the "In love" series washing machines have been presented with "if Design" and "Design Turkey" awards. In 2012, we also launched the "In love" series small household appliances featuring the "Design Turkey" industrial design award.

#### **We have invested in R&D relentlessly.**

We are aware that our R&D and technological capabilities are critical in allowing us to reach our goals and achieve sustained growth, so we are scaling up our R&D and innovation investments. This year, our R&D and innovation activities have been presented with the "Most Innovative Company" award from the Turkish Exporters' Assembly. We protect our R&D and innovation operations, which sustain our competitive advantage, through patents. For many years now, we have been Turkey's undisputed patent champion. We hold over one third of Turkey's international patent applications.

#### **Our focus is on sustainable development.**

In accordance with our "Respects the Globe, Respected Globally" vision we operate with full awareness of our environmental and social responsibilities apart from focusing on "sustainable development" in all our processes. All of our business processes and goals are integrated with sustainability principles. Focusing on the sustainability of resources, we strive to minimize the environmental impact of our production processes. The fact that Arçelik A.Ş. participates in the "Carbon Disclosure Project" a global system that enables companies to share their carbon emission and climate change strategies with international corporate investors, and the fact that we received the "Turkish Carbon Disclosure Leader" award are indications of our sensitivity to the environment.

Our environmentally-friendly washing machine project, the "Cactus washing machine" was awarded first prize in the "Energy Efficient Products" category by the Ministry of Energy and Natural Resources and in the "Environmentally Friendly Product" category by the Istanbul Chamber of Industry. Our Cactus washing machine was one of the best

representatives of Turkey in the "Rio+20 United Nations Conference on Sustainable Development".

We continue to support projects and initiatives that combat climate change in Turkey and around the world. We are also continuing our term of speaker at the Turkish Climate Platform, part of the Corporate Leaders Network for Climate Action, which was established to spearhead the implementation of national and international policies in the transition to a low carbon economy. In 2012, we participated in the Doha Climate Change Conference.

#### **We are fully aware of our social responsibility.**

As part of the Arçelik Family, our employees, authorized dealers, and services participate in various social responsibility projects throughout Turkey, making valuable contributions to our country. Our employees contributed to Koç Holding's yearly "For My Country" project, whose theme for 2012 was "No Barriers For My Country". They volunteered for the "We read for you" project that was organized for the visually disabled.

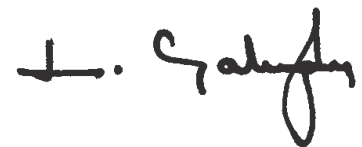
Our support of sports is also ongoing. After supporting Turkish, German, Russian, and Lithuanian leagues, our Beko brand became a sponsor of the Italian Basketball League. In football, our Grundig brand is still the first "Official Technology Partner" of the German football league Bundesliga. Our Beko brand has been an official sponsor of the FA Cup, the world's oldest and most watched football cup with 141 years of history behind it and the most important tournament in English football.

#### **We are taking firm steps towards our vision to become a global company.**

Despite positive expectations from 2013 we are entering a period marked by a discretionary growth approach. Our experience, our innovative understanding of R&D, our confidence in our ability to produce our own technology, the competitive advantage provided by our fast-paced business model, and our highly capable employees will be the most important factors in helping us achieve new successes and goals in the coming period.

With our "Respects the Globe, Respected Globally" vision supported by our goal of brand-, market- and customer-focused sustainable and profitable growth, we will continue to expand our global organization and empower our growth strategy by seizing inorganic growth opportunities.

Arçelik's employees; authorized dealers and services, suppliers, and business partners have the greatest share in our success and our ability to set higher goals for the future. On this occasion, I would like to thank and offer my respect to all our stakeholders, especially our customers for the trust they have shown in our products and our shareholders for their unwavering support.



**LEVENT ÇAKIROĞLU**  
General Manager  
Arçelik A.Ş.

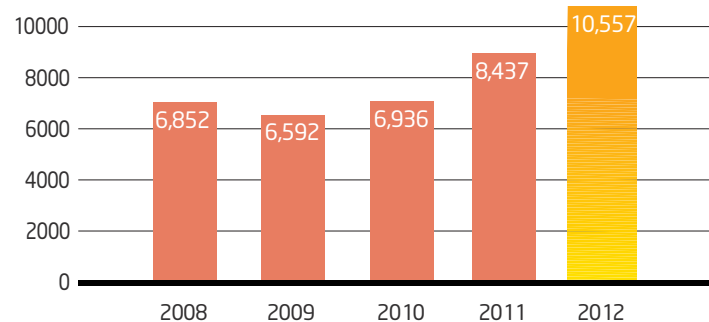
- In 2012, the consolidated net sales turnover reached TRY 10,557 million, an increase of 25.1% for total consolidated sales compared to 2011.
- The consolidated operating profit for 2012 realized as TRY 757 million and the net profit recorded as TRY 552 million.
- In 2012, international sales comprised 58% of consolidated sales.



Net Sales  
**2012**  
**10,557**  
TRY million

## Net Sales

( TRY Million )



## Operating Profit

**757**  
TRY million

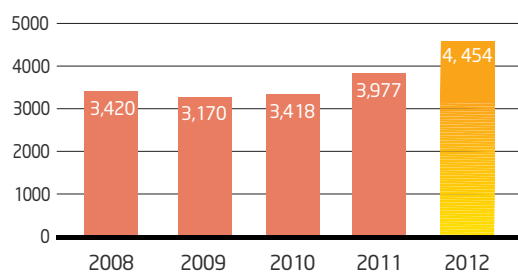
## Net Profit

**552**  
TRY million



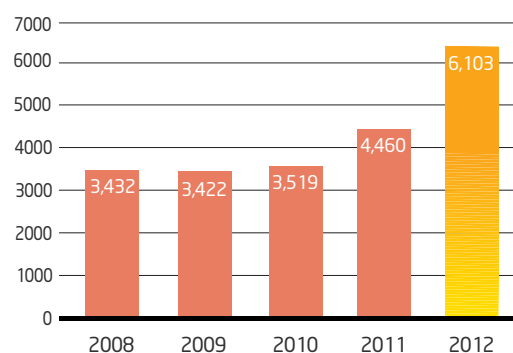
### Net Sales - Turkey

( TRY Million )



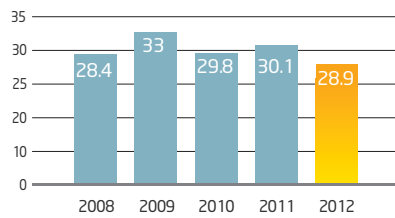
### Net Sales - International

( TRY Million )



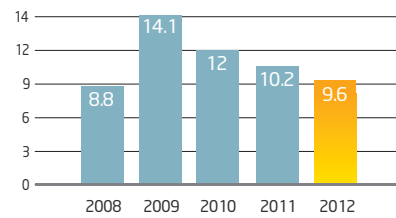
### Gross Profit Margin

(%)



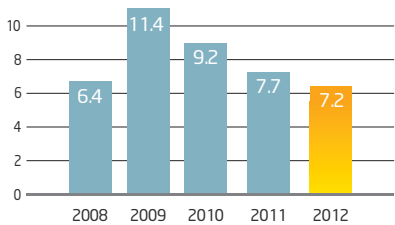
### Earnings before Interest, Taxes and Amortization

(%)



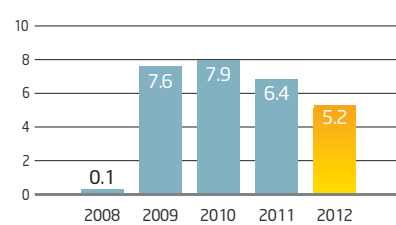
### Operating Profit Margin

(%)



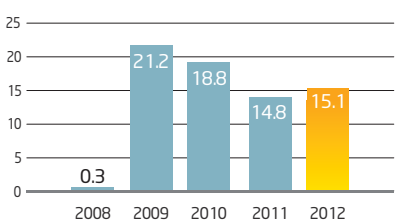
### Net Profit Margin

(%)



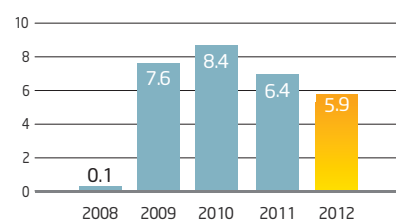
### Return on Equity

(%)



### Return on Assets

(%)

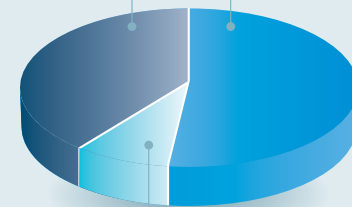


### Regional Distribution of Net Sales

Million Euro

2012

Europe 1,779 Turkey 1,933



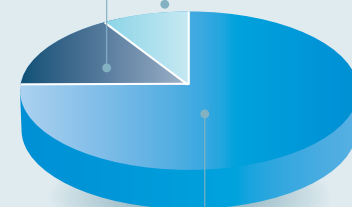
Other 869

### Net Sales by Product Group

Million Euro

2012

Customer Electronics 780 Other 729



White Goods 3,072



Million EURO	2012	2011	2010	2009	2008
<b>INCOME STATEMENT</b>					
Net sales	4,581	3,633	3,487	3,065	3,615
Gross profit	1,325	1,094	1,040	1,011	1,027
Operating profit	329	278	321	348	232
Income before tax	273	265	330	268	15
Net income	239	233	276	234	3
Depreciation and amortization	113	94	97	84	88
<b>BALANCE SHEET</b>					
Year-end cash and cash equivalents	740	480	643	419	194
Inventories	680	626	482	420	609
Total current assets	2,861	2,466	2,314	1,923	2,065
Property, plant and equipment	682	592	611	576	594
Total assets	4,349	3,764	3,573	2,975	3,204
Total short-term liabilities	1,680	1,445	1,143	1,472	1,397
Total liabilities	2,679	2,269	1,910	1,705	2,269
Minority interests	36	43	32	20	30
Total equity	1,670	1,494	1,663	1,270	935
<b>CASH FLOW</b>					
Cash flow from operating activities	304	-37	425	836	237
Cash flow from investment activities	-189	-349	-76	47	-171
Cash flow before financial activities	115	-386	349	883	66
Dividends paid	150	113	55	1	54
Capital expenditures	209	157	127	96	187
<b>SHARE-BASED FIGURES</b>					
Dividends (Euro)	0,228	0,191	0,186	0,069	0,013
Year-end share price (Euro)	4,98	2,50	3,81	2,71	0,96
Price-earnings ratio	15,06	8,16	10,19	6,89	20,70
Dividends/net income (%)	67,6	59,2	48,3	17,4	25,1
Year-end market value	3,362	1,692	2,572	1,830	385
<b>EMPLOYEE INFORMATION</b>					
Number of employees	22,552	21,960	18,388	16,931	17,472
Blue-collar	18,598	18,153	15,297	13,923	13,817
White-collar	3,954	3,807	3,091	3,008	3,655

In accordance with the resolution made during the General Assembly held on March 29, 2012, dividend distribution began on April 5, 2012 over the company's issued capital of TL 675,728,205 in 2011.

The total amount of cash dividend distributed, TL 300 million, was funded from the legal profit of the current year and reserve for contingencies.

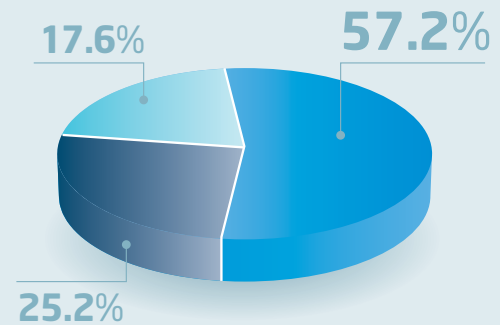
The company's issued capital in 2012, which is TL 675,728,205, was paid in full and divided into 67,572,820,500 registered shares, with each share representing 0.01 Turkish lira of the issued capital. The company's registered capital stands at TL 1.5 billion.

The company has not issued any preferred shares. Each share with a nominal value of 0.01 Turkish lira carries one vote at the General Assembly.

Shareholders	Paid-in Capital (Thousand TL)	Share (%)
Koç Holding A.Ş.	273,742	40.5
Koç Group (Other)	112,783	16.7
<b>Koç Group Total</b>	<b>386,525</b>	<b>57.2</b>
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428	12.0
Burla Ticaret ve Yatırım A.Ş.	37,572	5.6
Other Shareholders	170,203	25.2
<b>TOTAL</b>	<b>675,728</b>	<b>100.0</b>

Koç Group Burla Group Other

In 2012, shareholders did not carry out any transactions concerning the company's non-public shares.





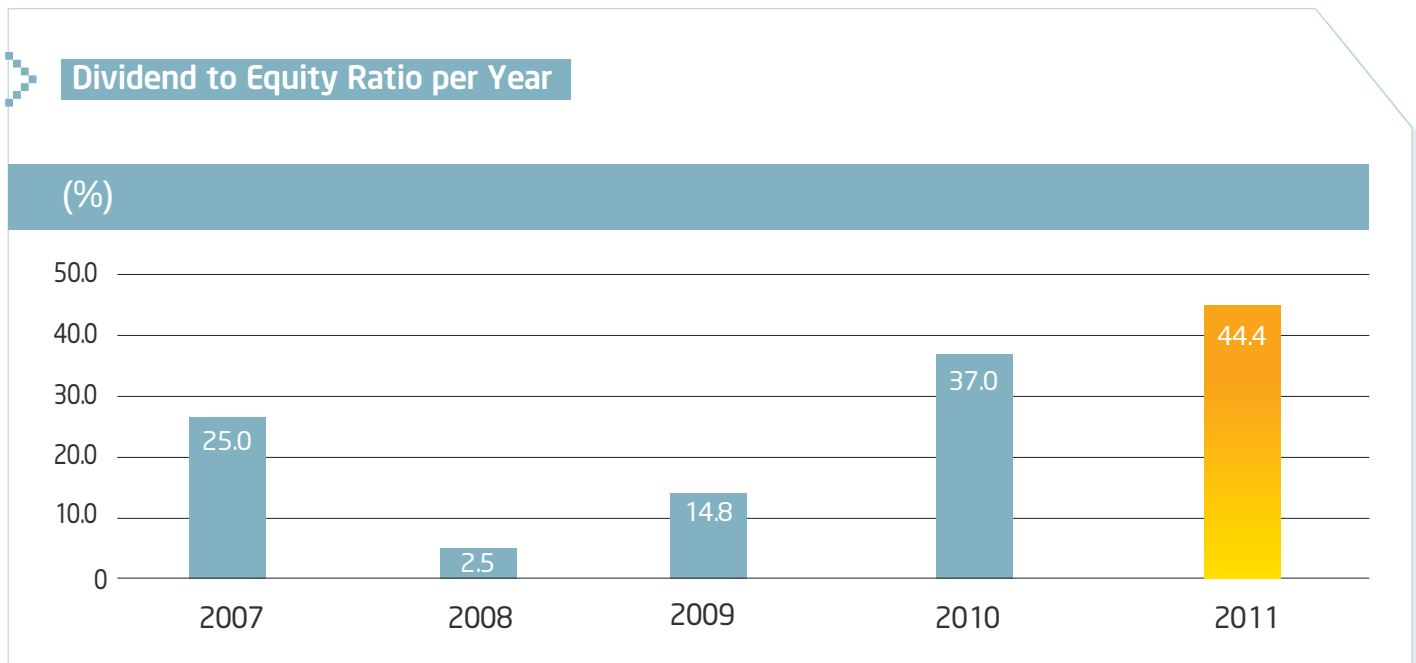
Dividends, which have been paid on earnings from 2007 to 2011, and corresponding distributable profits and equity ratios are shown in the table below:

Dividend Payment Year	Issued Capital (Thousand TL)	Dividends (Thousand TL)	Gross Dividend of per Nominal Share of TL 1	Dividend Payout Ratio (%)	Earnings (TRY) Per Normal Share of TL 1
2007	399,960	99,990	0.25	25.0	0.39445
2008	399,960	9,999	0.025	2.5	0.0995
2009	675,728	100,000	0.14799	14.8	0.8493
2010	675,728	250,000	0.36997	37.0	0.7652
2011	675,728	300,000	0.44397	44.4	0.75

## Dividend to Equity Ratio per Year

Arçelik A.Ş. has adopted a dividend payment policy that seeks to establish a balance between the interests of its shareholders and the company in accordance with Corporate Governance Principles.

Profit distribution policy of Arçelik A.Ş. is based on the principle that "the long-term average of the dividend to distributable profit, which shall be submitted by the Board of Directors for the approval of the General Assembly, will not be less than 50 percent, within the bounds of the existing legislation and investment requirements of the company."

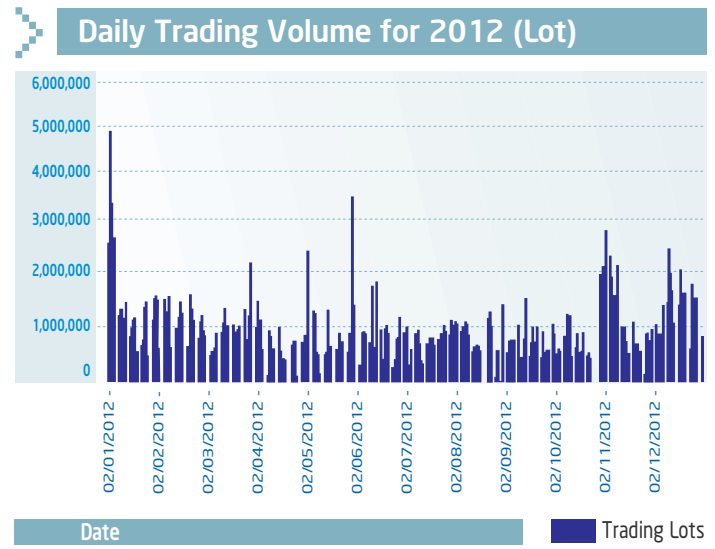
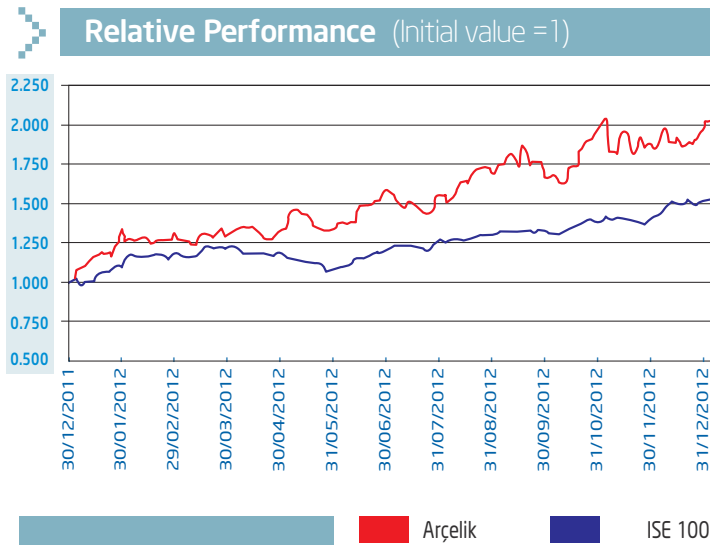


The company's shares have been traded on the Istanbul Stock Exchange (ISE) since January 1986. Last five-year performance of the company's shares, which are listed on the ISE, is summarized in the table below:

Share Data	2012	2011	2010	2009	2008
Lowest price (TL) (*)	5.79	5.22	4.56	1.05	0.91
Highest price (TL) (*)	11.85	8.17	7.55	5.22	4.97
Year-end price (TL) (*)	11.70	5.78	7.01	5.13	1.35
Year-end price (TL)	11.70	6.12	7.80	5.85	2.06
Issued capital (Thousand TL)	675,728	675,728	675,728	675,728	399,960
Market value (Thousand TL)	7,906,020	4,135,457	5,270,680	3,953,010	823,918
Market value (Thousand USD)	4,435,106	2,189,347	3,409,237	2,625,364	544,811

(\*) Adjusted for Capital.

The performance of the company's shares for the period January 1, 2012 to December 31, 2012 is presented in the chart below. According to the chart, while the company's share price increased by 102%, the ISE National 100 index increased by 53%.



The average daily trading volume of the company shares was approximately 965 thousand lots in 2012. Foreign investors held approximately 85.45% of the company's shares traded on the ISE by 2012 year-end.

The ISE indexes on which the company's shares were listed by 2012 year-end are given below. The free float rate used in index calculations and the weight of the company's shares in the ISE National 100 index was 25% and 1.3496%, respectively.

Arcelik A.Ş. shares are listed on the ISE 30, ISE 50, ISE 100, ISE ALL, ISE Corporate Governance, ISE Dividends, ISE Industrial, ISE Metal Products, Machinery, and ISE Istanbul indices.

As was also mentioned in the material events disclosure initially dated July 30, 2009, Saha Corporate Governance and Credit Rating Inc. upgraded the company's corporate governance rating to 8.55 (85.53 percent) out of 10 points, up from 8.21 (82.09 percent) on July 30, 2010, to 8.59 (85.91 percent) out of 10 points on August 1, 2011 and then again to 9.11 (91.07 percent) out of 10 points on July 30, 2012.

Our company has been listed on the ISE Corporate Governance Index since July 31, 2009.

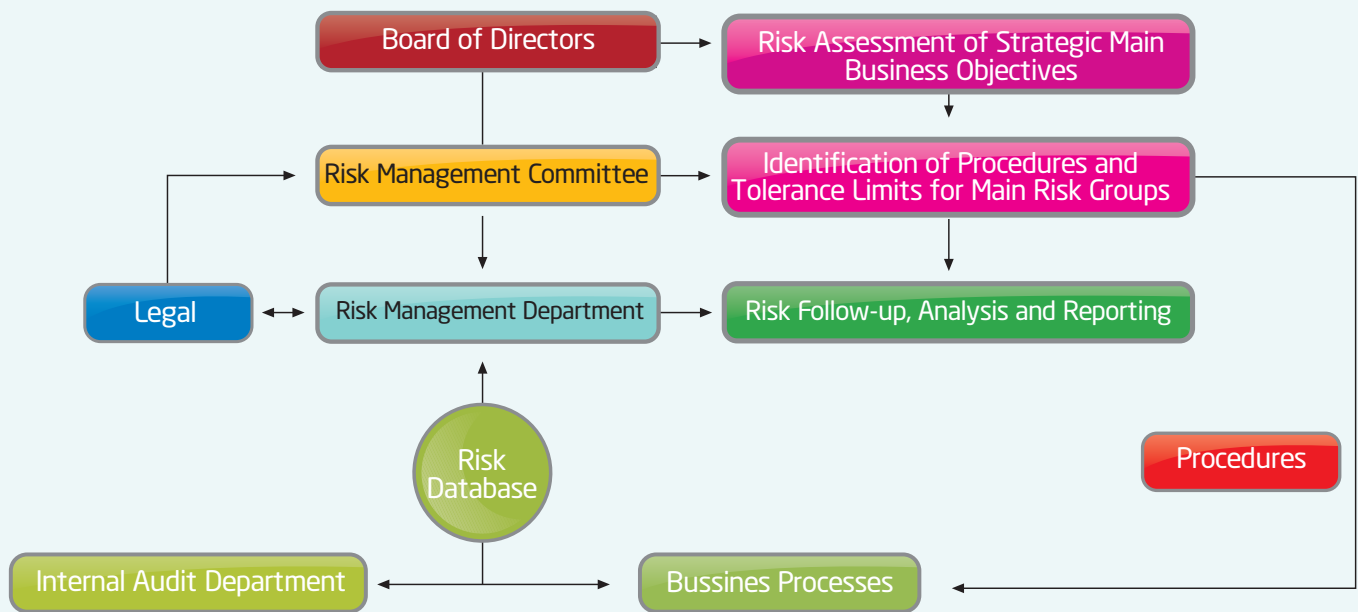
In Arçelik A.Ş. risk management carried out as integrated with business processes and it is aimed to create risk culture across the organization.

Arçelik A.Ş. has adopted a holistic approach to risk management. All strategic, operational, financial and other factors considered a risk to the fulfillment of the company's both short and long-term goals are assessed by the Board of Directors and all levels of management.

The Risk Management Committee, which has been formed for this specific purpose, carries out its activities by making proposals and recommendations to the Board of Directors concerning such subjects as the identification of strategic,

financial, operational etc. risks, the estimation of their impact and probability of 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. The breakdown of risk management responsibilities at Arçelik A.Ş. are summarized in the chart below:

## Risk Management Organization and Responsibilities



Arçelik A.Ş. has made risk management an integral part of all of its business processes.

In other words, risk management cannot be considered separately from business process management. Accordingly, risk management is carried out in-house as much as possible, rather than being outsourced to other companies or consultants. Therefore, one of the key responsibilities of process owners is to manage the associated risks.

The Risk Management Committee determines which procedures will be implemented in tandem with business processes that are associated with main risk groups, in accordance with the assessments and resolutions made by the Board of Directors concerning strategic risks. Process managers then implement the procedures by making them an integral part of their routine workflows.

Furthermore, the company's in-house International Receivables Risk Management Department prepares reports by following and analyzing the consolidated receivable within the framework of the created methodology and determines the most proper alternative for transferring these to the relevant organizations by assessing with a global perspective.

Operational risks, receivables risks and financial risks are regarded as the main risks groups faced by Arçelik A.Ş.

*Operational Risks:* Range from those associated with raw material procurement to production, sales and after-sales.

*Receivables risk:* In International Receivables Risk Management, the receivables risks in Arçelik A.Ş. and Group Companies are reported to the Local Credit Risk Management Committees and the Central Credit Risk Management Committee, composing of the top management of the company, and approved by checking and analyzing within the framework of determined methodology.

Related to the receivables risk, for compensating the loss which may occur due to realization of the risks, there are consolidated receivables insurance policies covering the entire group. In addition to all-inclusive insurance policies, different coverage methods are utilized to minimize receivables risk. Within this scope, all process of financial assets such as letters of guarantee and letters of credit are managed, risks are checked on order basis and also real estate mortgage method may be used as an additional instrument.

*Financial Risks:* Divided into three categories: liquidity risk, interest rate risk and exchange rate risk and managed by the following principles;

### **Liquidity Risk**

Risk of insolvency is minimized through the coordinated management of balance sheets and cash flows. Accordingly, the company pays close attention to balancing the due dates of receivables and payables and to maintaining the parent company's balance sheet ratios (acid-test ratio etc.) at specified levels for the maintenance of short-term liquidity.

### **Interest Rate Risk**

Interest rate fluctuations pose a significant risk to financial results due to their adverse impact on interest rate sensitive assets and liabilities. The company manages this risk by using various balance sheet methods to balance the amounts and due dates of interest rate sensitive items and by engaging in derivative instruments whenever necessary.

Accordingly, the company takes the utmost care to align not only the due dates of receivables and payables, but also interest rate change periods. In order to minimize the impact of interest rate fluctuations, the company matches the interest rate change periods of financial liabilities and receivables on the one hand and monitors the "fixed interest rate/variable interest rate" and "short-term/long-term" balance on the other in order to make sure they correspond.

### **Exchange Rate Risk**

Since Arçelik A.Ş.'s business activities spread across a broad geographic area, the company deals in many different currencies. Accordingly, the exchange rate risk is one of the most important financial risks the company faces. The primary tool in managing this heightened risk is to operate in such a way that currency exchange fluctuations have a minimal effect on the company's operations; in other words, to maintain a foreign exchange position which is close to zero.

The company monitors each subsidiary's exchange rate risk by the relevant functional currency. The goal is to ensure that the said exchange rate position to equity ratio is kept within a certain range.

In addition to the foreign exchange position to equity ratio, there are limits in place for the parent company's financial statements based on Value at Risk (VAR) calculations. As is the case for other risk items, the company prefers to employ as much as possible various balance sheet methods in managing its exchange rate risks. However, the company also uses financial derivative instruments, if necessary, in order to keep this risk at target levels.



The leader, environmentalist, innovative and leading design and technology brand in Turkey's home appliances market. When thinking about Turkey's brands, it is the first name that comes to mind. In addition to an extensive range of products that includes home appliances, built-in appliances, electronic products, air-conditioners, fitted kitchen, and small home appliances, and the strongest, most widespread sales and after-sales service network in Turkey.



A global brand that is the smart choice of 280 million people in over 100 countries worldwide providing a wide range of products including freestanding, built-in home appliances, small home appliances, air-conditioners and electronic products in Turkey and meeting the needs of a vast consumer group and improving the quality of daily life.



The 129-year-old well-established German brand that combines technological, practical and environmental features with aesthetic design. A company that offers customers a wide range of freestanding and built-in home appliances, in line with its slogan "In harmony with You."



Romania's most renowned and well-established local brand, and the leading home appliances company in the country.



The 67-year-old German originated strong electronic brand with extensive product range consists of consumer electronics and personal care products.



Value brand in durable goods for customers to meet their needs in the most economic way.



The UK and Ireland-based home appliances brand with freestanding and built-in home appliances product range providing affordable solutions for customers.



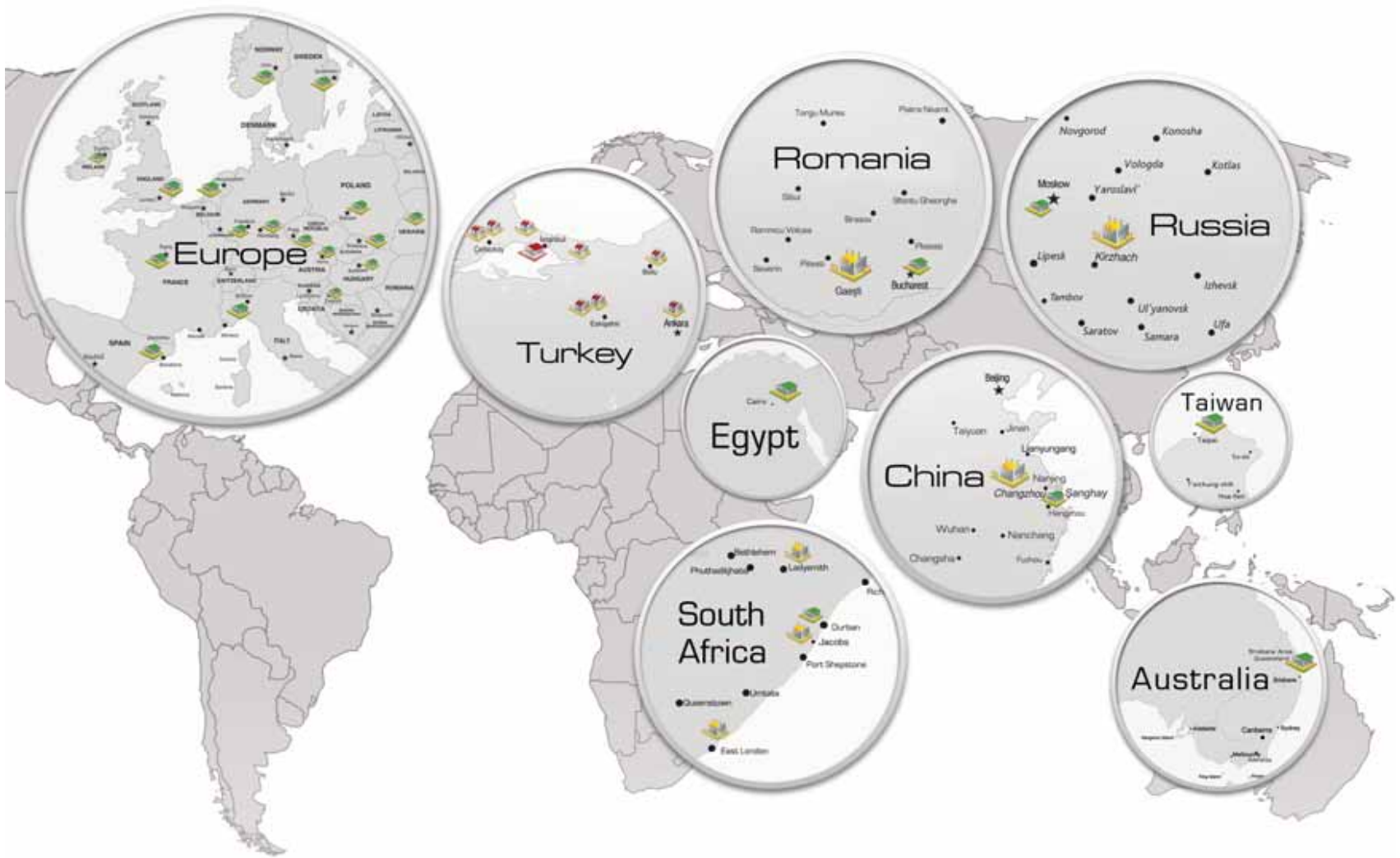
The 119-year-old well-established brand from Austria, one of the most popular home appliances brands in the country.



The traditional brand for freestanding cookers in the UK market. The company's product range includes gas and/or electrical range cookers and built-in appliances with traditional and contemporary designs.



South Africa's leading brand for home appliances.



**Headquarters**  
Turkey/Istanbul



**Production Plants - Turkey**

- Eskişehir, Turkey
- Istanbul, Tuzla, Turkey
- Istanbul, Beylikdüzü, Turkey
- Bolu, Turkey
- Ankara, Turkey
- Tekirdağ, Çerkezköy, Turkey
- Eskişehir, Turkey
- Tekirdağ, Çerkezköy, Turkey

- Refrigerator Plant
- Washing Machine Plant
- Electronics Plant
- Cooking Appliances Plant
- Dishwasher Plant
- Electric Motors Plant
- Compressor Plant
- Tumble Dryer Plant



**Production Plants - International**

- Romania: SC Arctic SA
- Rusia: Beko LLC
- China: Changzhou Beko Electrical Appliances Co. Ltd.
- South Africa: Jacobs Cooking Appliances and Tumble Dryer Plant
- South Africa: Ezakheni, Ladysmith Cooling Appliances Plant
- South Africa: East London, Refrigerator Plant



**International Sales and Marketing**

- Germany: Beko Deutschland GmbH
- Austria: Elektra Bregenz AG
- Czech Republic: Beko S.A. Cesko
- China (Shanghai): Beko Shanghai Trading Co.
- France: Beko France S.A.
- UK: Beko Plc.
- Spain: Beko Electronics Espana S.L.
- Italy: Beko Italy S.r.l
- Slovakia: Beko Slovakia S.R.O.
- Poland: Beko S.A.
- The Netherlands: Grundig Multimedia B.V.\*
- Australia: Beko A and NZ Pty Ltd.
- Taiwan: Ardutch B.V.
- Romania: SC Arctic SA
- Russia: Beko LLC
- China: Changzhou Beko Electrical Appliances Co. Ltd.
- South Africa: Defy Appliances (PTY) Ltd. \*\*
- Egypt: Beko LLC
- Ukraine: Beko LLC

\* Established in Holland, Grunding Multi Media is a Holding company with 10 subsidiaries.  
\*\* Defy Appliances (PTY) Ltd.'s headquarters is located in the city of Durban, Jacobs, SA.

**Arçelik A.Ş.;**

is the undisputed **leader of home appliances sector in Turkey, Romania and South Africa, the third largest company of its sector in Europe.**

**Beko brand;**

- The **3<sup>rd</sup> largest home appliances brand** in Europe,
- Achieved **the highest market share** increase in **2012 in Western Europe total**, UK, Germany, France, Belgium, Italy and Poland,
- **Best selling refrigerator brand** of Western Europe,
- **The leader brand in total home appliances market**, refrigerator, deep freezer product segments **in UK**,
- **The first brand** in washing machine and second brand in refrigerator **in Poland**,
- **The second brand** in refrigerator in **Belgium**,
- **The leader brand** in total home appliances market **in Lithuania**.

## International Markets

### Home Appliances

Global home appliances industry recorded a growth at the level of 1-2% on a quantity basis compared to previous year, however after the 7% growth recorded in 2011, due to parity changes, it is expected to be recorded slightly below the level of previous year with US\$ 175 billion in 2012.

While home appliances market shrank nearly 2% in Western Europe, Eastern Europe market grew nearly 6%. Among five large markets composing approximately 80% of Western Europe market on a quantity basis, while Italy, Spain, France and UK markets shrank, Germany maintained its growth.

In Eastern Europe, while the largest market of the region, Russia recorded 10% growth, Poland and Romania markets, among the other important markets of the region, shrank. In Ukraine a growth of 1% has recorded.

Maintaining its position in the markets, in which it has the leadership, Arçelik A.Ş. achieved to increase its market share in many other markets in 2012. The company maintained its leadership in Turkey, Romania and South Africa.

### Consumer Electronics

Although there are regional discrepancies, it is foreseen that 1-2% growth shall be recorded in global LCD TV market on a quantity basis.

### Beko

“Family Concept”, which offers snapshots from the daily life of consumer and including a communicative and more sincere content in the brand communication, also continued in 2012. With the “Smart Solutions” slogan, the focus was on visual and technological features of the products as well as the benefits provided for the consumers.

In 2012, Beko exhibited its brand new and cutting-edge technology products at IFA exhibition, the largest technology exhibition of Europe. At IFA Exhibition, in addition to its innovative and technological products, Beko had the chance to launch its special built-in cooker series named as “CAST LINE” and designed for Beko by Patricia Urquiola, worldwide known designer and architect.

Also in 2012, Beko branded products continued to be regarded as one of the best home appliances brands by prestigious European consumer magazines, testing and research agencies with its superior performance in the categories such as quality, environmental impact and ease of use.

We maintain our steady growth in the world with our international brand Beko which is being offered to consumers in over 100 countries. As a brand which has the highest market share increase in Europe for the last five years, Beko gained the success of being the third largest home appliances brand of Europe and most preferred refrigerator brand of Western Europe.

Being in the leading position in many countries in the world, primarily UK, Beko began to support the basketball, which has values that are parallel with its dynamic and energetic structure and has a key role in the development of individuals, especially the youth, initially with Beko Basketball League sponsorship in Turkey in 2006.

In 2010, Beko became the Presenting Sponsor (the main sponsor that presents the championships to the world) of FIBA World Basketball Championship. Following the sponsorships of German, Lithuanian and Russian Basketball leagues, became the Presenting Sponsor of European Basketball Championship held in Lithuania in 2011. Beko also added the sponsorship of Italy Basketball League to its international investments.

Beko will continue to its sports communication in 2013 and also in the following years, as the Presenting Sponsor (the main sponsor that presents the championships to the world) of FIBA European Basketball Championship which will be held in Slovenia between September 4-22, 2013 and FIBA World Basketball Championship which will be held in Spain between August 30 and September 14, 2014.



## Arctic

Arctic, local brand of Arçelik A.Ş. in Romania, offers its customers good-humored, exciting, family-centered and value added services. It is the most well-established and most known home appliances brand and offers best proper solutions to its customers depending on their needs and demands. 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 provides its Romanian customers with refrigerators, freezers, chest freezers, washing machines, cooking appliances, hoods and built-in appliances.

Energy efficiency and functionality, which provide energy, water and time savings, became a priority for the customers in purchase decision process. For meeting the saving needs of the customers, Arctic launched Arctic TET home appliances product range in 2012. Aiming to provide saving for the consumers in purchase process, the TET technology (Long Term Saving Technology) provides customers with solid benefits such as water, time and energy savings, superior washing results, more safety and comfort.



Arctic is the leader in total home appliances market in Romania; while it ranks first in refrigerator and washing machine market, ranks second in cooking product segment. Arctic's strategy for strengthening the brand position is to successfully address modern life styles of the customers by utilizing stylish and modern design as well as cutting-edge technologies for rediscovering the brand constantly. As a part of this, in 2011 Arctic has re-activated its online platform, [www.arctic.ro](http://www.arctic.ro), which now offers a modern, attractive design and a user-friendly interface. In addition, in 2012 Arctic developed Electronomic, which is an interactive application that provides pleasant and amusing training on the benefits of Arctic TET for the customers. Arctic will continue to strengthen its position in the market with its technology and R&D investments.

## Elektrabregenz

Elektrabregenz is well-established Austria brand whose history dates back 119 years. The company became the part of Arçelik A.Ş. family in 2002 and has an extensive sales network. Arçelik Group is one of the major players of Austrian market and also operates in the country with its Beko brand.

Elektrabregenz is perceived by consumers as an aesthetic, creative, technologically superior and green brand. The company's "innovation" tagline materialized itself in 2010 with the "SURF" oven and was updated in 2011 with the Steam-Assisted "SURF" technology. Having introduced SURF to Austria, Elektrabregenz continues to be one of the most sought-after brands in the market, especially with its cooking appliances. Elektrabregenz will continue to provide its Austrian consumers with A+++ energy class refrigerators and new built-in products in 2013.

In 2012, Elektrabregenz used marketing activities, TV, radio, outdoor advertising and leaflet advertising to promote its new products and technologies. For its 2012 end-user and dealership communication campaign, the company has put emphasis on its steam-assisted SURF ovens, Anka ovens, washing machines with six liter water consumption, closet-style refrigerators with four doors; and A-%60 energy class, heat pump assisted tumble dryers. The company's Nova brand washing machines fall under Austria's high-end market category.



**ed elektabregenz**

In 2011, the company added the advertising slogan “etwas besonderes/something special” to its company logo and added the slogan “completely innovative” to its product range. In 2012, Elektabregenz continued its Shop in Shop application with the intent of improving the window display for different stores and current products in shopping malls. The sponsorship of cooking shows broadcasted on various furniture channels in 2012, also made a significant contribution to the promotion of the brand.

In 2012, Elektabregenz offered its new image and innovative products to the consumers at important industry exhibitions organized in Austria including Wohnen & Interieur, Ordertage and Futura.

In 2012, the company has launched its built-in refrigerators featuring higher net capacity, higher energy efficiency and updated designs. Entering into the oven category of furniture market with its new induction furnaces, the brand also continued to promote tumble dryers and washing machines featuring higher energy efficiency. Elektabregenz granted to “Green Brands” award in 2012.

## Blomberg

In 2012, Blomberg celebrated its 129<sup>th</sup> birthday. The brand marries technological, practical and environmental features with aesthetic design. Blomberg, aspiring to be in tune with all aspects of life, provides consumers with energy and water efficient green products that are “In Harmony with Nature,” aesthetic products that are “In Harmony with Your Home,” and innovative and practical products that are “In Harmony with You.”

Blomberg launched its “In Harmony with Clothes” smartsense™ washing machine in 2012. Thanks to its superior sensor management system, smartsense™ facilitates the lives of consumers by selecting the most proper program based on the kind and quantity of the clothes. In addition to this feature, it is eco-friendly with its “world’s energy record holder” title thanks to its A+++ - 30% energy level.

Blomberg continues to get respect from the consumers with its eco-friendly products including, A+++ - 30% washing machine, A+++ refrigerator, A+++ -10% dishwasher, A+++ dryer and A-%40 built-in oven.

IN HARMONY WITH YOUR LIFE



## Defy

Defy Appliances (Pty) Ltd is South Africa's largest manufacturer and distributor of home appliances. The leader of South Africa's home appliances market, Defy became the part of Arçelik A.Ş. family in 2011 and integration process has continued rapidly also in 2012. The company markets its products under the Defy and Ocean brand names. In addition to South Africa, Defy also exports to a variety of markets, including Africa and the Indian Ocean Islands.

Defy's history can be traced back for almost 100 years. Since its establishment in 1932, the company always closely followed global trends with the sense of creating inspiring designs and constantly expanded its cutting-edge technology limits while maintaining environment protection sensitivity.

During the past 80 years Defy has taken a leading role in appliance manufacturing, pioneering amongst others the manufacturing of gas stoves, washing machines, tumble dryers, continuous clean ovens and convection ovens in South Africa. Defy offers the consumer a full range of kitchen and laundry appliances, and also participates in the room air conditioner market.

Having its head office is in Jacobs, Durban, Defy manufactures free-standing stoves, built-in ovens and hobs, tumble dryers and console air conditioners in its Jacobs factory. Ezakheni (Ladysmith) manufactures electric chest freezers and electric refrigerators and East London manufactures electric refrigerators. All factories have been accredited in terms of ISO 9001-2009. Defy also markets cooker hoods, dishwashers, washing machines, microwave ovens and gas stoves.

Defy has the strongest appliance brand positioning in Southern Africa, with the slogan 'You can rely on Defy' associated very strongly with consistent product quality and meaningful product innovation. Arousing respect with its all time reliable brand identity, efficient after sales services and superior quality, this brand is the leader of South Africa's home appliances leader with over 14 million home appliances. The company also supports its brand position further through its own sales, warehousing, distribution and after sales service functions.

The brand has entered into a big change process within 2012-2013 period with its new product investments, sales point outlook, corporate identity and new communication strategy. Defy emphasize a strong interactive relation with

the brand by also entering into digital field and in its above-the-line activities improves its support with the promotion of recently launched products while providing product placement in TV, women magazines and radios by being efficient in TV, media and radio mediums.



## Grundig

Carrying out its core business in consumer electronics and small home appliances, Grundig Intermedia GmbH operates as the affiliate of Arçelik A.Ş. since 2007. Main company of the Group, Grundig AG is a traditional German brand which is globally known with its televisions and radios. Having nearly 150 employees in marketing, sales, product and quality management, design and service departments in its head office located in Nürnberg, Germany, Grundig Intermedia GmbH also employs 2000 people worldwide in manufacturing, R&D and sales departments.

The company has been held synonymous with the quality notion "Made in Germany," thanks to its product quality and consumer-oriented approach that helped it gain over 90% brand awareness rating in Germany. Grundig brand products are sold in 63 countries as part of Arçelik A.Ş.'s network. The brand is recognized in Austria, Switzerland, the Balkans, and in Scandinavian and Baltic countries as well.



Grundig, having always put the consumer at its core, has been held synonymous with high performance, quality and durability thanks to the experience it has accumulated over many years. Grundig has six main product ranges that include TV, Audio, Hi-Fi, Personal Care, Home Care and Kitchen Appliances. Its product portfolio covers a broad range from hair styling products, vacuum cleaners and kitchen appliances to MP3 players and 55" 3D LED TVs.

2012 was a successful year for Grundig. Since 2009, the company constantly achieved successful figures and this constitutes a solid argument for positive future expectations. Grundig Intermedia GmbH has doubled its turnover for the last two years. In 2012 sales increase rate only in TV segment recorded as 53% compared to 2011. While home appliances segment recorded seven percent increase, audio segment maintained the level of previous year.

Grundig products win the heart of consumers with its modern technologies and time-independent designs, high quality and strong manufacturing values. Above all, the company always achieves to surprise its customers with unique new product features.

At 2012 IFA Exhibition, Grundig exhibited over 60 new TV models, over 30 audio with new features, Hi-Fi and small electrical devices, wide kitchen products. Key words of 2013 are smart home and smart TV as well as cross linkage

and handy interaction for development in TV and audio segments. Again, high quality products in home appliances segment featuring modern technology are among the focus points.

Grundig enabled two value-focused marketing concepts to set in the commercialization of top level products: the first is the City Line, which is special program for specialized stores and the second is Best Selection, which is a new marketing strategy implemented since September 2012. Both of them got positive reaction from the authorized dealers. In only four months, Grundig obtained 2,700 new Best Selection business partners and City Line members exceeded 3,000 by increasing rapidly by the year-end of 2012.

In the future, Grundig aims to integrate Beauty and Fashion that are two life style elements. Kilian Kerner exhibited its brand new collection at the Catwalk organized by Grundig at IFA. Models are styled with new Catwalk Collection hair styling product range of Grundig.

Grundig has been the first "official technology partner of German Football League Bundesliga since 2011. The subject of this partnership is that the Grundig logo will be on the screens during the all broadcasted matches of Bundesliga and Bundesliga 2 in the next years. This partnership has significantly increased the brand awareness of Grundig in Germany and worldwide.

## Arçelik A.Ş. has the most extensive dealership and after-sales services network in Turkey and was again 2012's leading company in the white goods, air conditioner and TV markets.

Data for 2012 obtained from the Association of Turkish White Goods Manufacturers (BESD) show that the household appliances industry market growth realized at the same level with the previous year and reached 6.5 million units totally in six main product categories. Retail air conditioner sales grew at the level of 10% compared to previous year with the effect of weather conditions within the summer months. The increase in built-in market continues; BESD data show that the built-in market grew 4% compared to 2011. According to the Association of Turkish Electronic Appliances Manufacturers (ECID) data, the LCD TV market grew around 20% compared to 2011.

### Home Appliances

In 2012, Retail Home Appliances sales also realized with same units compared to previous year. The slowdown in construction sector is one of the major factors that cause the market to stand at same size.

Freezer product group is the product which recorded the highest growth with 50% in 2012. Lately the freezer product usage has increased in the household. In built-in group, dishwasher, cooktop and hood categories were the fastest growing product groups. In 2011, the kitchen's continuing dominant role in the household and the fact that renovations in older households are done with built-in products contributed to the fast-growing transition from free-standing to built-in household appliances products. In recent years, the built-in market benefited greatly from housing projects that offered kitchens already equipped with built-in products to customers. Also, the growth in the built-in market contributed to the sale of free-standing, inox products.

Demand for high-end products increased. While freezer and tumble dryer categories of the household appliances market experienced growth, the refrigerator, washing machine, dishwasher and oven categories experienced several points decrease. The air-conditioner market recorded increase in its sales with the effect of hot climate in 2012 summer and achieved a growth of 10% compared to previous year.

As the market's leading company, we plan to popularize our energy efficient and environmentally aware approach among all consumers, and to increase the use of energy efficient products. As part of this, the energy and water efficiency of our traditional main products in 2012 has reached significant levels.

"Transformation of Energy Efficient Home Appliances Project", which has been realized to encourage the use of energy efficient products among consumers and organized in the cooperation with the United Nations, the Ministry of Energy and Natural Resources, and the Ministry of Science, Industry and Technology, has been extended for one year. Within the scope of the project, Arçelik A.Ş. offered consumers substantial discounts on refrigerators, washing machines and tumble dryers 50-60% energy efficient than A energy grade.

### Consumer Electronics

In 2012, LCD and LED TV sales in TV market increasingly continued. While the market grew on quantity basis in LCD TVs and LED TVs, with the preference of innovative, competitive wide-screen LED TVs, the growth on turnover basis realized higher rates.

New 3D All+In+One LED TVs, incorporating satellite receiver and internet, has been added to the product range and these products can be controlled via smart phones and offered for sale together with ultra-light 3D glasses. These featured our Beko and Arçelik brands against competition. Improving the TV watching quality through new and slim design, USB storage feature for digital broadcasts, opportunity for watching cablecasts, advanced menu system, the 3D All+In+One LED TVs evoked admiration with all of these features.

In consequence of the collaboration with Sony in electronic product group, following the LCD manufacturing performed in previous year within Electronics Plant, in 2012 manufacture of two LED models as 32" and 40" has been started. Furthermore, all Arçelik and Beko authorized dealers make the sale of all Sony branded products such as TV, Vaio-PC, tablet, Playstation, camera, film camera, home theater system, DVD player, micro stereo, auto music systems and personal product accessories. Sony branded TV and other products has increased our in-store traffic of our authorized dealers as well as provided an additional brand for alternative brand offers in electronic products for the consumers of our stores. This provides additional sales advantage in parallel with the last years' trend that offers wide variety expose and comparative shopping for electronic products.

## Arçelik

Arçelik, Turkey's leading innovative and technologically superior brand of the home appliances market, has continued to provide consumer with products that are titled "One and only in the world" also in 2012. Being associated as the premier brand in Turkey, Arçelik continued to support its global approach with its energy efficient products and upheld its leading position in energy efficiency with its green products.

In 2012, in line with its communication strategy, Arçelik brand character Çelik, representing technology and innovation came together with another new brand character Çelikhaz, symbolizing design and aesthetics, and the new period's first product, 8127 N In Love series washing machine, which is 30% more energy efficient than A+++ Energy grade, has launched.

In 2012, In Refrigerator product group, based on the needs of the consumers the Full Fresh technology offering Hygiene, Ionizer and Blue Light features and provides longer storage period for vegetables and fruits has been launched.

The renaissance in cooking technologies that started with Arçelik continues with the "A La Chef" built-in oven with a TFT LCD screen. The oven provides users with a wide range of rich recipes that are displayed on the LCD screen, and which can be updated anytime via its USB port.

Our 63109 HIT dishwasher, featuring an energy efficiency 10% less than A+++ energy grade and Eko 6L program that has A++ energy grade in 6 L water consumption, has maintained its feature for having the least electricity and water consumption levels.

New 3D All+In+One LED TVs, incorporating satellite receiver and internet, has been added to the product range and these products can be controlled via smart phones and offered for sale together with ultra-light 3D glasses. This continued to increase the sales as well as the share of top segment products.

Arçelik A.Ş. launched Arçelik In Love small home appliances series that combines technology and design in an excellent harmony. Arçelik A.Ş. continues to offer stylish solutions facilitating the life with In Love series, including hand blender, hand blender set, kettle, coffee machine, toaster, food processor, chopper and toast machine. Four products of Arçelik In Love small home appliances series granted to award at 2012 Design Turkey Industrial Design Awards. While K 8175 EK Toaster, K 8115 KM Coffee Machine and K8105 KL Kettle awarded with "Best Design", K 8135 HB Hand Blender Set awarded with "Superior Design".

Arçelik brand improved its digital communication and strengthen its communication with the consumers through the use of social media on the ever-changing Internet world. Through the messages reflecting the Arçelik brand identity via Facebook account, a strong communication is established with consumers.





## Beko

In 2012, Beko continued to improve the daily routine of its consumers with products that provide “Intelligent Solutions. Its “family concept” and “look who’s talking” approach to brand communication enabled it to increase the value of its brand positioning, and strengthened consumer awareness about Beko and its products when compared to the years before.

In 2012, Beko launched N 8125 series washing machines that are 30% more energy efficient than A+++ energy grade. The performance of D1 9003 ES model dishwasher has been developed to feature A+++ -10 % energy efficiency and capability of washing 13-person dishes with 6 lt water at A++ energy grade.

The increase in built-in product sales continued at significant rates in 2012 and with the launch of innovative products consumers preferred higher segment products. Beko maintains its sponsorship for Turkish Basketball League. All-Star games organized in the league each year with Beko All-Star title. Beko’s support for basketball and its investments will also continue in the forthcoming periods. Beko brand improved its digital media communication in 2012 and strengthen its communication with the consumers through the use of social media. Through the messages via Facebook and Twitter accounts, a strong communication is established with consumers, primarily with rising generation.

Concept stores that enables advanced retail techniques and applications for increased consumer experience not only increased brand value, but also surpassed unit sales and turnover rates of classic stores.

## Grundig

Grundig Ultrabook GR UBS i5, featuring 20.5 mm slim design has been launched in 2012 and is an ideal PC product. Providing the pleasure of internet surfing with its performance conforming to the user, the Grundig Ultrabook offers both higher speed performance and dramatic images with its Turbo Boost feature and Intel Core i5 CPU enabling automatic speed increase. With its SSD technology PC can be started in a shorter time and applications can be launched rapidly.

In electronic product range, PC group’s Grundig Style Tab 7 is a candidate for becoming the most convenient multimedia friend of children with its Tablet PC product. Grundig Style Tab 7 featuring 7 inch screen and web, video, photograph, applications and more is highly portable. Most convenient Google applications are provided under license. Gmail, Google Maps, YouTube and thousands of free applications, game, book and music is highly accessible. Furthermore providing every time access to internet with its 1Ghz processor and WiFi connection feature, Grundig Style Tab 7 provides video conference with its cam located on the front side, connects to PC with micro USB port. All contents can be stored in its memory that can be upgraded up to 32GB.

Arçelik A.Ş. offers its products and services that are produced with advanced technologies, to millions of consumers in over 100 countries through 14 manufacturing plants located in Turkey, Romania, Russia, China and South Africa.

In line with "sustainable development" approach, Arçelik A.Ş. aims to develop and offer products that are eco-friendly, efficient, innovative in design and technology, easy to use, while also fulfilling its commitment to work on solutions against future threats such as drought, global warming, and diminishing natural resources. One of Arçelik A.Ş.'s other goals during product development is to prevent the waste of resources.

The company limits the environmental impact a product has during its life cycle by assessing every factor right at the beginning of the design stage; departments responsible for R&D and industrial design also conduct technological, product development and improvement studies.

Arçelik A.Ş. implements Total Productive Management (TPM) and Six Sigma methodologies for cost reduction and quality and process improvement while increasing its competitive edge day by day through its flexible production structure. The company's 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 company performs its operations in line with its "Total Quality" principle, simultaneously integrating all its Quality Management, Environmental Management and Occupational Health and Safety Management Systems.

Arçelik A.Ş. has received the ISO 50001 Energy Management System Certificate, which is based on the principle of the efficient and sustainable use of energy consumed for operations.

Company's greenhouse gas emission inventory caused by its headquarters and production plants in Turkey is being calculated in conformance with Greenhouse Gas Emission Specification ISO 14064-1 and audited by an independent agency and then certified.

In consequence of activities performed for energy efficiency in production, 4 plant of Arçelik A.Ş. in Turkey, refrigerator, washing machine, cooking appliances and compressor plants, received "Golden" certificate in Energy Efficient Green Factories rating and Washing Machine Factory in China received "Platinum" certificate.

Also In 2012, Plants of Arçelik A.Ş. have carried out many projects for reducing water and energy consumption and wastes with the slogan of "Energy Efficiency in Production".

Having its signature under the achievements as "first" and "most" of the sector with its own technology, Arçelik A.Ş. has highest capacity plants that carry out manufacturing under a single roof in the world and in Europe.

- Refrigerator Plant - Eskişehir, Turkey
- Cooking Appliances Plant - Bolu, Turkey
- Dishwasher Plant - Ankara, Turkey
- Washing Machine Plant - Çayırova/Istanbul, Turkey
- Tumble Dryer Plant - Çerkezköy/Tekirdağ, Turkey
- Electronics Plant - Beylikdüzü/Istanbul, Turkey
- Compressor Plant - Eskişehir, Turkey

- Electric Motors Plant - Çerkezköy/ Tekirdağ, Turkey
- Arctic Cooling Appliances Plant - Gaesti, Romania
- Washing Machine Plant - Changzou, China
- Refrigerator and Washing Machine Plant - Kirzhach, Russia
- Cooking Appliances and Tumble Dryer Plant - Jacobs, S. Africa
- Cooling Appliances Plant - Ezakheni Ladysmith, S. Africa
- Refrigerator Plant - East London, S. Africa



One of the key factors behind the success of Arçelik A.Ş. is the power of R&D and innovation. Having an efficient role in the development of R&D culture in Turkey, Arçelik A.Ş. maintains its R&D and innovation investments.

## Innovation

R&D and technology investments, which continue without slowing down since 1990, enabled Arçelik A.Ş. to become one of the leading companies of its sector in international markets. Arçelik A.Ş. is one of the world's major players creating difference in the field of R&D with its high quality and innovative products having advanced technology and markets its own-designed and own-produced products with its own brands in over 100 countries.

Arçelik A.Ş. has concluded a seven-year term 100 million € amounted loan agreement with European Investment Bank in December, 2012 for financing its research and development activities. Within the scope of this agreement, European Investment Bank will fund energy efficiency, innovative product and technology development projects of Arçelik A.Ş. that will be carried out between 2012 and 2015. Mentioned loan have been obtained with 2.6290% interest for totally 7-year term as unsecured and without principal repayment for 3 years.

Arçelik A.Ş. entitled to obtain one of the first loans provided by European Investment Bank within the scope of R&D financing in Turkey. Concluded loan agreement is a significant indicator of the trust of international organizations in Arçelik A.Ş.'s innovation and innovative technology approach, which has been in the focus for many years.

## Intellectual Property Rights

Arçelik A.Ş. is a company which produces its own technology and protects its own technology with the patent applications. The company maintains its Patent Championship by landslide for many years as indicated in the list issued by Turkish Patent Institute. Having an efficient role in the development of R&D culture in Turkey, Arçelik A.Ş. successfully maintains its R&D activities in local and global basis.

Also in 2012, Arçelik A.Ş. awarded its inventors who put their signature under important successes in the field of producing technology and developing innovative products with "Invention Day" organization which is organized traditionally each year. The Invention Day has been held for 14 years to emphasize the importance attached by the company to R&D activities.

## An R&D Journey



Protecting its inventions with patent applications, Arçelik A.Ş. still holds more than one third of Turkish patent applications made to the World Intellectual Property Organization (WIPO). These applications continue to make Arçelik the only Turkish company of the last three years to be named on the “Top 500 PCT Applicants” list prepared by the World Intellectual Property Organization. Arçelik was listed as the 95th. According to the 2011 Annual Report of European Patent Office (EPO), the half of the Turkish applications registered by EPO belongs to Arçelik A.Ş.

In 2012, Arçelik A.Ş. put its signature under important successes in the field of management of intellectual property rights. Arçelik A.Ş. was granted to second prize at IP Management Award organized in 2012 by Fraunhofer Institute. The company discloses its activities to the public by publishing in conferences and scientific journals while protecting its technological inventions and vast knowledge with patent applications. Also in 2012, in national and international magazines, conferences and seminars many activities have been published.



## Home Appliances and Built-in Products

Arçelik A.Ş. was the first choice of millions of consumers also in 2012 with its innovative products manufactured with its own technology.

In consequence of its activities performed in the field of R&D and innovative technology, Arçelik A.Ş. continues to develop products that are eco-friendly and innovative and improves the life standard of its customers, to achieve “first’s” and “most’s” of its sector, to develop and manufacture world’s quietest, most energy efficient, most water efficient products with its vision of “Respects the Globe, Respected Globally”. In addition to its superior performance products, Arçelik A.Ş. operates with the target of creating difference as a company that develops solutions that will meet the different needs of consumers in the different countries of the world through its R&D and innovation activities. As a

result of these activities, Arçelik A.Ş. became the first choice of millions of consumers also in 2012 with its innovative products that ideally meet the needs and support comfort.

**Innovative dishwasher:** Dishwasher having self-cleaning filter system and providing a better cleaning performance; dishwasher increasing the life of glassware twenty times more than traditional washing programs with automatic water hardness control and reducing the glass corrosion by 80% were the outstanding products of 2012.

**Innovative washing machine:** Anti-allergy program has been developed against home dust and allergens and this has been certified by Allergy UK Institute. A energy grade combo washer dryer with 8 kg washing, 6 kg drying capacity has been manufactured and promoted in IFA Exhibition.

**World’s most energy-efficient heat pump dryer:** Dryer with energy level 10% less than A+++ energy grade and heat pump featuring inverter compressor technology has been developed. This product, having 8 kg washing & drying capacity and annually 155 kWh energy consumption level, has been promoted in IFA exhibition as the world’s most energy-efficient dryer.

**World’s most quiet washing machine:** In consequence of the activities performed in 2011, the 1,200 rpm washing machine with 8 kg capacity has been tested also by VDE (Association for Electrical, Electronic and Information Technologies e.V.) and certified as the quietest product ever tested by VDE. According to the research also performed in 2012, a better product couldn’t have found for the competition.



**World’s most quiet condenser dryer:** In Arçelik A.Ş. studies for reducing noise level of condenser dryers has been speeded up and in 2012 noise level of condenser dryers manufactured by Arçelik A.Ş. has been reduced to ~5 dBA. The products have been tested also by LGA, independent institute and reported.

**Innovative oven:** Arçelik A.Ş. maintains its leadership in terms of energy efficiency and noise level in new cooking products launched this year. World's Most Energy Efficient Oven created in consequence of R&D activities performed last year and having an energy level which is 40% less than A grade maintained this title also in 2012.

Healthier nutrition trends still prevail. For this purpose, Fritto frying apparatus which provides 10 times less oil rate when it is compared to conventional deep fryers has been finalized and launched. Having promoted also in miscellaneous TV programs, the product won recognition in the market. Again there are steam-assisted cooking products in the market for healthy and taste oriented cooking methods. Arçelik A.Ş. has recently begun to develop a product in this field and especially carries out studies on cooking technologies which provide tastier cooking.

**Innovative refrigerator:** In 2012, our No-Frost ombi refrigerator having A+++- 10% energy index value has been promoted in IFA Exhibition. World's most energy efficient No-Frost combi model consumes 64% less energy than A grade and includes advanced implementations such as vacuum insulation panel, variable-speed compressor and advanced heat exchangers.

In 2012, another significant output of performed studies in the field of energy efficiency was achieving (COP) 2.0 W/W value in cooling efficiency coefficient in hermetic compressors manufactured in Eskişehir Compressor Plant. With this COP value obtained in standard ASHRAE declaration conditions in consequence of performed activities, world's most energy efficient compressor has been manufactured. It is aimed to launch the serial production of this model in 2013.

Reducing the noise level, which is becoming more important each passing day in the refrigerators, are among the subjects that related Arçelik A.Ş. teams focus on. With the studies performed in 2012, the refrigerator design which has a capacity over 400 lt and 36 dBA noise level that is the world record in double door conventional refrigerators has been finalized and the refrigerator exhibited in IFA exhibition. In the forthcoming period, it is planned to continue studies for the noise level that can be a world record holder in No-Frost combi refrigerator.

In refrigerators Sol-Gel plating, which is antibacterial and enables easy cleaning of glass racks, has been applied and launched as "Crystal Cleaning Technology".

**Induction cooktop:** Having eight independent induction zones, which is the most when compared to similar level competitors within the market, and flexible induction zones

that can be set together/separately, the induction cooktop distinguishes with its affordable price among other all induction cooktops.



## Consumer Electronics

Being cognizant that being a global brand can be achieved with R&D and innovation, Arçelik A.Ş. achieves to exceed the ever changing and improving expectations of the consumers through its products and production process which are being develop with innovative approach and diversified with its unique design. By this means, the company maintains its competitive structure both in domestic and international markets also in Consumer Electronics sector.

### **Newly developed TV and broadcasting technologies upgraded efficiency and watching experience to optimum level.**

Following closely the developments in panel technologies, Arçelik A.Ş. rapidly increased its widescreen TV models and the widescreen sales thanks to the values being created for the customers with innovative products that are slimmer and more stylish and consumes less energy.

With the vision of "Respects the Globe, Respected Globally, Arçelik A.Ş. utilized metal and glass materials that are regarded as more eco-friendly in TV designs. Accordingly, as per the ErP directives specified for European market, while the energy consumption of televisions during standby mode enabled to be less than 0.5 W, energy consumption during operation mode also significantly reduced and the majority of the product range have been designed as A and A+ energy grade products that are the highest levels defined for TVs.



While Arçelik A.Ş. constantly develops projects to improve the image quality in televisions, has launched the studies for 3840x2160 pixel (Quad HD) television, which offers four times higher resolution than 1920x1080 pixel Full HD televisions, and exhibited at IFA Consumer Electronics Exhibition by developing the first prototypes.

Maintaining its leadership in 3D technologies, Arçelik A.Ş. added FPR (Film Pattern Retarder) technology in 2012 in addition to Active Shutter 3D technology that has been developed in 2011. With this new technology, usage of lighter, more ergonomic and more user friendly passive glasses have been enabled. Studies for developing 2D-3D conversion algorithms that enables converting 2D images into 3D format have been rapidly continued.

Internet applications in TVs continue to become widespread. Since the internet applications, audio and video conference via internet, content specification, social media network connection and similar applications becoming widespread, TVs take sides with PCs. Arçelik A.Ş. offers an excellent smart TV experience to its customers by enabling application usage and downloading opportunity via the application store developed by Arçelik A.Ş. engineers with its 3<sup>rd</sup> generation smart TV products. These smart TVs, including cutting-edge technologies and innovations, in addition basic features as excellent 2D and 3D image and excellent audio, offer many new features that are the pioneer in the sector such as video conference, voice operated remote control, controlling your sleeping baby via TV.

The televisions that become significantly complicated due to these features and developments continue to be user friendly thanks to next generation user interface developed by Arçelik A.Ş. engineers. Next generation smart TVs are able to connect to the internet both via cable and wireless connection. Wireless connection can be integrated into TV or can be used externally. Wireless connection design is performed to include all next generation features. With next generation wireless connection designs technologies such as WiDi, WiFi Direct can be supported and TVs can directly communicate with other electronic devices supporting the same features without connecting to a network.

In parallel with technological developments, a rapid change between broadcasting types is being experienced in European countries. In addition to cablecast, satellite broadcasting and terrestrial broadcast, many European countries, primarily Scandinavian countries prefer DVB T2 broadcasting standard for more efficiently using the bandwidth in terrestrial broadcast. In Turkey, transition to these kind broadcasting standards are being planned and harmonization studies still continue. Arçelik A.Ş. continues to develop TV and receiver boxes conforming to all these next generation broadcasting standards as a leader. Also, all next generation terrestrial, cable and satellite broadcastings can be watched with a single TV without any need for extra receiver boxes thanks to developed triple receiver TVs.



## Innovation and Collaborations

Arçelik A.Ş. also proceeds by making long-term strategic collaborations with universities and research centers that are specialized in R&D activities. Adopting open innovation principles, the company sets the pace for the other companies in Turkey with its practices in this field for many years.

In addition to two laboratories launched last year in Istanbul Technical University (ITU), Faculty of Mechanical Engineering, this year again in the same faculty "Advanced Fluid Dynamic Analysis Laboratory" has been launched. Also in ITU, Faculty of Chemical and Metallurgical Engineering "Material Development Laboratory" has been launched. In these two new laboratories SAN-TEZ, TÜBİTAK cooperation projects are carried out and miscellaneous equipments and experimental assemblies are installed as suitable for undergraduate and postgraduate students.

In addition to collaborations with national universities, activities for improving the collaborations with foreign universities continue to access the information onsite. Arçelik A.Ş. became the member of IKV which is specialized in Polymer Processes and incorporated in RWTH Aachen University. Thanks to this membership, it is aimed to obtain detailed knowledge about project studies which has been carried out and being carrying out within this institute that has nearly 200 industrial members. Dresden University, located in Germany, carries out studied on human hand, eye and ear perception related to perceived quality. The company has contacted with the related department of this university and a series of joint project has been launched in 2012. Studies will continue also in 2013. In 2012, Arçelik A.Ş. maintained its collaborations with national universities such as Koç University, Middle East Technical University, Bosphorus University, Istanbul Technical University, Yıldız Technical University, Anatolian University, Mediterranean University and Süleyman Demirel University and with international universities and research institutes such as Surrey University, Bremen University, Institut Fuer Rundfunktechnik GmbH (IRT), Fraunhofer Institute.

Arçelik A.Ş. maintains its R&D activities by also strengthening in international arena through various projects, platforms and funds and plays an active role in organizations. The Design Office in Taiwan is seen as a significant international step that will improve the access to scientific environment and knowledge outside the company. Furthermore, Arçelik A.Ş. actively participates to the innovative projects platform of EU for many years. By improving its international collaborations, the company maintained its leader position also this year in Seventh Framework Programme and in EUREKA.

In EU Seventh Framework Programme (FP7), which aims Turkey to integrate with European Research Field in the field of science, technology and innovation, Arçelik A.Ş. again achieved a significant success and ranked first in 2012 in the category of "Most Successful 5 Companies Based on the Number of Partnerships in 7<sup>th</sup> Framework Programme" within the book named as "EU 7<sup>th</sup> Framework Programme Mid-Term Evaluation Report (January 1, 2007 and June 30, 2012)" and published by TÜBİTAK EU Framework Programmes National Coordination Office (UKO). In 7<sup>th</sup> FP, regarded as the Champions League of R&D supports, Arçelik A.Ş. takes part in 8 projects in the fields such as nanomaterials, food storage technologies, insulation materials, electronic device design for aging population, optimization of transportation and logistics networks, 3D visual home entertainment systems. In 2012, the project portfolio has been expanded with newly approved projects named as Shield, Phoenix and CSpace. In addition to FP7, Arçelik A.Ş. continues to provide contribution to enable brain drain to our country from inside and outside the EU by providing new projects in 2012 in the field of Marie Curie Project, which has been started initially in 2011.

Within the scope of EUREKA, which is a collaboration platform supporting projects for the development of products and processes that are market-focused and commercializable rapidly, two projects have been completed and five other projects still continue.



## Participated Organizations and Our Awards

Arçelik A.Ş. actively participated to national and international events also in 2012 for both creating network and joint project consortium.

Bringing together the leader organizations in Europe in the field of digital media/content production and network technologies, the Networked and Electronic Media (NEM) European Technology Platform's (NEM Initiative) summit, organized each year, held in Istanbul between October 16-18, 2012 and in this organization Cem Kural, Arçelik A.Ş. R&D Director and NEM Board Member, made a presentation titled as "TV World: 3D, Connected and Smart TVs, Interfaces and Trends".

Other organizations being participated in 2012 includes Future Internet Week, e-Challenges Conference, Innovation Convention, ITEA 2 workshops that are the cluster programme of EUREKA in the field of software, CELTIC+ annual organization that is the cluster programme of EUREKA in the field of communication and network and project preparation workshop, IEEE Signal Processing and Communications Applications Conference, Future Internet Assembly, International Conference on Very Large Databases (VLDB).

In EUREKA Turkish Chairmanship Conference, which held with international participation since Turkey has taken over the Chairmanship of EUREKA and in which Arçelik A.Ş. has participated as the main sponsor, İsmail Hakkı Sağır, Arçelik A.Ş. Deputy General Manager Responsible for Production Technologies and R&D, was among the keynote speakers. In the conference, also Cemil İnan, Arçelik A.Ş. Product Director, Refrigerator, managed the panel named as "Company Perspective for Competitive Innovation".

Within the scope of 1<sup>st</sup> R&D Centers Summit organized by Ministry of Science, Industry and Technology, in "University & Industry Collaboration" themed session Cem Kural, Arçelik A.Ş. R&D Director made a speech that summarizes the strategy of Arçelik A.Ş. related to university alliances and current situation. In the Summit, Arçelik A.Ş. granted to two awards; one was in the category of "University & Industry Alliances" with Central R&D Directorship and the other was in the category of "Intellectual Property Rights" with Refrigerator Plant R&D Center. The Arçelik stand, in which R&D outputs and products were exhibited, drawn intense interest from the universities, public and R&D centers participated into the summit.

In the 1<sup>st</sup> University & Industry Collaboration Summit, organized by Ministry of Science, Industry and Technology for developing University & Industry Alliances, creating awareness in the society and directing the activities of University & Industry Alliances as to cover 2013 and the following years, Arçelik A.Ş. granted to award in the field of University & Industry Alliance.

Arçelik A.Ş. has been the strategic business partner for Innovation Week organized by Turkish Exporters Assembly in December, 2012. At the Innovation Awards organized within the scope of the organization, Arçelik A.Ş. awarded as the "Most Innovative Company". Levent Çakıroğlu, President of the Durable Goods Group of Koç Holding, Arçelik A.Ş. General Manager, received the award on behalf of Arçelik A.Ş. from the Prime Minister Recep Tayyip Erdoğan and also made a speech in "Technology and Innovation" panel.

Arçelik A.Ş. granted to "Innovative Product" award by CHEARI (China Household Electric Appliance Research Institute) with its refrigerator featuring a special rice storage compartment, which won recognition of Chinese consumers. Again in 2012, Arçelik A.Ş. granted to award for "Product Development Process" in the category of large-scale companies by Turkish Electronics Information Industries Association" (TESİD) with its "Induction Cool top".



### 4-Door No-Frost Refrigerator

- 750 lt gross volume.
- A+ energy consumption, saving 20% more than A class.
- Thanks to Active Dual Cooling System, fridge and freezer compartments have independent cooling systems to provide the optimum level of humidity to prolong the storage life of fresh fruit and vegetables while preventing odour transfer. Due to the independent cooling system of each compartment, the air circulating into the fridge stays in the optimum level. This prevents the food and vegetables in the cooling compartment from freezing.
- Multi-Zone Compartment maximizes storage capacity according to different needs at different times. By just pressing a button on the electronic touch control display, bottom right compartment can be used as either a fridge or a freezer.
- Active Fresh Blue Light prolongs the storage life of fresh fruit and vegetables by continuing the photosynthesis process.
- Active Ioniser neutralizes bacteria, viruses and particles that cause effluvia in the refrigerator, thus creating antibacterial effect.
- Active odour filter eliminates unwanted odours and bacteria to help keep the food inside fresh.



## INNOVATIVE PRODUCTS

### Quiet Dishwasher

- Manufactured with patented program algorithm and alternative insulation material, with 39 (A) noise level, it is one of the quietest model in its category.

#### Automatic Glass Protection System

- Provides 20 times longer life for glasses by preventing the corrosion on glasses.
- Automatic regeneration system: water hardness setting is adjusted automatically during installation and when moved to another location

#### Automatic Filter Cleaning System

- First application in dishwasher market.
- 80% less filter cleaning requirement.
- Automatic Filter Cleaning System is patented technology of Arçelik A.Ş.

#### Washing Program for Different Type Mixed Dishes

- China, glass, plastic and pots are washed at the same time, in A performance washing and drying efficiency.
- BLDC motor enables sensitive washing with low pressure for the dishes in the upper basket. Heavily soiled dishes placed in lower basket is washed with 60% higher water pressure compared to upper basket.





### Combo Washer Dryer

- 9 kg washing and 6 kg drying capacity; provides both energy and time savings by enabling to wash more laundry at once with its high washing and drying capacity,
- Provides convenience with innovative special programs,
- Wash & Wear program is a special program that enables automatic drying after washing. Provides the opportunity of 34 minute program for the users to wash and dry several clothes and wear in a short time.
- 6 kg Wash & 6 kg Dry Program is a special program that automatically performs washing and drying, both washes and dries 6 kg clothes in 4 hours 12 minutes at once.
- BabyProtect+ Program is a special program that automatically washes and dries 2 kg laundry with hygienic and anti-allergic features.
- LCD Screen enables to monitor the program period, remaining time temperature, spin speed. Also, time delay can be selected on the screen. During the operation, LCD information line informs the user.

## INNOVATIVE PRODUCTS

### 32", 37", 42", 47" and 55" New Smart Inter@ctive TV (2.0)

- FHD TM200Hz 3D (400 Hz PPR)
- Passive 3D technology
- Open browser feature: Enables to connect different websites without the use of PC
- "A" class energy performance
- Access to news, weather forecast, traffic, video applications via different internet applications
- Wireless play ability for image, music and video files in DLNA supported devices
- Excellent sound quality with internal subwoofer
- DVB-T (T2)/C/S2 function enables screening of HD digital cable, satellite and terrestrial broadcasting without the need for extra adaptors
- USB record function enables timeshifting and recording of digital broadcasts
- Video conference via TV, voice control and listening TV with earphones via remote controller through the use of our accessories.







### Tumble Dryer

- In 8kg heat pump products; World's most energy efficient tumble dryer with inverter compressor and variable-speed brushless motor technologies.
- Thanks to inverter compressor and variable-speed brushless motor, enables rapid and quite (night mode) operation upon demand.

### Oven

"Fritto " Built-in Multifunction Oven

- Fritto Arçelik Built-in oven requires 13 times less oil than conventional frying by using 1 spoon of oil for frying potatoes thanks to the frying apparatus. With approximately 4 liters capacity, it enables making of fried potato chips, pop corn, chestnuts roasting for 4 servings and also has the capacity to cook 6 pieces of chicken drumsticks. This removable inner part is washable in dishwasher
- Fan heating function enables to cook 3 different meals at once without the tastes and odors mixed up
- Easy to use touch control programmer
- Booster function for quick pre-heating
- Special pizza and slow cooking functions
- Minimum energy consumption with A -%20 energy class.
- Easy to clean full glass inner door and catalytic backwall cleaning system
- Usable volume : 65 lt
- Nano Clean Zone full glass inner door ensuring easy cleaning.

INNOVATIVE PRODUCTS



## Supply Chain

Today, ease of access to information that came with the growth of internet, brought customers who are conscious and informed about price, product quality, service level, and most importantly the alternatives. Meeting the expectations of the customers by being able to deliver the demanded product, on demanded time, to the demanded location, with the best possible price and in full, became a necessity for sustainable growth and continued existence in the market. From now on, companies achieve competitive advantage by adding value to their supply chain operations.

In accordance with these developments, as Arçelik A.Ş., we aim to create maximum value for our customers with Integrated Supply Chain mindset. In all supply chain processes, from the purchase of raw materials to the delivery to the customer, we aim to be agile, flexible and robust against fluctuations and to achieve all of these in an eco-friendly manner.

For being able to provide the best performance and quality to our customers, new group companies have been incorporated and operation network of Arçelik A.Ş. has been expanded in 2012. With the acquisition of Defy, process improvement and integration projects have been carried out. Significant improvements have been achieved in the field of costs saving, productivity and standardization.

Global progress and technological developments in logistics sector are being followed continuously. The company actively participates to logistic R&D projects that are supported by EU (FInest), and logistic infrastructure and feasibility studies that are being done in order to enable Arçelik A.Ş. to take the advantage of global developments. "Dealer Shared Warehouses" continues, where it has been expanded to 7 provinces in 2012. To be able to provide faster and flexible service for the consumers, products stored separately in each dealers own warehouses are now stored in high standard Dealer Shared Warehouses. Thus, both cost savings and process efficiency have been achieved, and product damage risks have been minimized.

In export logistics, the number of vehicles reduced by increasing the loading utilization rates by constantly improving loading configurations. Additionally, the efficiency has been improved by shortening the routes due to direct shipping to the end customers.

For import logistics, intra-European consolidation centers and partial collections (milk run) have been implemented to improve loading utilizations and to enable load consolidations; thus both efficiency by shortened routes and reduction in number of vehicles have been achieved.

Eco-friendly and sustainable logistics has been preferred by increasing the usage of sea transportation to Europe, where land transport is being preferred due to the geography, hence reducing the carbon emissions.

Following the developments of foreign trade transactions in world trade closely, unit costs has been reduced with tax amendments that provided efficiency in material costs. Also in 2012, on time and in full delivery rates, which are used for measuring customer service level, continued at levels that are regarded as "best" in the sector, despite all external factors.

## Global Purchasing

In parallel with the rapid growth of Arçelik A.Ş. and becoming a global company, also the purchasing organization structured itself in accordance with these developments in the course of time.

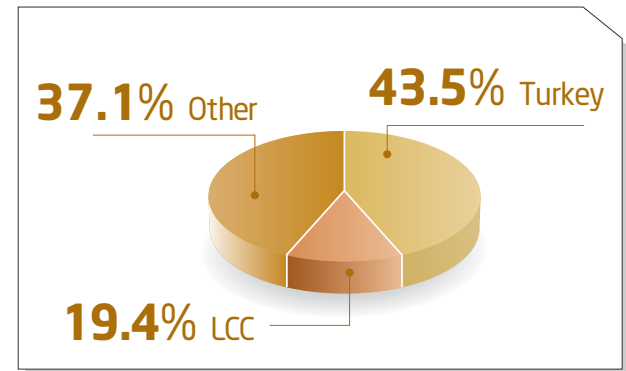
By migrating to central purchasing structure as of 2000, both the advantages of economies of scale have been obtained and the experiences in different locations brought together.

The impact of global purchasing organization is great on decisions about Romania, Russia, China, South Africa and future foreign production investments of Arçelik A.Ş. Today Arçelik A.Ş. owns a global purchasing organization which manage approximately € 2.5 billion and having its head office in Istanbul and totally 10 purchasing offices worldwide in different countries.

One of the most important mission of this organization is to focus on purchasing from Low Cost Countries (LCC) with the intent of maintaining cost competitiveness and supporting the strategies of Arçelik A.Ş.. Potential suppliers in medium and long term have been determined with the studies performed in different countries. Within this framework, the rate of LCC purchases within total purchases recorded as 19.4% in 2012.

With acquisition of Defy Appliances Ltd Company, which is market leader in South Africa home appliances market we expanded our global organization to a new area.

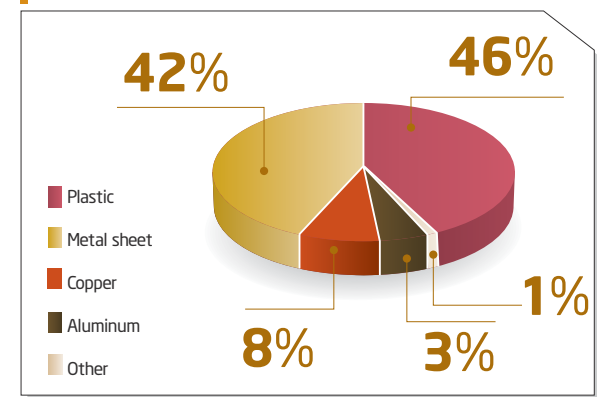
**2012 Rate of Direct Material Purchase from Low Cost Countries**



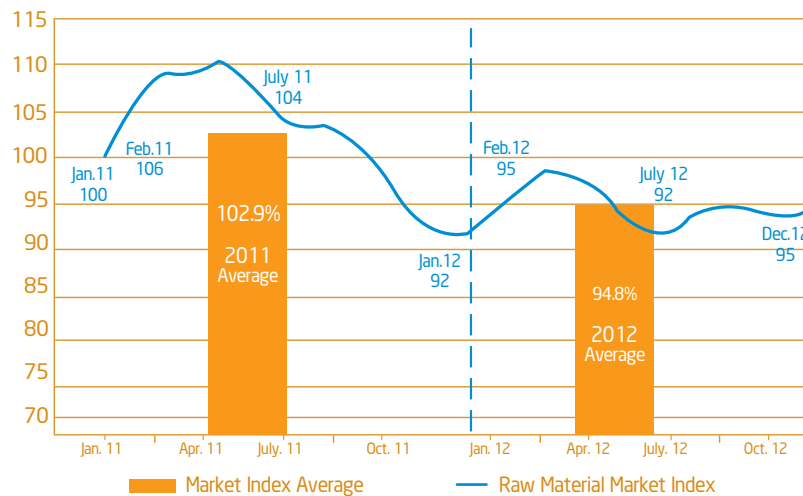
**Mitigating the Impact of Raw Material Price Fluctuations**

Metal raw materials as well as chemical and polymer raw materials purchasing accounts for 54 percent and 46 percent, of total purchasing respectively.

**Raw Material Cost Breakdown (2012)**



Raw Material Market Index



Arçelik A.Ş. monitors changes in raw material prices on the basis of raw material as well as through the market raw material index, which is based on the impact of raw materials used in manufacturing on total manufacturing cost. Market prices which entered into a upward trend by changing its direction in the first half of 2012, entered into a trend of decline in the second half of the year. Accordingly, the Market Raw Material Index average decreased by 7.8 % in 2012 compared to the average of 2011.

In addition to benefits obtained as a result of efficient management of commodity markets, activities carried out for increasing the supply resources in low cost regions, carried out alternative material studies and improving the efficiency of our suppliers, provided important benefits to Arçelik A.Ş. for assurance of sustainable cost competitiveness.

## Supplier Relationship Management

- **Technology and Innovation Days**

With the intent of improving product roadmap sharing, it is aimed to improve common information sharing through technology and innovation days and as a natural result of this enable our projects to be triggered. Within this scope, 40 technology and innovation days have been organized in 2012 with our 30 suppliers. It is planned to continue this kind of activities also in the next years by making more comprehensive.

- **Strengthening the Collaboration with Suppliers**

Purchasing Supplier Development Department, which strives to support local suppliers in terms of their development, launched projects to support our supplier in order to improve their infrastructure also in 2012. These activities both provide advantage to the company in terms of competitiveness and support for order to improve quality while reducing the costs.

Additionally, development is provided within the framework of win-win principle by carrying out productivity projects with “gain sharing” model in subsidiary industries and it is aimed to improve the qualities of suppliers with “target based” supplier management method.

- **Supplier Day**

With the intent of strengthening our communication with our suppliers, which we regard as the important part of the supply chain and as a stakeholder, and sharing our strategy and expectations Arçelik A.Ş. Supplier Day has been organized in Istanbul in May. This organization held with over 500 participants from 32 different countries and 420 different companies.

In the organization, Levent Çakıroğlu, President of the Durable Goods Group of Koç Holding, Arçelik A.Ş. General Manager, emphasized the expectations of Arçelik A.Ş. from suppliers as believing and supporting company targets, making collaboration in each stage starting from the design, constantly developing itself, being visionary, providing innovative technology and products, developing the company with its expertise and capabilities, respecting human, society and environment.

- **DEFY**

With the acquisition of Defy Home Appliances Company, one of the leading home appliances manufacturers of Republic of South Africa, in 2012, our purchasing activities within this geography also gained a significant acceleration.



Arçelik A.Ş. obtained significant improvements in purchasing costs in 2012 by utilizing its global purchasing opportunities. With the intent of improving Defy Home Appliances purchasing organization to a competency for operating in line with Arçelik A.Ş. Global Purchasing activities and strategies, required activities have been planned and realized.

In March, 2012, a supplier day has been organized with the participation of our suppliers operates in Republic of South Africa. In this event, Arçelik A.Ş. global purchasing organization shared strategy and targets with suppliers.

## Consumer Services

Our after-sales support units, the authorized services constitute an organization which has the largest service network in consumer durables sector in Turkey. This organization provides service all across our country with nearly 10 million transactions per year with over 10,000 employees; half of them are technical, over 5,000 vehicle park, nearly over 500 authorized service under 10 regional directorates.

With the use of hand-held computers during authorized services, Arçelik has increased its service quality and efficiency by optimizing the task assignment of technical personnel in the field. Customer satisfaction is enabled by communicating with our customers as promptly as practicable by transferring the installation demands of our customers to our services in the electronic environment during sales process. The quality of services has been improved, customer satisfaction has increased by the employment of qualified service personnel and also it has been made difference in service. Scheduling of appointments at convenient times for customers and performing the service at designated time, along with the allocation of sufficient time for appointments have allowed the company to provide one-visit solutions without wasting time. Furthermore, Arçelik has developed a performance system through which various criteria such as compliance with company principles, cost-effectiveness of operations carried out by qualified employees, maximization of customer satisfaction can be evaluated.

Customer specific service offers have been performed for improving the customer loyalty and engagement through CRM Management and these activities are being developed with the improvement in every aspect.

Within the scope of measuring customer satisfaction, in 2012 “mystery customer” implementation has been launched and it was aimed to maximize the customer satisfaction.

- **Training and technical service activities**

Arçelik Academy which is a department of Arçelik A.Ş., considers training as one of the essential parts of the service quality, technical services management is being performed for all product groups which have been launched or will be launched. For this purpose, technical services activities are being managed with all Arçelik product facilities and outsourcing companies.

On the other hand, technical, behaviour and product trainings for local and foreign authorized services and product and behaviour trainings for local dealer organization are being performed by our academy.

Within this scope, in 2012 following trainings have been provided:

In Turkey; totally 360,000 man\*hour training have been provided in the titles of service technique, product, behaviour and process. This means totally 20,000 person\*training performance.

In abroad; totally 86 trainings have been performed in 35 different countries. 1,700 people attended to these trainings and these include technical service trainings as well as product trainings intended for marketing.

Trainings emphasizing the features of products intended for sales are being performed in 50 different locations for totally 1,000 people for our local dealers.

Furthermore, in 2012 “Business Management” trainings intended for service owners have been launched. These trainings employ expert trainers in the field of management and organization, finance, law and economy. Product trainings for corporate customers, call center, sales and marketing employees are also provided by our academy.

In 2012, in order to increase consciousness “Occupational Safety” trainings have been provided for all local authorized services. “Heavy and hazardous occupation” occupational trainings that are intended for all services and its technicians and obligatory by law have been launched, and training and certification process still continues.

Within the framework of the protocol concluded with Ministry of National Education, “Electrical Home Appliances Technical Branch” has been launched in 4 vocational high schools under the sponsorship of Arçelik A.Ş. Totally 226 student receive education with Arçelik standards and supervision. Graduated students will be recruited in Arçelik Authorized Services.

Technology implementations in educations are being closely followed. Distance learning activities via internet accelerated in 2012 and launched in last quarter.



- **Call Center**

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company’s customers a high level of service on a 24/7 basis, but also to ensure a smooth dialogue between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. One of the primary functions of the Arçelik Call Center is to contribute to the development of new products that meet customer expectations by providing a smooth flow of information in the form of suggestions and complaints to the relevant units of the Company.

Technological infrastructure, which give the Company a competitive edge over its competitors, the Arçelik Call Center’s unique position is sustained by the variety of communication channels it has established with its consumers. Arçelik responds to a majority of its consumer requests, which it receives through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, instantly by phone. Committed to raising its level of service each day, Arçelik Call Center aims to reach voice of customer by performing customer, satisfaction surveys for continuous improvement.

Since 1991, Arçelik Call Center that has stirred to achieved high levels of customer satisfaction and maintained a high level of dialogue with its domestic customers, as of 2008 has begun to provide pre and post-sales call center services in Germany and Austria for all brands from Turkey Arçelik has also continued to expand its abroad call center services network in order move closer to its goal of becoming an international call center.

In addition to Austrian and German markets, Arçelik has carried out customer satisfaction surveys in the Danish market, testifying to the fact that the Company not only listens to the concerns of its domestic customers, but also to those who purchase Arçelik's products abroad.

Having assumed responsibility for the management of online sales and social media communication operations, Arçelik Call Center has continued to implement its strategy of being with its customers at all times.

One of the most striking call center social responsibility projects of the last years was the "home agent" project. By implementing this project, Arçelik has offered employment opportunities not only to many young people with disabilities, but also to those employees who prefers to work at home.

Our call center which concentrated on CRM activities in 2012, carried out various promotion and sales activities for improving the current loyalty of the customers by cooperating with CRM Management and additional contribution has been provided for the company turnover.

- **Overseas Customer Services**

Expanding the scope of high standards and quality services offered to customers in Turkey to include all other markets is one of the most important goals of Arçelik A.Ş. Arçelik A.Ş. offers after-sales services with its own in-house customer

service organization in 15 countries and through its distributors and contract technical service providers in other countries. Arçelik has identified service quality performance indicators for its service organization and monitors these indicators closely. The company also plans various activities in order to increase the quality of the services it provides. Services data are recorded by the help of high-tech IT infrastructure and the generated data is evaluated in order to provide customers with better products and reach a higher level of service quality.

The establishment of an after-sales service network in Egypt, and the alignment and development and integration of after sales service network in Ukraine with that of Arçelik A.Ş. are among the projects launched in 2012. Necessary activities for improving the service quality and penetration of after sales services being carried out through our distributors in USA and Canada, have been launched.

- **Spare Parts Management**

In order to deliver wright spare parts on time and with reasonable price to our customers in line with their needs, spare parts planning, pricing, supply, stocking and delivery activities are being performed. As of today, the activities are performed with nearly 317,000 kinds of spare parts and this number rapidly increases each day in parallel with product diversity. With the intent of delivering spare parts to our customers when required, supply activities from totally 212 manufacturers, 52 local and 160 abroad, are being carried out. Those spare parts delivered to 1022 locations including abroad.

Although the legal obligation is 10 years, nearly 7,000 kinds of spare parts are still demanded for our obsolete products in the field and satisfaction of 1,000,000 customers are met per year. This brings a superiority to Arçelik A.Ş. when compared with its competitors.



## Corporate Social Responsibility Approach

Sustainable use of the earth's limited resources is not only the responsibility of individuals, governments and nongovernmental organizations (NGOs), but companies as well. Accordingly, the company carries out its activities with a view to create a more livable world for future generations.

Responsibilities towards "Sustainable Development", environmental awareness and social sensitivity and operating in full compliance with laws, ethical standards and human rights constitute the "Corporate Social Responsibility" of the Company.

Drawing its strength from the corporation values and the principle of "I exist only if my country exists" determined by dear deceased Vehbi Koç, the founder, the Company strives to fulfill its responsibilities together with its employees and all of its business partners.

As the complement of its activities being performed in economic, social and environmental fields, Arçelik A.Ş. publishes a separate annual report under the name of "Sustainability Report". The report covers sustainable profitability of Arçelik A.Ş. as well as the company's activities performed together with all of its shareholders in the direction of innovative product development and manufacturing approach which is focused on the protection of natural resources, improving social standards, efficient corporate governance, human rights and implementation of ethical principles for business.

## Corporate Governance Approach



The Company's corporate values, ethical approach, good governance philosophy and business ethics principles guide the employees to fulfill their responsibilities.

In line with international business standards, for long-term productivity and success of the Company, it is inevitable to convey four principles of corporate governance: accountability, responsibility, openness and transparency and equality, which build trust between stakeholders and corporations, to its activities.

Arçelik A.Ş. is conscious of the fact that the methodology for fulfilling the promises on trust and stabilization against the Company's stakeholders, especially investors can be achieved by sound corporate governance. The positive impacts of Company's performance on "Corporate Governance Principles" are clearly observed in especially meetings conducted with corporate investors. The company

not only depends on its business results and robust capital structure to achieve its profitability targets, but also on its corporate reputation, an important asset that has been established over many years.

## Corporate Governance Principles Compliance Report

### 1. Statement of Compliance with Corporate Governance Principles

#### Compliance with Corporate Governance Principles

Implementation and actualization of Corporate Governance Principles, which were issued by Capital Markets Board (CMB) on July 4, 2003 under decision number 35/835 and shared with the public on July 2003, is vital especially for the creditworthiness and financial opportunities of publicly traded corporations. Mentioned principles that reveal the quality of corporate governance have been adopted by the Company. As per CMB resolution No. 48/1588 and dated December 10, 2004, it has been decided that the companies traded at Istanbul Stock Exchange (ISE) shall include their statements related to their conformance with mentioned Corporate Governance Principles in their annual reports and on their websites (if any), beginning from their 2004 annual reports. In accordance with the aforementioned resolution, Arçelik A.Ş. has set up an in-house team to examine the compliance with these principles, and in consequence of these studies as of 2004 compliance related information has been included in its annual reports and on its website. Corporate Governance Principles have been revised with a comprehensive amendment by CMB's Communiqué Serial: IV, No: 56, which was published in the Official Gazette dated December 30, 2011.

While fully complying with the obligatory principles within the scope of Communiqué Serial: IV, No: 56, Regarding Determination and Implementation of Corporate Governance Principles, the Company also complied with the majority of nonobligatory principles. Although also the full compliance with nonobligatory principles is aimed, full compliance is not yet achieved due to reasons such as challenges encountered in the implementation of some principles, ongoing discussions both in our country and international platform about compliance with some principles and some principles that not well-suit to current structures of market and company. Studies on the principles which are not yet put into practice still carries on and it is planned to carry into practice upon the finalization of administrative, legal and technical infrastructure works that will contribute to the efficient governance of our company. Comprehensive works performed within the frame of corporate governance principles within the structure of our company and in the related sections principles which have not been complied yet and if any, conflicts of interest arisen due to this have been explained below.

Works performed for compliance with Communiqué Serial: IV, No: 56, which includes new regulations related to CMB's corporate governance principles and Turkish Commercial Code are the primary works performed in the field of Corporate Governance within 2012 year. In our 2012 Ordinary General Assembly all amendments specified in the Communiqué have been made in our company's articles of association. Furthermore the process related to the determination of nominees for independent board member and announcement to the public has been performed and election has been finalized in accordance with the regulations. Established Board of Directors' Committees efficiently became operational. Remuneration policy for Board of Directors and Top Managers has been determined and submitted for the approval of shareholders at General Assembly. Prepared general assembly information document and general assembly information such as voting right, organizational changes which are obligatory to be explained as per the principles, CVs of nominees for board member, remuneration policy for Board of Directors and Top Managers and other information that needs to be explained have been submitted for our investor's information three weeks before the general assembly. All of our related party transactions have been submitted for Board of Directors' information and with the approvals of our independent board members; the continuity of abovementioned transactions has been decided. Furthermore necessary revisions have been performed in terms of full compliance with principles by revising our company's website and annual report. Also in the forthcoming period necessary works are going to be performed by considering the improvements and implementations in legislation for compliance with Corporate Governance Principles.

While our Company's corporate governance rating was 8.59 on a ten point scale (85.91%) which had been announced to public with our August 1, 2011 dated material disclosure and had been given by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA), it has been increased to 9.11 on a ten point scale (91.07%) after the revision performed by SAHA on July 30, 2012. Our Corporate Governance Rating has been determined as a result of an evaluation made under four main topics (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted based on CMB's Corporate Governance Principles and current distribution based on main topics are provided below:

Main Sections	Weight	2011 Rating	2012 Rating
Shareholders	0.25	8.87	8.95
Public Disclosure and Transparency	0.35	9.30	9.34
Stakeholders	0.15	9.52	9.52
Board of Directors	0.25	6.76	8.69
<b>Total</b>	<b>1.00</b>	<b>8.59</b>	<b>9.11</b>

The report, which has been prepared by SAHA related to the corporate governance rating, is available on our Company's website at [www.arcelikas.com.tr](http://www.arcelikas.com.tr) address. In this report, SAHA has made the following assessment:

"In consideration of Arçelik A.Ş.'s determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements affected during the period lapsed since the publication of the original report, the corporate governance rating of the company is updated as above."

Main improvements that affected the above increase are the following:

- A provision to maintain that transactions and decisions taken by the board of directors that do not comply with those Corporate Governance Principles which are defined as mandatory by the Capital Markets Board will be invalid and the company will fully comply with the Corporate Governance Principles published by the Capital Markets Board regarding the transactions of significance as defined by the Corporate Governance

Principles, all transactions with related parties, and the issuance of guarantees like pledges and mortgages in favor of a third persons is incorporated in the articles of association of the company.

- Appointment of 4 independent members to board of directors composed of 12 members has been made. There is only one executive member in the board.
- Corporate Governance and Audit committees are formed entirely by independent board members. Consequently, the committees are chaired by independent members as well.
- Furthermore, Risk Management and Executive committees are formed from within the board. Members are of these committees are not executive members of the board.
- The Company has executed a series of improvements with regard to compliance with the new Corporate Governance Principles that has entered into force on December 30, 2011.

Our company has been listed on the ISE Corporate Governance Index since July 31, 2009.



## Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of fully complying with the Corporate Governance Principles. However, full compliance with some principles has not yet been achieved due to reasons such as challenges which may be encountered in the implementation and may cause the delay of company activities, on-going discussions both in our country and international platform about compliance and not well-suited to current structures of market and company.

Efforts for full compliance with the Corporate Governance Principles have been continued by preparing a corporate governance action plan concerning the areas that still need improvement in corporate governance implementations as determined in the Corporate Governance Rating Report prepared by SAHA .

## Other Works Performed Within the Period for Compliance with Principles

Within 2012, works for compliance with corporate governance principles has been continued and following steps have been taken apart from the above compliance works mentioned in the report of SAHA.

Board of Directors of our Company has taken the following decisions on April 26, 2012:

Activities of our current committees have been revised within the frame of provisions included in the CMB's Communiqué Serial: IV, No: 56, Regarding Determination and Implementation of Corporate Governance Principles ("Communiqué"), which was entered into force by being published in the Official Gazette dated December 30, 2011. Within this scope, the following have been decided;

1. a) Audit Committee which has been established with No. 503 and dated April 24, 2003 Board Decision shall continue its activities as per the operating principles by selecting all of its members from among independent board members;
- b) This Committee shall compose of 2 members and Kutsal Çelebican shall be appointed as the Chairman and Davut Ökütçü shall be appointed as the member;
2. a) Corporate Governance Committee which has been established with No. 692 and dated March 22, 2010 Board Decision shall continue its activities as per the operating principles by selecting its Chairman from among independent board members; furthermore Candidate Nomination Committee and Compensation Committee tasks specified within the Communiqué shall be also performed by Corporate Governance Committee;
- b) This Committee shall compose of 2 members and Tunç Uluğ shall be appointed as the Chairman and Mehmet Barmanbek shall be appointed as the member;
3. a) Risk Management Committee which has been established with No. 701 and dated July 16, 2010 Board Decision shall continue its activities as per the operating principles by selecting its chairman from among independent board members;
- b) This Committee shall compose of 2 members and Mehmet Barmanbek shall be appointed as the Chairman and O. Turgay Durak shall be appointed as the member;
4. a) To expand the activities of Investment and Business Development Committee, which has been established with No. 701 and dated July 16, 2010 Board Decision and with the purpose of creating ideas and strategies within the company, providing coordination between related departments and accordingly offering advices and suggestions to our Board of Directors on designing and planning new projects and investments by determining featured fields in the sectors in which our Company carries on its activities and monitoring the management of approved strategies and projects, for supporting the Board of Directors in every field; to amend its name as "Executive Committee" and to continue its activities as per the operating principles,
- b) This Committee shall compose of 6 members and Rahmi M. Koç shall be appointed as the Chairman and Mustafa V. Koç, Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and O. Turgay Durak shall be appointed as the members.

Established within the body of our Company for the purpose of auditing the operation of our accounting and reporting systems to comply with related law and regulations, public disclosure of the financial information, the operation and efficiency of independent audit and internal audit system, the Audit Committee has concluded 4 meetings within 2012 year to evaluate the financial statements.

Established within the body of our Company for the purpose of following the compliance with Corporate Governance Principles issued by Capital Markets Board, accordingly performing improvement activities and offering suggestions to Board of Directors, the Corporate Governance Committee has concluded 8 meetings within 2012 year.

Established for the purpose of early detection, evaluation, calculation of effects and probabilities of strategic, operational, financial and all other miscellaneous risks that may affect our Company and managing and reporting these risks in accordance with corporate risk-taking profile of our Company, considering these risks in decision making mechanisms and accordingly providing advices and suggestions to our Board of Directors on creation and integration of efficient internal control systems, the Risk Management Committee has concluded bimonthly meetings within 2012 year.

Established for the purpose of informing the Board of Directors in necessary cases about the Company and the developments within the sector that Company operates in by following more closely; providing coordination between the administrative structure of the Company and Board of Directors; developing proper strategies for the Company and providing advices for the efficient of Company's activities, the Executive Committee has concluded 7 meetings within 2012 year.

## SECTION I: SHAREHOLDERS

### 2. Shareholders Relations Unit

The Company's Shareholders Relations Unit plays an effective role in safeguarding and facilitating the exercise of shareholders' statutory rights especially concerning shareholders' rights to obtain and evaluate information.

Arçelik A.Ş. Shareholders Relations Unit consists of:

Dr. Fatih Kemal Ebiçlioğlu			
Assistant General Manager, Finance and Accounting	0212 314 31 00	fatih.ebiclioglu@arcelik.com	
Doğan Korkmaz			
Finance Director	0212 314 31 85	dogan.korkmaz@arcelik.com	
Bülent Alagöz			
Capital Markets Regulation Compliance Manager	0212 314 31 03	bulent.alagoz@arcelik.com	
Turhan Sarı			
Capital Markets Regulation Compliance Specialist	0212 314 31 15	turhan.sari@arcelik.com	
Fulya Kirayoğlu			
Investor Relations Specialist	0212 314 31 11	fulya.kirayoglu@arcelik.com	

Fax : 0212 314 34 90  
e-mail : yatirimciliskileri@arcelik.com - investorrelations@arcelik.com

Information about activities carried out in 2012 in order to provide detailed information to investors on the Company's operations is summarized as follows:

• Number of investor conferences held in Turkey and abroad	8
• Number of investors met with	248
• Number of teleconferences organized for the disclosure of 2011 year-end financial results and three quarters of 2012	4
• Number of press meetings organized in Turkey and abroad	3

### Major activities executed in Shareholder Relations Unit are as follows:

- Keeping the records of shareholders in a proper, secure and up-to-date manner,
- Responding to shareholders' oral or written queries for information regarding the company, excluding undisclosed information that is considered confidential and trade secret,
- Ensuring that the general shareholders' meeting is conducted in accordance with applicable legislation, articles of association and other in-house regulations,
- Preparing documents to be used by shareholders during general shareholders' meetings,
- Keeping records of voting results and ensuring that all reports related to resolutions of the General Shareholders' Meetings are delivered to shareholders,
- Observing and monitoring all issues regarding public disclosures, including applicable legislation and the company's disclosure policy,
- Attending meetings held at company headquarters as well as other local and international meetings organized by various organizations and informing investors of these meetings,
- Providing information to analysts who make assessments about the company,
- Responding to information requests made by academicians who carry out research about the company and industry,
- Preparing the content, both in Turkish and English, to be posted on the investor relations section of the company's corporate website ([www.arcelikas.com.tr](http://www.arcelikas.com.tr)); updating the page regularly, and ensuring that shareholders are able to access company information easily and quickly via the Internet,
- Providing up-to-date information and announcements on the company's corporate website which would have an impact on the use of shareholders' rights,
- Filing material events disclosures with the ISE through the Public Disclosure Platform (PDP), in accordance with the CMB Communiqué Serial VIII, No: 54,
- Monitoring changes in the applicable legislation related to the Capital Market Law and bring these to the attention of concerned units in the company,
- Representing the company at the Capital Markets Board, Istanbul Stock Exchange, and Central Registry Agency (CRA).

### 3. Use of Shareholders' Rights to Obtain Information

In the use of rights of shareholders, the legislation, article of association and other in-house regulations are applied, as well as necessary precautions are taken to ensure the use of these rights and all shareholders receive equal

treatment. In Arçelik A.Ş., Shareholder Relations Unit is operated under the authority of Assistant General Manager of Finance and Accounting. The primary objective of the company is to ensure that shareholders exercise their right to obtain information in a fair and complete process. Furthermore, the Company enables its shareholders to exercise their rights, which they are entitled to as partners, fully and as soon as possible.

In the Company no discrimination is applied among shareholders in the use of their right to obtain and evaluate information. Each shareholder has right to obtain and evaluate information.

The queries directed to Shareholder Relations Unit, excluding undisclosed information that is considered confidential and trade secret, are responded either via phone or in written by obtaining information from the highest authority of related subject. As explained in 9th Section of this report, every kind of information and statement, which may affect the use of shareholders' rights are included on the website. With the intent of extending the shareholders' rights to obtain information and enable them to exercise their rights in an accurate way, up-to-date financial statements as well as necessary information and documents are provided on the Company's website ([www.arcelikas.com.tr](http://www.arcelikas.com.tr)) both in English and in Turkish. During the 2012 period, oral or written information requests addressed by the shareholders have been responded orally or in written without discrimination among shareholders within the frame of Capital Markets Legislation. In 2012, Arçelik A.Ş. has carried out transactions on behalf of 96 shareholders, who had not received their dividends and had not participated in capital increases in previous years.

Under the PDP system, material event disclosures required to be submitted to the ISE along with financial statements and other company information are submitted in an electronic environment with electronic signatures. Notwithstanding that the Company Articles of Association do not include any provisions regarding the right to demand special auditor as an individual right, as per 438th Article of Turkish Commercial Code, each shareholder, in case it is necessary for being able to exercise the shareholder right and if the right for obtaining or evaluating information had been exercised previously, may demand general assembly to clarify specific matters through with a special audit even if it is not included in the agenda. The company has also not received such a request during the period. In addition, the operations of Arçelik A.Ş. are periodically audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, an independent auditing firm (A member firm of Ernst & Young Global Limited), as well as by auditors elected during General Shareholders' Meetings.

## 4. General Shareholders' Meetings

In order to ensure attendance of maximum number of shareholders, announcements of invitation to the General Shareholders' Meetings are made through all available means of communication, including electronic media, at least three weeks in advance. This is in addition to the methods of invitation stipulated in the applicable legislation. Arçelik's Articles of Association allow for the aforementioned condition to be met.

In addition the announcements of General Shareholders' Meetings and announcements and disclosures, which are required by the applicable legislation, the following matters are notably announced to our shareholders on our Company's website as well:

- a) The total number of shares and voting rights, which reflect the shareholding structure of the company, on the date of announcement,
- b) Changes in management and activities at the company or the company's subsidiaries and affiliates that would have a crucial impact on any activities, and which took place in the previous accounting period or are planned in the next accounting period, the justifications for these changes as well as the annual reports and annual financial statements of all the institutions which are parties to the said changes,
- c) In the event that the agenda of the general shareholders' meeting contains any items which stipulate the discharge, change or election of any members of the Board of Directors, the justification for these and information on the individuals who would be nominated for the Board of Directors,
- d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for any items to be included on the agenda,
- e) In the event that the agenda of the general shareholders' meeting contains any items that stipulate for an amendment to any of the articles of association, the list of previous and current items to the articles of association alongside the relevant Board of Directors' resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), résumés of individuals who shall be nominated for the Board of Directors; their employment history for the past ten years and reasons for leaving their prior employment; the nature and prominence of their relationships with the company and the company's affiliates whether they can be considered independent or not, and in the event that these individuals are elected as members of the Board of Directors, any similar concerns which would have an impact on the company's operations are shared with the public within one week of the announcement of the general shareholders' meeting.

All shares of the company's capital stock are nominative.

An informative document regarding the agenda items shall be prepared and disclosed to the public on the company's corporate website prior to the general shareholders' meeting. General Shareholders' Meetings are held open to the public, including stakeholders and members of the media, provided that they do not have the right to speak at the meeting as per Company's Articles of Association.

The Company has held one General Shareholders' Meeting within 2012. During the Ordinary General Shareholders' Meeting, which was held on March 29, 2012, during which the Company's 2011 operations were discussed, 51,431,646,022 shares (76.11%) of 67,572,820,500 shares, which is the total of Company's capital, were represented. Company's shareholders (either in person or by proxy), stakeholders and members of media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. Most of the shareholders' questions were answered during the meeting; however, in cases when the question being asked was not related to the agenda or was too complicated to be answered during the meeting, the answers thereto were required to be provided in writing within 30 working days following the date of the meeting, at the latest.

- According to the Articles of Association, the General Shareholders' Meeting shall be announced at least three weeks in advance in two national newspapers, in the Turkish Trade Registry Gazette, and on the company's corporate website in an effort to reach the highest possible number of shareholders.
- All announcements comply with Corporate Governance Principles.
- Starting with the invitation date of the General Shareholders' Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders' Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's corporate website for the convenience and open review of shareholders.
- The company prepares a clear agenda of the General Shareholders' Meeting to avoid any ambiguities and misunderstandings. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Specimen powers of attorney are announced and posted on the company's corporate website for shareholders represented by proxy.
- Voting procedure is announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- During the General Shareholders' Meeting held on March 29, 2012, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

Any significant amendment is not planned in the company's management or operational organization in the coming future. In case of such amendment, this will be disclosed to the public within the frame of related legislation.

General Shareholders' Meetings are conducted with minimum costs and simplest method and as not to cause inequality among shareholders. By facilitating the participation of shareholders residing both in the country and abroad, they are enabled to participate in General Shareholders' Meetings.

Besides, all documents that may be needed by foreign shareholders in order to be informed about the General Shareholders' Meeting and agendas are translated into English and sent via the banks performing the barter and holding transactions of such shareholders and are also posted on the company's corporate website.

The company makes every effort to hold its General Shareholders' Meeting close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is designated according to the number of participants. The Ordinary General Shareholders' Meeting was held on March 29, 2012 at the following address: Divan İstanbul Elmadağ, Asker Ocağı Caddesi, No: 1 34367 Şişli, İstanbul". The location of the General Shareholders' Meeting was easily accessible to all shareholders. Invitations to the General Shareholders' Meeting are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Articles of Association. Resolutions made by the Board of Directors for the convention of General Shareholders' Meetings are shared with the public via disclosures filed with the ISE.

As per the regulations of CMB, it is obligatory to disclose financial statements to the public within 14 weeks after the end of accounting period. However, Arçelik A.Ş. always discloses its financial statements much earlier than this deadline. The financial statements for 2012 year-end were disclosed during the seventh week. Following the disclosure of financial results, preparations for General Shareholders' Meeting is started and General Assembly is conducted upon the finalization of required legal procedures. This year's General Assembly will be conducted within three months after the accounting period. During the General Shareholders' Meeting, subjects included in the agenda are conveyed to shareholders in detail and fairly with a clear and understandable method. A proper discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. For the featured subjects included in the agenda, related board members, related other persons, authorized persons and auditors who are responsible for preparing the financial statements participate in General Shareholders' Meetings in order to answer the questions and provide necessary information.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's Board of Directors and top managers.

General Assembly is informed about operations performed, if any, relying on the authorization, which has been obtained to execute the operations included in the activity field of the Company within the scope of 334th and 335th Articles of former Turkish Commercial Code, granted to the Board of Directors at the previous General Assembly.

Shareholders who registered to the General Assembly Blockage List of Central Registry Agency (CRA) may attend to General Shareholders' Meeting to express their opinions on the activities of the Company and may address their question to the Company Management to obtain information. At the General Assembly, votes of shareholders on the agenda subjects are recorded in the minutes of meeting. Each agenda topic is voted separately at the meeting. The General Assembly has concluded under the supervision of a Commissioner from the Ministry of Science, Industry and Technology.

General Assembly is informed about donations and aids which are made by the Company to foundations and associations for social relief with a separate agenda topic. At the 2012 Ordinary General Assembly information on the donations and aids made in 2011 year has been provided with a separate agenda topic and there was no amendment related to the donation policy of the Company.

The minutes of General Shareholders' Meeting are posted on the company's corporate website and are also made available to shareholders at the company's headquarters.

## 5. Voting and Minority Rights

The voting procedures at the General Shareholders' Meetings are announced to shareholders at the beginning of the meeting. Applications, which cause inconvenience for the exercise of voting right, are avoided in the Company and each shareholder, including residing abroad, is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient manner.

The company's Articles of Association does not include any special voting privileges. Each share has one voting right. Any legal entity, which is the affiliate of Arçelik A.Ş. does not exist among the Company's shareholders. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Shareholders representing the minority rights compose the Management together with majority shareholders by their participation at General Assembly. In 2012, our company has not received any criticism or complaint concerning this issue.

## 6. Dividend Rights

In the distribution of dividend, a balanced and consistent policy is followed between the interests of shareholders and company in accordance with Corporate Governance Principles. The dividend distribution policy for 2012 and following years has been determined as “the long-term average of the dividend to be distributed, which shall be submitted by the Board of Directors to the approval of the General Assembly, shall not be less than 50% of the company’s annual distributable income, within the bounds of the existing legislation and investment requirements of the company”. Dividend distribution policy of the Company is included in the annual report and posted on the company’s corporate website.

The company’s profit distribution process is carried out in accordance with TCC (Turkish Commercial Code) and CMB, within statutory periods. At March 29, 2012 dated Ordinary General Assembly, it has been decided to distribute gross dividend rate at the rate of 44.397% (net 40.056%) based on 2011 financial results and as of April 5, 2012 dividend distribution has started. The Articles of Association do not grant any privileges regarding profit sharing.

According to the Company’s Articles of Association, the Board of Directors may distribute dividends in advance, provided that it is authorized by the General Assembly and complies with the Capital Markets Law and related regulations of the CMB. The authority of advance dividend distribution granted to the Board of Directors by General Assembly is limited with the year in which the authority is granted.

## 7. Transfer of Shares

The Articles of Association do not include any provisions which obstructs the free transfer of shares and restricting the transfer of shares.

## SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

## 8. Information Disclosure Policy

### Company’s Information Disclosure Policy

The Information Disclosure Policy, which is prepared for public disclosure, was submitted for shareholders’ information at March 25, 2009 dated Ordinary General Assembly and posted on the Company’s website.

Information disclosure policy is updated within the framework of new regulations and is submitted for shareholders’ information at each General Assembly with a separate agenda topic.

### Purpose

As one of the leading companies in both domestic and global durable consumer goods industry, Arçelik A.Ş. pursues a policy of informing its shareholders and stakeholders about all activities related to company management in a fair, transparent, complete, accurate and accessible manner, in accordance with the provisions of the Capital Market Law and other applicable laws. The purpose of information disclosure policy is to share the past performance, expectations, strategies, goals and vision of the company, except confidential business information, with the public, concerned authorities, existing and potential investors and shareholders in a fair manner, and to disclose financial information in an accurate, fair, timely and comprehensive way within the framework of the generally accepted accounting principles (GAAP) and the Capital Market Law by establishing a continuous, effective and open communication platform.

Arçelik A.Ş. complies with the Capital Market Legislation and rules and regulations of the ISE and aims to implement an effective communication policy within the framework of CMB’s Corporate Governance Principles. Information to be disclosed is prepared in such a way to help individuals and institutions in their decision-making and are posted on the Public Disclosure Platform (PDP) ([www.kap.gov.tr](http://www.kap.gov.tr)) and the company’s website in an accurate, complete, comprehensible, interpretable and easily-accessible manner at a low cost. Furthermore, Arçelik A.Ş. uses the e-GOVERNANCE: Corporate Governance and Investor Relations Portal, developed by the CRA, to inform shareholders in a direct and effective manner.

### Authority and Responsibility

The information disclosure policy of Arçelik A.Ş. was created upon the recommendation of the Board of Directors. At Arçelik A.Ş., it is the responsibility of the Board of Directors to pursue, supervise and further develop the information disclosure policy. The Finance Director and Corporate Communications Coordinator are responsible for coordinating the disclosure function under the supervision of the Assistant General Manager of Finance and Accounting. They fulfill their responsibilities in close coordination with the Board of Directors and Audit Committee.

## Methodology and Tools

Arçelik A.Ş. has identified the following methodology and tools to be used while determining its public disclosure and information disclosure policy within the frame of Capital Markets Legislation and the provisions of ISE and TCC:

1. Material Event Disclosures (English translations of the mentioned disclosures are also delivered to foreign investors and are posted on the company's website in both Turkish and English)
2. Financial statements and footnotes, independent audit reports and statements are submitted to the ISE PDP regularly (these reports are also available on the company's website. Annual reports and financial presentations are disclosed in an electronic environment and on the company's website).
3. Annual reports (made available in hard copy format and may also be accessed by the company's website)
4. The company's website (www.arcelikas.com)
5. Announcements and disclosures made through the Turkish Trade Registry Gazette and daily newspapers
6. Periodic and other issue-based press releases in the visual and print media
7. Statements made to data distribution companies such as Reuters, Forex, Bloomberg etc.
8. Face-to-face meetings or teleconferences held with investors and analysts
9. Means of communication and tools such as telephones, e-mail, telefax etc.
10. Prospectuses, circulars, announcements and other documents required by Capital Market Regulations

## Material Event Disclosures

Arçelik A.Ş. material event disclosures are prepared by the Finance Directorate and Legal Consultancy Department and submitted to the ISE after they are signed, as a rule, by two of General Manager, the Assistant General Manager of Finance and Accounting or the Finance Director. In the event that the required signatories are absent, other Assistant General Managers and Accounting Directors are authorized to sign the material event disclosures. Material event disclosures are submitted to the ISE as PDP announcements in electronic format.

## Public Disclosure of Financial Statements

Financial statements of Arçelik A.Ş. are prepared in accordance with the provisions set out by the CMB and disclosed to the public after being audited by an independent audit firm, which conducts its auditing activities

in compliance with International Auditing Standards. Before financial statements and its footnotes are disclosed to public, they are submitted for the Board of Directors' approval with the assent obtained for the Audit Committee within the framework of Capital Markets Legislation and after the attestation is signed by General Manager, Assistant General Manager of Finance and Accounting or the Accounting Director, the financial statements, its footnotes and independent audit report are submitted to the ISE as PDP announcements in electronic format in line with Capital Markets Law and the regulations of ISE. These financial statements and footnotes, prepared both in Turkish and English and in retrospective order, are available in the Investor Relations section of Company's website. Moreover, the Shareholder Relations Unit periodically issues memorandums or presentations on financial data and ratios, which are also posted on the company's website in order to make financial data more clear.

## Annual Reports

Annual Reports are prepared in accordance with international standards, legislation of the Capital Markets and CMB's Corporate Governance Principles. After an annual report is completed, the approval of Board of Directors' is received and disclosed to the public both in Turkish and English, via company's website. Furthermore, both hard and soft copies in CD format may be obtained from Shareholder Relations Unit of Arçelik A.Ş.

## Corporate Website

The website of Arçelik A.Ş. is a user-friendly platform that allows all of its stakeholders to monitor the performance of the company's shares by means of various tools such as charts and calculators. The vast majority of the information posted on the company's website is provided both in Turkish and English. Visitors may also access past analyses and reviews as well as the latest information of the company. The most important accessible information on the company's website is as follows:

- Detailed information on corporate identity
- Vision and main strategies
- Information about the members of the Board of Directors and Top Managers
- Important resolutions made by the Board of Directors
- Organizational chart and partnership structure
- Articles of Association
- Trade registry information
- Financial data, indicators and analysis reports
- Press releases

- Material Event Disclosures
- Share performance data, charts and calculators
- Investor presentations
- Analyst details and reports assessing the company
- Dates and agendas of General Assembly and comments on agenda items
- Minutes of General Shareholders' Meetings and lists of attendees
- Power of attorney specimen
- Corporate governance practices and corporate governance compliance reports
- Dividend distribution policy and history; capital increases
- Public disclosure policy
- Frequently asked questions
- Detailed information on corporate social responsibility
- Codes of conduct disclosed to the public within the framework of the information disclosure policy

### **Announcements and Disclosures Published in the Turkish Trade Registry Gazette and Daily Newspapers**

Announcements regarding General Assemblies, capital increases and dividend distributions are published both in the Turkish Trade Registry Gazette and in daily newspapers in accordance with the Capital Market Law, Turkish Commercial Code and Articles of Association. In order to ensure attendance of a maximum number of shareholders, announcements of invitation to the General Shareholders' Meetings are published in newspapers and on the company's website at least three weeks prior to the start of meetings.

As of the invitation date of the General Assembly, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Assembly, supplementary documents pertaining to the agenda, the current Articles of Association, and the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's website for their convenience and open review. Agendas of General Assemblies are prepared in such a way to avoid any ambiguities or misunderstandings. Among the agenda items are: discussion and approval of financial statements, acquittal of members from the Board of Directors and Auditors for the operations they have carried out on behalf of the company during the relevant accounting period, election of members to the Board of Directors and Auditors whose terms of reference are defined in the Articles of

Association, selection and approval of an independent audit firm, acceptance of the dividend distribution policy, and resolutions to amend the Articles of Association, corporate governance compliance report and public disclosure policy. For those shareholders who will be represented by proxy at the General Assembly, power of attorney specimens are included in the announcement and also posted on the company's website.

### **Periodic and other issue-based press releases published through the visual and print media**

Corporate Communications Unit of Arçelik A.Ş. provides in-depth information to the public by releasing controlled information to the press and media, in both Turkey and abroad, in parallel with important developments taking place during the year. During these meetings, the General Manager of Arçelik A.Ş. or concerned top managers deliver comprehensive and informative presentations to members of the press and media about the performance and general developments of Arçelik A.Ş. The questions are answered. In addition to these periodic press conferences, media outlets are provided with written press releases on developments that must be disclosed to the public in an accurate and controlled manner. Such disclosures can also be made by a press conference, depending on the nature of the development. All questions or information requests made by members of the press or media in relation to developments and company performance are considered and responded to in writing, either negatively or positively.

### **Statements made to data distribution companies such as Reuters, Forex, Bloomberg etc.**

Corporate Communications Unit of Arçelik A.Ş. delivers all written press releases that were delivered to the visual and print media to data distribution companies such as Reuters, Forex, Bloomberg etc. as well. Those press and media organizations, whose news reports and editorials are appropriate to attend the organized press conferences, are invited.



## Investor and Analyst Meetings

Arçelik A.Ş. has set up a Shareholder Relations Unit which is responsible for handling relations with both existing and potential shareholders, responding to investors' questions as satisfactorily as possible and managing efforts to enhance the company's value. The Shareholder Relations Unit reports to the Assistant General Manager of Finance and Accounting.

Company's Top Managers and the Shareholder Relations Unit meet with intermediary institutions, analysts and investors regularly in order to communicate operational and financial performance, vision, strategy and goals of Arçelik A.Ş. as effectively as possible and to deliver presentations, Q&A and fact sheets. Any meeting requests from shareholders are responded to in a positive manner and shareholders are provided with the opportunity to meet with members of the company's top managers. Arçelik A.Ş. also allows its shareholders and analysts to keep themselves up-to-date with the latest developments about the company through its regularly-updated corporate website and memorandums, which are delivered to the shareholders via the Internet.

In order to strengthen shareholder relations, the company participates in local and international investor meetings. Both in these meetings and local meetings, which are held at the company's headquarters, company management meets with investors and answer their questions.

Arçelik A.Ş. also organizes teleconferences and delivers investor presentations following the disclosure of financial statements and material event disclosures. Details of these disclosures are shared with the public on the company's website.

## Explanations for Forward-Looking Statements

Arçelik A.Ş. may make forward-looking statements from time to time in relation to its information disclosure policy. The forward-looking statements made by the company in written are based on certain assumptions; due to risks, ambiguities or other factors, actual results may be significantly different from the expected results expressed in the statements; investors are advised to take this into account. In case the predictions expressed in the forward-looking statements disclosed to the public by the company are not realized or turn out to be impossible to be realized, the company reviews the predictions and their assumptions as soon as possible and disclose the revised information along with its justification, to the public immediately.

## News and Rumors about the Company

Arçelik A.Ş. monitors company-related news in both visual and print media through a contracted domestic media-monitoring agency. Company-related coverage is delivered in report format to the desks of top managers every morning and contents of the coverage are checked for accuracy. In addition, senior managers, Shareholder Relations Unit and Corporate Communications Unit monitor local and international news coverage using the services provided by data distribution organizations such as Reuters, Bloomberg and IBS.

If Arçelik A.Ş. wishes to make an announcement about any coverage or rumors about the company that is found in the press but that does not oblige the company to make a material event disclosure, the matter may be added to the company's agenda by the Assistant General Manager of Finance and Accounting and a material event disclosure may be made.

If the news is not considered as important as inside information, the company does not make any material event disclosure. However, it is the prerogative of the Corporate Communications Unit to decide whether there is any benefit in making a material event disclosure on a subject that does not impose any obligation on the company to make such a disclosure according to the CMB Communiqué.

## False News and Rumors

As a matter of principle, Arçelik A.Ş. does not comment on any news which is not issued by the company or that appears to be gossip, rumor and/or false. However, a statement may be made for this kind of rumors if deemed necessary to protect the benefits of Arçelik A.Ş. and its investors.

## News Regarding the Information Postponed for Disclosure

If Arçelik A.Ş. has postponed the disclosure of inside information with the purpose of protecting the confidentiality of said information and preventing damage to its legitimate interests, and there is still news appearing in the media on the matter, then, as a matter of principle, Arçelik A.Ş. does not comment. However, Arçelik A.Ş. reserves the right to make an announcement in order to protect the interests of the company and its investors.

During the period of postponement, no further comments are made and no statements contradicting such news are issued. It may be expressed that no further information will be provided on the process and that the public will be informed when the situation is clarified.

## Measures for the Protection of Inside Information until Public Disclosure

Other parties who are in relationships with the employees of Arçelik A.Ş. having access to inside information, during the emergence of a situation where a material event disclosure has to be made and within the period of time from the emergence of that situation until the disclosure made to ISE, are informed of their obligation for protecting the privacy of such information.

As a general principle, Arçelik A.Ş. and persons who work for and on behalf of Arçelik A.Ş. under any circumstances shall not disclose any information that can be considered as a material event and that is not yet disclosed to the public, to any third parties. If it is determined that inside information has been disclosed by these people to any third parties unintentionally and it is concluded that the confidentiality of the information cannot be protected, and then a material event disclosure is made in accordance with the rules and regulations of the CMB.

If the public disclosure of such information is postponed, a list is drawn up that includes the names of those individuals who have access to the information at the time of postponement, and "Arçelik's List of Persons Having Access to Inside Information" is updated accordingly. The necessary work is performed to inform both these persons and the other parties accessing to the inside information, and reasonable measures are taken.

## Criteria Used to Determine People with Administrative Responsibility

Administrative staff who are privy to inside information are determined according to the scope of the information to which they have access. Accordingly, managers and employees who are privy to detailed information about only a certain portion of the company's business activities shall not be considered as people who have access to inside information.

However, Board Members, General Manager and Assistant General Managers who have detailed information about entire company and not only the current but also the future plans of the company and some top managers who mostly work at the headquarters, are considered as the personnel who have access to inside information. The list prepared based on this criteria is disclosed to the public in accordance with the provisions of the relevant communiqués issued by the CMB.

## Ensuring Confidentiality of Information Subject to Public Disclosure

In maintaining the balance between providing transparency and protecting the interests of the company, employees are urged to follow the rules regarding the use of inside information. All the necessary measures and precautions are taken for the prevention of insider trading.

The "Principles of Business Ethics", which are published across the company, clearly outline the code of conduct expected of Arçelik A.Ş. employees.

Any company-owned information obtained during the course of employment and which the company does not want to be disclosed to any third parties except those who are intended to receive the information, and which are designated as trade secret, is considered as "Company Proprietary Information." All employees are under obligation to protect company proprietary information during and after their employment at Arçelik A.Ş. and may not use any such information directly or indirectly. The employees of Arçelik A.Ş. may not engage in any activity which would allow them to gain personal benefit by purchasing and selling Arçelik A.Ş. shares or those issued by any other Koç Group company, using the inside information they have become privy to during the course of their employment.

Arçelik imposes a "Silent Period" a period of time during which company representatives avoid sharing any information subject to public disclosure before an official announcement regarding the financial results of the concerned accounting period. The Silent Period begins three weeks before the announcement of year-end results and two weeks before the announcement of the quarterly results.

The designations and appointments, which were carried out in 2012 and have been disclosed to the public through material event disclosures, for the Company's Board of Directors and Top Managers, are as follows:

Board of Directors	
Rahmi M. Koç	Chairman
Mustafa V. Koç	Vice Chairman
Semahat S. Arsel	Board Member
Ömer M. Koç	Board Member
Ali Y. Koç	Board Member
O. Turgay Durak	Board Member
Robert Sonman	Board Member
Levent Çakiroğlu	Board Member
Kutsan Çelebican	Board Member (Independent)
Tunç Uluğ	Board Member (Independent)
Davut Ökütçü	Board Member (Independent)
Mehmet Barmanbek	Board Member (Independent)
Board of Auditors	
İnanç Kiraz	
İbrahim Murat Çağlar	

The Members of the Board of Directors and Board of Auditors were elected by the resolution made during the Ordinary General Meeting held on March 29, 2012.

The Members of the Committees appointed by the Board of Directors are as follows:

Audit Committee	
Kutsan Çelebican	Chairman
Davut Ökütçü	Member
Corporate Governance Committee (Including the tasks of Candidate Nomination Committee and Compensation Committee)	
Tunç Uluğ	Chairman
Mehmet Barmanbek	Member
Risk Management Committee	
Mehmet Barmanbek	Chairman
O.Turgay Durak	Member
Executive Committee	
Rahmi M. Koç	Chairman
Mustafa V. Koç	Member
Semahat S. Arsel	Member
Ömer M. Koç	Member
Ali Y. Koç	Member
O. Turgay Durak	Member
Top Management	
Levent Çakiroğlu	General Manager
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics
Tülin Karabük	Assistant General Manager, Marketing
Hakan Hamdi Bulurlu	Assistant General Manager, Sales - Europe, America, Asia-Pacific
Cemal Şeref Oğuzhan Öztürk	Assistant General Manager, Purchasing and Supply Chain

**Levent Çakıroğlu**

General Manager

Having started his professional business career as an Assistant Accounting Specialist at the Ministry of Finance in 1988, Levent Çakıroğlu joined Koç Group in 1998 as an Accounting Coordinator. Çakıroğlu served as Koçtaş's and Migros's General Manager from 2002 to 2007 and 2007 to 2008, respectively. He has served as Arçelik A.Ş. General Manager since August 2008.

**İsmail Hakkı Sağır**

Assistant General Manager, Production and Technology

Having started his professional business career as a Project Engineer at Refrigerator Plant of Arçelik A.Ş. in 1980, İsmail Hakkı Sağır has served as Assistant General Manager of Production and Technology at Arçelik A.Ş. since May 2009.

**Dr. Fatih Kemal Ebiçlioğlu**

Assistant General Manager, Finance and Accounting

Having started his professional business career as an Assistant Accounting Specialist at the Ministry of Finance in 1989, Dr. Fatih Kemal Ebiçlioğlu has served as Assistant General Manager, Finance and Accounting at Arçelik A.Ş. since 2005.

**Şirzat Subaşı**

Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics

Having started his professional business career as a Sales Representative at Beko Ticaret A.Ş. in 1986, Şirzat Subaşı has served as Assistant General Manager, Sales-Turkey, Middle East, Africa, Turkic Republics at Arçelik A.Ş. since May 2009.

**Tülin Karabük**

Assistant General Manager, Marketing

Having started her professional business career as an Area Manager for the Eastern Bloc Countries at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, Tülin Karabük has served as Assistant General Manager, Marketing at Arçelik A.Ş. since September 1, 2010.

**Hakan Hamdi Bulgurlu**

Assistant General Manager, Sales - Europe, America, Asia-Pacific

Having started his professional business career at Ram Dış Ticaret in 1995, Hakan Hamdi Bulgurlu has served as Assistant General Manager, Sales - Europe, America, Asia-Pacific at Arçelik A.Ş. since September 1, 2010.

**Cemal Şeref Oğuzhan Öztürk**

Assistant General Manager, Purchasing and Supply Chain

Having started his professional business career at the Institute of Materials Science at Istanbul Technical University in 1982, Cemal Şeref Oğuzhan Öztürk has served as Assistant General Manager - Purchasing and Supply Chain at Arçelik A.Ş. since September 1, 2010.

All material event disclosures are posted simultaneously in both Turkish and English on the company's website.

Information requests received from outside the company are answered, depending on the content of the specific request, either by senior management or by the Shareholders Relations Unit, provided that it is within their knowledge and prerogative.

Consolidated financial statements and their footnotes are prepared in accordance with the provisions of the CMB Communiqué Serial: XI, No: 29 and disclosed to the public after being audited by an independent audit firm. Following disclosure of financial statements, Arçelik A.Ş. prepares presentations in order to make it easier for analysts to conduct their own assessments of the results, and the company shares these presentations with the public through its corporate website.

Purchase and sales transactions performed by the Company's Board Members, Top Managers and Shareholders, who directly or indirectly own 5% share of the company's capital, through the capital market instruments of the Company are disclosed to the public and posted on the company's website in accordance with the Capital Markets Legislation.

Annual reports are prepared in accordance with Capital Markets legislation and regulations of the CMB.

Arçelik A.Ş. has made 20 material event disclosures in 2012. There were no requests for additional explanations from the CMB and/or ISE regarding the material event disclosures made in 2012. Arçelik A.Ş. has not been required to make any material event disclosures other than those made to the ISE since it does not have any capital market instruments listed on any foreign stock exchanges. The company has made all of its material event disclosures in 2012 within the period of time required by law and therefore the Company has not been subject to any sanctions by the CMB.

## 9. Corporate Website

Arçelik A.Ş. uses its corporate website ([www.arcelikas.com.tr](http://www.arcelikas.com.tr)) actively in order to communicate more effectively and rapidly with its shareholders, in accordance with CMB's Principles. The information posted at [www.arcelikas.com.tr](http://www.arcelikas.com.tr) is updated regularly. The information posted at the company's website is the same as and/or consistent with the material event disclosures made in accordance with the applicable laws. They are complete and do not contain any contradictory information.

In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any preferred shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements annual reports, prospectuses and IPO circulars, agendas of General Shareholders' Meetings and list of attendants and minutes, proxy voting form, dividend distribution policy, public disclosure policy, ethical rules of the company and answers to frequently asked questions. Accordingly, such information for the last five years is available on the company's website.

The company's website is provided both in Turkish and English in compliance with the content and design required by CMB's Principles. It is the responsibility of the Shareholder Relations Unit to prepare, update and contribute to the content posted on the Investor Relations section of the company's website. Arçelik A.Ş. makes every effort to provide visitors of its corporate website with better service. The company has accordingly renewed its website in 2011.

Public disclosure of the company's ultimate real person shareholders would not lead to any impact on the shareholders of Arçelik A.Ş. The fact that the Koç Family has been the ultimate real person controlling shareholders of the company is common knowledge.

## 10. Annual Report

Arçelik A.Ş. Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities.

In addition to the information required to be included by the applicable law and CMB's Corporate Governance Principles, annual reports contain the following:

- a) Information about positions held by members of Board of Directors outside the company in their résumés,
- b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
- c) Information about corporate social responsibility activities conducted by the company that have social and environmental consequences and that have an impact on the social benefits enjoyed by employees and the vocational training they receive,
- d) List of Persons Having Access to Inside Information.

In maintaining the balance between providing transparency and protecting the interests of the company, employees are urged to follow the rules regarding the use of inside information. All the necessary measures and precautions are taken for the prevention of insider trading.

The "Principles of Business Ethics", which are published across the company, clearly outline the code of conduct expected of Arçelik A.Ş. employees.

Any company-owned information obtained during the course of employment and which the company does not want to be disclosed to any third parties except those who are intended to receive the information, and which are designated as trade secret, is considered as "Company Proprietary Information." All employees are under obligation to protect company proprietary information during and after their employment at Arçelik A.Ş. and may not use any such information directly or indirectly. The employees of Arçelik A.Ş. may not engage in any activity which would allow them to gain personal benefit by purchasing and selling Arçelik A.Ş. shares or those issued by any other Koç Group company, using the inside information they have become privy to during the course of their employment.

In case Company's Top Managers who have access to the information that may affect the value of capital market instruments perform purchase and sales transaction through the capital market instruments of the company, these transactions are disclosed to the public and also posted on the company's website.

The List of Persons Having Access to Inside Information is as follows:

Name and Surname	Job Title
Rahmi M. Koç	Chairman of the Board
Mustafa V. Koç	Vice Chairman of the Board
Semahat S. Arsel	Board Member
Ömer M. Koç	Board Member
Ali Y. Koç	Board Member
O. Turgay Durak	Board Member
Robert Sonman	Board Member
Levent Çakıroğlu	Board Member-General Manager
Kutsan Çelebican	Board Member-Independent
Tunç Uluğ	Board Member-Independent
Davut Ökütçü	Board Member-Independent
Mehmet Barmanbek	Board Member-Independent
İnanç Kiraz	Auditor
İbrahim Murat Çağlar	Auditor
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics
Tülin Karabük	Assistant General Manager, Marketing
Hakan Hamdi Bulgurlu	Assistant General Manager, Sales - Europe, America, Asia-Pacific
C. Ş. Oğuzhan Öztürk	Assistant General Manager, Purchasing and Supply Chain
Ali Tayyar	Accounting Director
İhsan Somay	Accounting Director
Sibel Kesler	Budget, Reporting and Analysis Director
Doğan Korkmaz	Finance Director
Ertuğrul Evren	Accounting Manager
Özkan Çimen	Price and Cost Analysis Manager
Kemal Ersalıcı	Accounting Specialist
Erhan Yorulmaz	Accounting Specialist
Erdiñ Ayan	Accounting Staff Member
Sevinç Tayfur	Accounting Staff Member
Alparslan Görgülü	Tax and Incentive Application Manager
Enis Atasoy	Consolidation Specialist
Hanife Sert	Consolidation Specialist
Gül Arslanoğlu	Budget Manager
Nilüfer Bayrak	Budget and Planning Specialist
Hande Sarıdal	Treasury Manager
Levent Arasiler	Financial Markets Specialist
Hümeyra Özener	Reporting Manager
Burcu Bekar Ünübol	Reporting Specialist
Ayşe Beril Başlıgil	Reporting Specialist
Bülent Alagöz	Capital Markets Regulation Compliance Manager
Turhan Sarı	Capital Markets Regulation Compliance Specialist
Fulya Kırayoğlu	Investor Relations Specialist
Ahu Özlen	General Manager Assistant
Hande Güniçen	Business Analyst
Ertan Ayhan	Independent Audit Firm Engagement Partner, Lead Auditor
Mehmet Can Altıntaş	Independent Audit Firm Staff Member
Tolga Koyuncu	Independent Audit Firm Staff Member
Yasin Sunter	Independent Audit Firm Staff Member
Fatih Ekşi	Independent Audit Firm Staff Member
Merve Tokdemir	Independent Audit Firm Staff Member
Furkan Çavuşoğlu	Independent Audit Firm Staff Member
Ahmet Feridun Güngör	Certified Public Accountant-Partner
Onur Elele	Certified Public Accountant-Senior Manager (Tax)
Sercan Bahadır	Certified Public Accountant-Senior Manager (Customs Services)
Can Sözer	Certified Public Accountant-Manager (Tax)
İlter Oktay	Certified Public Accountant-Senior (Tax)

## SECTION III: STAKEHOLDERS

### 11. Informing Stakeholders

Stakeholders are third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by organizing meetings or using teleconferences. Taking into account the fact that engagement stakeholders would provide long-term benefits to the company, Arçelik A.Ş. respects the rights of its stakeholders that are protected by laws, mutual arrangements and contracts. The corporate governance structure of Arçelik A.Ş. allows all its stakeholders, including employees and representatives, to communicate their concerns regarding illegal or unethical practices to the company's top management. Evaluating the complaints received by the Company is among the tasks of Audit Committee. Furthermore Internal Audit Department also evaluates the complaints.

Composing the dealership organization of the Company, nearly 3,100 dealers constitute a major stakeholders group that is directly in relation with the Company. Arçelik A.Ş. holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns. Besides there are approximately 4,000 suppliers providing indirect materials, services and capital goods, 1,500 of which are direct material suppliers consisting the 90% of our total purchase amount, and these are directly in relation with the Company. Arçelik A.Ş. shares the business results achieved during the previous year and the company's strategies, policies, targets and expectations for the current year with its suppliers by organizing supplier meetings, visits, and inspections and through the supplier portal.

Employee relations, which are managed by collective bargaining, are carried out through meetings organized with union representatives. Arçelik A.Ş. is the member of Metal Industrialists Union (MESS) and the blue-collar employees of the Company are the members of Turkish Metal Union. Within November, 2010, MESS and Turkish Metal Union concluded a Collective Bargaining Agreement effective from September 1, 2010 to August 31, 2012. Negotiations for the Collective Bargaining Agreement covering the period from September 1, 2012 to August 31, 2014 started on January 9, 2013.

### 12. Stakeholders' Participation in the Company's Management

Support mechanisms and models are created to encourage stakeholders especially employees to participate company's management without hindering the company's operations.

Participation of stakeholders in management is provided by instruments such as proposals and surveys. Arçelik A.Ş. involves the workers' union in its decision-making processes and obtains their approval before implementing operational changes that concern such issues as working conditions, work environment and employee benefits. Arçelik A.Ş. also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealers Meetings."

Arçelik A.Ş. considers customer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. Arçelik A.Ş. cherishes the confidentiality of customer and supplier data, which the company considers to be trade secrets.

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company's customers a high level of service on a 24/7 basis, but also to ensure a smooth dialogue between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. One of the primary functions of the Arçelik Call Center is to contribute to the development of new products that meet customer expectations by providing a smooth flow of information in the form of suggestions and complaints to the relevant units of the Company.

Thanks to its state-of-the-art facilities, which give the Company a competitive edge over its competitors, the Arçelik Call Center's unique position is sustained by the variety of communication channels it has established with its consumers. Arçelik responds to a majority of its consumer requests, which it receives through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, instantly by phone (First Line Support). Committed to raising its level of service each day, Arçelik Call Center also conducts customer satisfaction surveys to tap into its customers and considers feedback surveys to be an opportunity to improve its operations.

Arçelik Call Center, which since 1991 has maintained a high level of dialogue with its domestic customers and has strived to achieve high levels of customer satisfaction, has continued to expand its abroad call center services network since 2008 in order move closer to its goal of becoming an international call center and has begun to provide pre- and post-sale call center services in Germany and Austria from Turkey for all brands.

In addition to Austrian and German markets, Arçelik A.Ş. has carried out customer satisfaction surveys in the Danish market, testifying to the fact that the Company not only listens to the concerns of its domestic customers, but also to those who purchase the products of Arçelik A.Ş. abroad.

Having assumed responsibility for the management of online sales and social media communication operations, Arçelik Call Center has continued to implement its strategy of being with its customers at all times.

One of most striking call center social responsibility projects of the previous year is the Home Agent Project. By implementing this project, Arçelik A.Ş. has offered employment opportunities not only to many young people with disabilities, but to those employees who prefer working from their home with a new working system.

Concentrating on CRM procedures in 2012, our call center has carried out various promotion and sales activities in cooperation with CRM Department for improving the current loyalty and provided an additional contribution to the turnover of the Company.

In 2012, Consumer Services under the Consumer Services Directorate provided field service with 11,800 personnel, nearly 5,500 of which were technicians and 5,600 vehicles at nearly 540 authorized service locations operating under the authority of 10 regional managements throughout Turkey. The technical staff is certified by the Technical Services and Training Division, which operates under the Consumer Services Directorate.

Authorized services provide nearly 11.5 million services annually for all the brands of Arçelik A.Ş. The ability to handle both the delivery and installation of a product with a single service call is one of the competitive advantages of the technical service.

### 13. Human Resources Policy

Taking firm steps towards becoming a global company by adopting the vision of "Respects the Globe, Respected Globally," Arçelik A.Ş. always aims the highest and considers its human resources to be its most important capital that will carry the Company into the future.

Human Resources Policy of Arçelik A.Ş. which had been determined in accordance with the strategies of the Company, common values and business ethics, has been documented and shared with the employees working in Turkey and in abroad affiliates.

Our fundamental principles which direct the Human Resources Policy are given below. In Human Resources practices, we act in line with these principles.

- There is a global-local balance in human resources systems and practices. As an international company, local laws, practices and requirements are respected. Local laws take precedence in situations where Human Resources Policies and Practices of Arçelik A.Ş. conflict with them.
- Human Resources Policy of Arçelik A.Ş. is fully aligned with the company's business strategies and also responds to future needs on top of current organizational requirements.
- All Human Resources Policies and Practices respect and support human rights and oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik A.Ş. does not discriminate based on ethnic origin, race, nationality, disability, political affiliation, religion, age, gender or sexual orientation.
- Fairness, consistency and trust lies at the heart of all human resources practices implemented by Arçelik A.Ş.
- For the purpose of improving Human Resources Standards continuously, Human Resources Practices are revised systematically and regularly in light of latest developments and the feedback received.
- Arçelik A.Ş. ensures the confidentiality of its employees' personal information, as required by applicable laws.

### Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to organize and form unions in accordance with the company's industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by respecting the applicable law and collective bargaining agreements. Arçelik A.Ş. takes local conditions, customs and practices, which are specific to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these local conditions, customs and practices are not included in the agreements into which the company has entered.

Within the frame of Industrial Relations Policy, labor unions are not considered as adverse parties but as social stakeholders. Therefore, Arçelik A.Ş. always attaches great importance to be on good terms with labor unions and to act in concert. Providing better working conditions for the social stakeholders is an important goal of the Company. Accordingly, besides conforming to law social aids such as better working conditions, occupational health and safety, maternity, death, education and marriage supports are included in collective bargaining agreements and care is taken for their implementation.



Arçelik A.Ş. provides the following social benefits to its employees in Turkey in accordance with the provisions of the collective bargaining agreements:

- Arçelik A.Ş. employees receive four bonus payments every year,
- Fuel allowance,
- Special allowance before annual vacations,
- Special allowance before religious holidays,
- Monthly child allowance,
- Childbirth, marriage, death, military service and education allowances,
- Transportation and daily food allowances, which are offered in-kind,
- Annual leave entitlements, which are specified under collective bargaining agreements, irrespective of whether they are members of a labor union or not, Arçelik A.Ş. employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of union employees are determined based on the type of work they will perform according to the collective bargaining agreement.

The Collective Bargaining Agreement, which covers all Arçelik employees and is effective from September 1, 2010 through August 31, 2012, was signed in November 2010. Negotiations for the Collective Bargaining Agreement for the period between September 1, 2012 and August 31, 2014 have started on January 9, 2013.

## Occupational Health and Safety

Considering its human resources as the company's most important capital, Arçelik A.Ş. aligns its Occupational Health and Safety Policy with the applicable laws and business processes and encourages the execution of planned and systematic efforts in the area of Occupational Health and Safety.

### *Arçelik A.Ş. Occupational Health and Safety Policy*

As Arçelik A.Ş. and its employees, we follow the national and international legal procedures and regulations and strive to create a healthy and safe working environment within the scope of an Occupational Health and Safety Management System, which is based on continuous improvement.

- *Through analysis, we strive to minimize health and safety risks that may arise in the work environment,*
- *We conduct training activities in order to create and raise awareness about issues related to occupational health and safety,*

- *We strive to increase our productivity by taking measures to achieve a total safety industrial accident rate and occupational disease rate of zero percent,*

*We complement such efforts by supporting them with Quality and Environmental Management Systems and strive to be an exemplary company in the durable goods industry through our pioneering initiatives in the area of occupational health and safety.*

In accordance with this policy, occupational health and safety is included as a criterion among other target criteria set for departments and individuals as part of the Performance Management System.

In 2012, the Industrial Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total working time, has realized as 5.00 and the Industrial Accident Severity Rate, which indicates the working day loss occurred due to occupational accidents based on the total working time, has realized as 0.085.

Arçelik A.Ş. always provides guidance to its employees regarding occupational health and safety on a regular basis and encourages them to communicate among themselves and with their managers on issues related to occupational health and safety. In 2012, totally 38,116 man-hours of training on Occupational Health and Safety have been provided.

Adopting "zero occupational accident and zero occupational disease" target in terms of Occupational Health and Safety, Arçelik A.Ş. continues its efforts by involving employees at every level of the company and allocating the necessary resources to achieve desired targets.

Having fully committed itself to fulfilling existing and future requirements of the company, Arçelik A.Ş. provides equal opportunities to all candidates who possess the appropriate training, knowledge, skills, competencies and experience in accordance with its ethical principles. The fact that the company employs graduates from 81 different universities testifies to Arçelik A.Ş.'s commitment to the principle of equal opportunity for all.

The total number of domestic and overseas employees of Arçelik A.Ş. by 2012 year end is as follows:

Number of employees by 2012 year-end	Total
Turkey	14,787
Abroad	7,765
Arçelik Group	22,552

The average length of service and age of employees in Turkey is 8 years and 34, respectively.

Arçelik A.Ş. strives to improve the company's performance continuously by contributing to the professional development of its employees in accordance with its vision and business targets. Arçelik A.Ş. aims to make an effective and productive use of its resources when creating plans for both the current and future professional development needs of its employees.

In 2012, Arçelik A.Ş. provided its employees with 310,344 hours of training, which corresponds to 22 hours on average per employee. This indicates an increase of 6% in the number of hours devoted to training when compared to previous year.

Arçelik A.Ş. believes that personal success is a prerequisite for organizational success. Arçelik A.Ş. accordingly has put various professional development systems in place in order to improve the performance of its employees in accordance with the company's targets. A fair but competitive compensation policy in compliance with the applicable laws has been also adopted.

Arçelik A.Ş. evaluates, rewards and promotes every kind of achievement, discovery and/or proposal in order to boost the motivation, loyalty and productivity of its employees and encourage them to make their own contributions to the success of the company.

An Employee Engagement Survey has been conducted in 2012. After sharing the Survey Results with the employees, Advisory Committees, which compose of project groups and top managers, have been established. It is expected that the project teams will perform swot analysis throughout the Company by creating annual project plans, will develop activity plan advices and will submit them for the opinion of Advisory Committees. In 2012, prioritized activities across the Company are as follows: providing personal development seminars across the Company for our blue-collar employees, strengthening the internal communication, extending the scope of advice system, launching internal announcement system for also our blue-collar employees after our white-collar employees, diversifying the social activities for the motivation. Monitoring the communication and efficiency of the activities for the employees is also among the action plans.

## 14. Ethical Rules and Corporate Social Responsibility

Arçelik A.Ş. aims to ensure customer satisfaction, offer world-class products and services of universal quality by using limited natural resources efficiently, and contribute to economic and social development. Accordingly, the

company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders.

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles:

- Our Customers are the focus of everything we do,
- To be "the best" is our ultimate goal,
- Our most important capital is our human resources,
- Our goal is to create wealth for continuous development,
- We strive to strengthen Turkish economy from which we derive our own strength, and
- Honesty, integrity, and superior business ethics are the foundations of our business conduct.

Arçelik has based its Code of Ethical Conduct on the abovementioned principles in order to provide its employees and others who represent the Company with a guiding document that would help them when making decisions. This Code of Ethical Conduct is disclosed to public in detail on our Company's website.

Arçelik A.Ş. expects all its employees to behave in a manner that would contribute to the strengthening and development of the Company's philosophy and corporate standing. All Arçelik A.Ş. employees, including temporary workers, are under obligation to follow the company's Code of Ethical Conduct.

In addition, Arçelik A.Ş. expects all of its stakeholders to comply with business ethics and all related policies.

Code of Ethical Conduct of Arçelik A.Ş. includes the following sections:

- Company-Employee Relations
- External Relations
  - Stakeholders, shareholders, government, customers, suppliers, dealers, authorized sellers, authorized services
  - Competitors and Competitor Relations
  - Corporate Social Responsibility
  - Global Responsibility
- Employee Code of Conduct
- Occupational Health and Safety Approach
- Code of Conduct Application Principles
  - Obligation to Report Transgressions
  - Code of Conduct Committee
  - Disciplinary Practices

Persons who hold managerial responsibilities are under obligation to inform all employees of the Code of Conduct, ensure that they are being followed, make a sufficient effort and display leadership.

Arçelik A.Ş. considers corporate social responsibility to be an integral part of the company's core business functions and carries out its activities according to the principle of "sustainable growth."

Providing its customers with quality and innovative products and services, following the general principles of ethics, laws and human rights, displaying sensitivity to the environment and needs of society at every location in which it operates, together with the company's commitment to "sustainable development" constitute the main components of "Corporate Social Responsibility" philosophy of Arçelik A.Ş.

Arçelik A.Ş. which performs its operations in full compliance with applicable laws, ethical standards and human rights, is one of the first companies to sign the Code of Conduct drafted by the European Committee of Domestic Equipment Manufacturers (CECED)\*. The CECED Code of Conduct secures the subscribing company to achieve a sustainable performance concerning working conditions, environmental laws and standards which are regulated by international conventions.

Furthermore, Arçelik A.Ş. has its domestic and abroad production facilities audited by an independent audit firm within a program based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Organizations, widely accepted in EU and obtains compliance reports in consequence of these audits.

Arçelik A.Ş. has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. The company monitors the compliance of its operations with all domestic and international legal obligations, which call for the protection of the environment and human health. Arçelik A.Ş. regularly organizes training programs for its employees to extend the sentiment about the protection of environment and natural resources and combating with

climate change and carries out projects with Public and Non-Governmental Organizations in Turkey to raise awareness of the public and maintains its support for carried out projects and efforts.

The Company carries out many different projects in the countries, where it operates, in the fields of education, sports, culture and art acting with the sense of "Sustainability". Acting with corporate citizenship awareness, the Company provides the sustainability of the projects thanks to voluntarily supports of its employees and business partners. Accordingly, Arçelik A.Ş. develops programs and carries out numerous projects to contribute to the education of young people in different regions in which it operates. The policies and projects implemented by the Company are included in the explained in the "Corporate Social Responsibility" section of the Annual Report.

As an extension of its sustainable development approach, Arçelik A.Ş. publishes an annual "Sustainability Report" including its activities carried out in the fields of management, economy, public and environment.

Arçelik A.Ş. 2008-2009 Sustainability Report is the first of its kind in Turkey and in its industry to comply with GRI (Global Reporting Initiative) G3 principles. The Company raises the bar every year with the quality of its sustainability reports. After 2010 Sustainability Report, Arçelik A.Ş. also prepared its 2011 Sustainability Report at the level of GRI "B+" in accordance with GRI G3 Principles.

Arçelik A.Ş. shares its Annual Report and Sustainability Reports with the public through its corporate website at [www.arcelikas.com.tr](http://www.arcelikas.com.tr) address.

*\* CECED was founded in 1959 and represents the household appliance industry in Europe. CECED acts as a partner in dialogue with the EU's regulatory institutions and implements projects from among its members. Arçelik A.Ş. has been a member of CECED since 2002.*

## SECTION IV: BOARD OF DIRECTORS

### 15. Structure and Formation of Board of Directors

As per the Articles of Association, the activities of the Company are carried out by a Board of Directors that compose of at least five members who will be elected with the resolution of General Assembly within the framework of Turkish Commercial Code and the regulations of Capital Markets Board. The General Manager of the Company can be elected as Board Member. March 29, 2012 dated General Assembly of the Company has taken a resolution that the Board of Directors shall compose of 12 members together with 4 independent members.

In accordance with the Structure of Board of Directors regulation included in the 4.3 Article of Capital Markets Board's Corporate Governance Principles, arrangements

that are required for including independent members in the Board of Directors, have been accepted at March 29, 2012 dated General Assembly by making necessary amendments in the Articles of Association.

The Board Members are determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

The Board of Directors includes both executive and non-executive members. The non-executive members of the Board of Directors do not occupy any other position at Arçelik A.Ş. and do not involve themselves in the daily operations and ordinary activities carried out at the company. Non-executive members are in the majority. Mr. Levent Çakıroğlu is the only executive member included in the Board of Directors.

Board Members					
Name and Surname	Executive or Non-Executive	Independency	Appointment Date	Duty Period	Tasks Within Board of Directors and Committees
Rahmi M. Koç	Non-Executive	Not Independent	29.03.2012	1 year	Chairman of the Board Chairman of Executive Committee
Mustafa V. Koç	Non-Executive	Not Independent	29.03.2012	1 year	Vice Chairman of the Board Member of Executive Committee
Semahat S. Arsel	Non-Executive	Not Independent	29.03.2012	1 year	Board Member Member of Executive Committee
Ömer M. Koç	Non-Executive	Not Independent	29.03.2012	1 year	Board Member Member of Executive Committee
Ali Y. Koç	Non-Executive	Not Independent	29.03.2012	1 year	Board Member Member of Executive Committee
O. Turgay Durak	Non-Executive	Not Independent	29.03.2012	1 year	Board Member Member of Executive Committee Member of Risk Management Committee
Robert Sonman	Non-Executive	Not Independent	29.03.2012	1 year	Board Member
Levent Çakıroğlu	General Manager	Not Independent	29.03.2012	1 year	Board Member
Kutsan Çelebican	Non-Executive	Independent	29.03.2012	1 year	Board Member Chairman of Audit Committee
Tunç Uluğ	Non-Executive	Independent	29.03.2012	1 year	Board Member Chairman of Corporate Governance Committee
Davut Ökütçü	Non-Executive	Independent	29.03.2012	1 year	Board Member Member of Audit Committee
Mehmet Barmanbek	Non-Executive	Independent	29.03.2012	1 year	Board Member Member of Corporate Governance Committee Chairman of Risk Management Committee

Within the scope of 334<sup>th</sup> and 335<sup>th</sup> Articles of Turkish Commercial Code, the approval regarding the Board Members to carry out the activities which are included in the company's field of activity on their own or behalf of others and to participate in the companies that carries out such activities has been obtained at March 29, 2012 dated General Assembly.

Tasks of Board Chairman and General Manager are performed by two different persons. The Company pays attention that the Board Members have enough time to deal with the Company's activities; however there is no restriction for them to handle other task or tasks apart from the Company. Especially since the business experiences and sector specific knowledge of independent members have a significant contribution to the Board of Directors, such restriction is not deemed necessary. Prior to General Assembly, personal background as well as previous positions of the member is submitted for shareholders' information.

In our Company tasks of Candidate Nomination Committee are carried out by Corporate Governance Committee. The number of independent member candidates offered for 2012 General Assembly to Corporate Governance Committee was 7 and independency statements and personal backgrounds of these persons were evaluated at February 13, 2012, February 28, 2012 and March 14, 2012 dated meetings of Corporate Governance Committee and February 13, 2012, February 29, 2012 and March 14, 2012 dated meetings of the Board of Directors and it has been decided to determine all of them as candidates for independent membership. For 4 members (Kutsan Çelebican, Tunç Uluğ, Davut Ökütçü and Mehmet Barmanbek) from among 7 candidates, the permit was obtained with March 6, 2012 and March 27, 2012 dated letters of Capital Markets Board and these 4 candidates were elected as independent members for 1 year at March 29, 2012 dated General Assembly. As of 2012 accounting year, no situation has occurred for violation of the independency.

Following the March 29, 2012 dated General Assembly at which the Board Members were elected, Chairman and Vice Chairman of the Board were determined by taking a decision on assignment of duties.

All members composing the Board of Directors have carried out duties in various sectors as professionals for many years and have huge experiences in the sector in which the Company operates. The Company benefits from the vast knowledge and experience of the Board Members at the highest level. Board Members can express and present their opinions freely without any prejudice.

In compliance with Corporate Governance Principles, the Board of Directors of Arçelik A.Ş. includes Ms. Semahat S. Arsel as the woman member.

The personal backgrounds of General Manager, a Board Member and other Board Members are included in "2012 Board of Directors" section of 2012 Annual Report.

## 16. Principles of Activity of the Board of Directors

As indicated in Company's Articles of Association, the Board of Directors holds meeting only when it is required for the activities of the Company. However it is mandatory that at least four meetings shall be held in a year. On demand of the Chairman or two of the members, it is mandatory that the Board of Directors' meeting shall be held.

Different opinions expressed in the meetings of Board of Directors and reasons for counter votes are registered in decision record. Detailed reasons of the members who voted against are disclosed to the public. In the Board of Directors, each member has one voting right. However, in the meetings of the Board of Directors held in 2012, no disclosures on this matter have been made to public since there was no such opposition or expressed different opinion.

Within 2012 year, all related party transactions and transaction principles have been collectively submitted to the Board of Directors. With the consent of all of our independent board members, it has been decided that the changes in the conditions of abovementioned transactions or the related party transactions with lump sum of over TL 20 million and in prevalent and continuous transactions that will reach to the amount of TL 50 million within an accounting year that will be performed after the resolution of the Board of Directors shall be submitted for the Board of Directors approval and for all related party transactions that will be under these limits shall be performed according to the decisions taken by the Company's Management. During 2012, any related party transactions, which shall be submitted for General Assembly's approval since it has not been approved by the independent members, or any significant transactions have not been performed.

The Agenda of the Board of Directors are determined by the notification of matters that it is clearly decreed to be concluded by the resolution of the Board of Directors within the Company's Article of Association, made by related departments to Company's Top Management and the Board Members. In addition, the Agenda of the Board of Directors are also determined by the notification of any Board Member made to the Top Management of the Company about taking a decision on a matter of high concern. The subjects desired to be discussed in the meeting of the Board of Directors are collected at the department of Assistant General Manager, Finance and Accounting and the agenda is determined by consolidation.

Arçelik A.Ş. has appointed Assistant General Manager, Finance and Accounting for determining the agenda of Board of Directors' Meetings, issuing resolutions of Board of Directors, informing Board Members and providing communication.

The meetings of the Board of Directors are held in the headquarters of the Company or in a suitable place where the headquarters are located. Significant resolutions of the Board of Directors are announced to the public by Public Disclosure Platform (PDP ) and are posted on Company's website in both Turkish and English.

Arçelik A.Ş. has subsidiaries and affiliate companies. Since we believe that it will be for the benefit of the Company, to have the Board Members manage these companies, there are no restrictions on this matter.

The authorities and responsibilities of Company's Board Members are clearly determined in the Articles of Association. Authorities are included in the Company's signatory circular in more detail. These documents are available in authorized bodies specified by Law as well as on the Company's website.

The Board of Directors takes a leading part in maintaining efficient communication among shareholders, settling and resolving disputes and for this purpose the Board of Directors works in close cooperation with Corporate Governance Committee and Shareholders Relation Unit.

## **17. The Number, Structure and Independency of the Committees Established Under the Board of Directors**

According to Articles of Association, the Board of Directors may establish advisory, coordination and similar nature committees or sub-committees composing of its members and/or non-members.

In the election of members of committees established after March 29, 2012 dated Ordinary General Assembly, the provisions specified in 4.5th Article of CMB's new Corporate Governance Principles were followed.

The Audit Committee in charge of ensuring reliable fulfillment of duties and responsibilities of the Board of Directors was established. The Audit Committee carries out its activities in compliance with Capital Markets Legislation and CMB's Corporate Governance Principles. All members of the Audit Committee have been elected from among independent board members. This Committee was composed of 2 members and Kutsan Çelebican has been appointed as the Chairman and Davut Ökütçü has been appointed as the member. An in-house Audit Committee has been established for the purpose of auditing the operation of

accounting and reporting systems to be in compliance with related law and regulations, public disclosure of financial statements, the operation and efficiency of internal audit system has held 4 meetings in 2012 for evaluating the financial statements.

In accordance with the Corporate Governance Principles issued by Capital Markets Board, an in-house Corporate Governance Committee has been established for the purpose of monitoring the compliance of the Company, performing activities for improving the compliance and providing advices to the Board of Directors. Tasks of Candidate Nomination Committee and Compensation Committee are also carried out by Corporate Governance Committee. All members of this Committee were selected from among the independent board members. Tunç Uluğ has been appointed as the Chairman and Mehmet Barmanbek has been appointed as the member. In-house Corporate Governance Committee has held 8 meetings in 2012.

From among the independent members, Mehmet Barmanbek has been elected as the Chairman and O. Turgay Durak has been appointed as the member of Risk Management Committee which has been established for the purpose of early detection and evolution of strategic, operational, financial and all other miscellaneous risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's corporate risk taking profile, reporting, considering in decision-making mechanisms and accordingly providing advices and suggestions to the Board of Directors for creating and integrating efficient internal control systems. In 2012, the Risk Management Committee has held bimonthly meetings.

The activities of Investment and Business Development Committee, which had been established for the purpose of creating ideas and strategies within the company, providing coordination between related departments and accordingly offering advices and suggestions to our Board of Directors on designing and planning new projects and investments by determining featured fields in the sectors in which our Company carries on its activities and monitoring the management of approved strategies and projects, were expanded for supporting the Board of Directors in every field and its name has been changed as Executive Committee with the April 26, 2012 dated Resolution of Board of Directors. Rahmi M. Koç has been appointed as the Chairman and Mustafa V. Koç, Semahat S. Arsel, Ömer M. Koç, Ali Y. Koç and O. Turgay Durak have been appointed as the members. The Executive Committee has held 7 meetings during 2012.

The duties, operation principles and the members of these committees were disclosed to the public by posting on the Company's website ([www.arcelikas.com.tr](http://www.arcelikas.com.tr)).

## 18. Risk Management and Internal Control Mechanism

The Board of Directors of Arçelik A.Ş. carries out its activities in a transparent, accountable, fair and responsible manner.

The Board of Directors elects a Chairman and Vice Chairman from among its members. In addition, Chairman and Member election is performed for the Committees of the Board of Directors. Furthermore the General Manager is the executive board member.

The Board of Directors establishes an internal control and risk management mechanisms that are appropriate for the Company to be able to minimize adverse effects of the Company's risks, which would also negatively affect the shareholders and stakeholders, with the opinions of relevant committees in establishing these mechanisms.

The Risk Management Committee, whose members were selected from among the members of the Board of Directors, has held bimonthly meetings in 2012. The Risk Management Committee provides advices and suggestion to the Board of Directors for early detection and evolution of strategic, operational, financial and all other miscellaneous risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's corporate risk taking profile, reporting, considering in decision-making mechanisms and accordingly creating and integrating efficient internal control systems.

Risk management cannot be considered separately from business process management. Accordingly, risk management is carried out in-house as much as possible, rather than being outsourced to other companies or consultants. Therefore, one of the key responsibilities of process owners is to manage the associated risks. The Risk Management Committee determines which procedures will be implemented in tandem with business processes that are associated with main risk groups, in accordance with the assessments and resolutions made by the Board of Directors concerning strategic risks. Process managers then implement the procedures by making them an integral part of their routine workflows.

For the purpose of creating a solid internal control mechanism, an Internal Audit Management has been created within the body of Assistant General Manager, Finance and Accounting Department. The Audit Committee continuously audits the operation and efficiency of the system by obtaining information from Internal Audit Management at the meetings performed within the year and when necessary conveys the issues and solution suggestions related to risk management and internal control mechanism to the Board of Directors.

## 19. Strategic Targets of the Company

The Board of Directors of Arçelik A.Ş. keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represent the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach.

The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management.

The Board of Directors audits the compliance of the Company's activities with legislation, Articles of Association, internal regulations and created policies.

Mission and Vision as well as Main Business Targets of Arçelik A.Ş. are indicated below.

The mission of Arçelik A.Ş. is to develop, manufacture, offer and provide products, which meet the customer needs by going beyond their expectations, make life easier and which are affordable, user-friendly and reliable, to provide after-sales services and continuously develop and grow in target markets by ensuring the satisfaction and long-term loyalty of the customers and employees and utilizing the resources in most efficient manner and meeting the expectations of stakeholders in line with corporate values, targets and strategies of Koç Group.

Arçelik A.Ş. has adopted the vision of "Respects the Globe, Respected Globally". The Company "Respects the Globe" because Arçelik A.Ş. is a green company that respects human beings and carries responsibility. The Company is "Respected Globally" because Arçelik A.Ş. always aims beyond the highest.

The Company's main business goals are as follows:

- Realizing sustainable growth
- Being brand, market and customer oriented
- Improving the capabilities for offering pioneering, innovative and green products and solutions to provide added value for customers.
- Perpetuating the profitability level that will enable sustainable growth
- Developing global organization and capabilities by managing the differences

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels.

As per the Company's Articles of Association, during the Board Meetings, which are held periodically, Company's targets and performed activities are followed as also covering previous period performances. The current situation of the Company is revised and in case it is deemed necessary in consequence of current situations, new targets and strategies are developed.

## 20. Financial Rights

Covering every kind of right, interest and remuneration, which are provided to the Board Members and top managers and the criteria and remuneration policies that are used to determine these, the Remuneration Policy for the Board Members and Top Managers of our Company has been submitted to the examination of our shareholders on our website through the Information Document issued three weeks prior to March 29, 2012 dated Ordinary General

Assembly and put into practice upon the approval of the General Assembly. Payments made within the framework of Remuneration Policy for the Board Member and Top Managers are evaluated by Corporate Governance Committee and the Board of Directors. In the footnotes of our financial statements, the payments made to the Board Members and top managers collectively are announced to the public in parallel with common practices. There is no transaction that may cause conflict of interest such as granting loans and credits to our Board Members or managers, giving guarantees in favor of them, apart from the advance payments given within the Company's internal regulations.

As per Company's Articles of Association, rights that will be granted to the Board Members are concluded at General Assembly. At March 29, 2012 dated General Assembly, providing monthly salaries to the Board Members was approved by shareholders. Accordingly, the Chairman of the Board and Board Members are entitled to a gross monthly salary of TL 10,000. Furthermore, Executive Member General Manager is compensated with performance based salary system. Stock options or payment plans based on Company's performance are not used for the compensation of Independent Board Members.

## Environmental Approach to Products and Production

**Manufacturing respecting the human and environment is one of priorities of Arçelik A.Ş. With the intent of minimizing environmental impacts of processes and products and to perform necessary improvements, the performance in this field is regularly monitored. The implementations of Arçelik A.Ş. in this aspect are globally cited as an example.**

Arçelik A.Ş. acts in accordance with the Company's "more products with fewer resources" principle from the earliest stages of manufacturing. While creating business processes, the productivity and sustainability are prioritized. In parallel with "Respects the Globe, Respected Globally" vision, Arçelik A.Ş. aims to protect the environment and natural resources and achieve their sustainability through its eco-friendly activities and its products which have higher productivity and consume less energy, water and resource.

Arçelik A.Ş. implements an Environmental Management System across all of its processes and identifies annual improvement targets in accordance with its vision in order to minimize the environmental impact of its operations. The company gives priority to the efforts that aim reducing operations-related emissions, preventing and recycling waste at its source. Arçelik A.Ş. improves its processes on a continuous basis through the investments made for environmental protection.

Based on the principle of Total Quality Management (TQM) philosophy, Arçelik A.Ş. implements all related international product and management standards, mainly being ISO 9001 Quality Management System and ISO 14001 Environmental Management System Standards. Arçelik A.Ş. initially received BS 7750 Environmental Management System Standard in 1994 for its Dishwasher Plant just two years after it was introduced as the first Environmental Management System Standard of the world. Arçelik A.Ş. has started to apply ISO 14001 Environmental Management System Standard since the publication of BS 7750 Standard as ISO 14001 in 1996. Arçelik A.Ş. guarantees to control the environmental impacts, comply with all applicable legal and other requirements, sustainable development and prevent environmental pollution by implementing ISO 14001 Standard.



In 2012, Arçelik A.Ş. has established an “Energy Management System” integrated to “Arçelik Environment Management System” within the framework of ISO 50001 Energy Management System Standard and entitled to obtain a certificate after the audit of an independent accredited body.

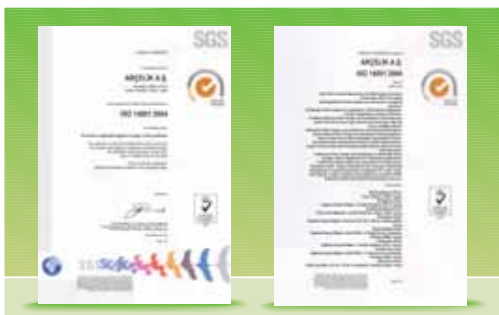
The efficiency and continuity of the management systems are assured by Internal System Audits performed regularly as well as by the audits performed by internationally accredited independent bodies.

In 2010 after winning the first prize in “Management” category in the “European Business Awards for the Environment-Turkey Program,” takes place biennial, Arçelik A.Ş. proved once again the effectiveness of its environmental management activities and that it has made sustainability an essential part of the company’s vision and all business processes. Also, Arçelik A.Ş. entitled as the finalist in the “European Business Awards for Environment – European Program” in “Management” category and thus represented Turkey as the first non-EU country to have achieved this award.

Furthermore Arçelik A.Ş. has been monitoring its greenhouse gas emissions since 2006. 2010 year based greenhouse gas emissions of Arçelik A.Ş. has been audited by an independent accredited body within the framework of ISO 14064-1 Quantification and Reporting of Greenhouse Gas Emissions Standard and also this audit was performed in 2011 and 2011 year based greenhouse gas emissions was also confirmed at “reasonable assurance” level by an independent accredited body.

Eco-friendly approach of Arçelik A.Ş. has been obtained in consequence of controlled environmental impacts throughout the “product life cycle”, achieved technological superiority and implemented management systems.

Environmental performance is regularly revised by determining environment targets and aims intended to control the environmental impacts and to decrease the resource usage to leave a clean and healthy environment for the future generations. Environment activities and performance results are reported to the senior management and shareholders of Arçelik A.Ş.



## Compliance with National and International Environmental Legislations

Arçelik A.Ş. continually follows the compliance with all legislations that it is liable throughout the product life cycle. In the follow up of compliance with legislation ISO 14001 Environmental Management System is the basis.

Within this scope, Arçelik A.Ş. exactly complies with the following directives:

- WEEE - Directive on Waste Electrical and Electronic Equipment,
- RoHS - Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment,
- EuP - Directive on Eco-design Requirements for Energy-Using Products,
- REACH - Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals.

### *WEEE – Directive on Waste Electrical and Electronic Equipment*

In February 2003, European Commission issued WEEE I Directive 2002/96/EC regulating reuse, recycling, recovery and disposal of the products put on the market by electrical and electronic product manufacturers. Then, the WEEE II (Recast) Directive issued on July 24, 2012 and the new directive entered into force in August 13, 2012. It is obligatory for European Union Countries to convey this new WEEE Directive (2012/19/EU) to their national legislations until February 14, 2012.

To comply with WEEE Directive in EU member countries, Arçelik Group fulfills its legal liabilities via the mechanisms of collection and recycling. Arçelik Group is the member of many collection systems that collect and dispose the goods at the end of their service life. Arçelik Group encourages compliance with the WEEE Directive in the non-EU countries. In the meantime, necessary arrangements are made for compliance with WEEE II (Recast) Directive.

In Turkey, Waste Electrical and Electronic Equipment Control (WEEE) Regulation has been issued in May 22, 2012 dated and 28300 numbered Official Journal. Arçelik A.Ş. makes the necessary arrangements for fulfilling its liabilities within the framework of WEEE Regulation.

### ***RoHS – Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment***

Put into force for European Union member countries in 2006, RoHS Directive 2002/95/EC restricts the use of certain hazardous substances in electrical and electronic equipment.

Performing necessary test within the Company and at accredited laboratories, Arçelik A.Ş. has achieved full compliance even before the effective date of directive by establishing the Compliance Management System to ensure that the suppliers are in full compliance with this directive.

Furthermore, the infrastructure works have been performed and made ready for compliance with 2011/65/EU RoHS Recast Directive that will substitute the 2002/95/EC directive as of January 2, 2013.

### ***EuP – Directive on Eco-design Requirements for Energy-Using (Related) Products***

Energy-Using Products (EuP) Directive by European Commission aims to improve environmental performance of the products throughout their entire “product lifecycle” by systematically integrating environmental characteristics even from the initial stages of design. Arçelik A.Ş. manufactures its products in compliance with the EU Directive. Above mentioned directive became effective in Turkey as of September 23, 2011. Arçelik A.Ş. acted in close cooperation with the Ministry of Science, Industry and Technology during the issue of this directive in Turkey.

### ***REACH –Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals***

One of the most extensive legal regulations of EU and effective since 2007, REACH Regulation regarding the registration, evaluation, authorization and restriction of chemicals sets liabilities through all stages of production and distribution chain from manufacturers of raw materials to the retailers.

Arçelik A.Ş. adopts and supports REACH Regulation as one of most important legal procedures to protect environment and human health as the Regulation aims to register and control all chemical substances used in the manufacturing; to monitor their chemical safety data by registering from the manufacturer to the industries as well as communication of the related data to the consumers.

At Arçelik A.Ş., REACH implementations are followed and carried out by an expert team.

All required preparations are being coordinated by this unit; maintain constant communication with the suppliers, this unit ensures to develop a perfectionist process in compliance with REACH Regulation. For detailed information about the operations of Arçelik A.Ş. concerning REACH, please contact via reachinfo@arcelik.com e-mail address.

**Arçelik A.Ş. was the first company to comply with international environment related directives much earlier than they have been adopted in Turkey.**

To ensure the protection of environment and human health, Arçelik A.Ş. has created many procedures on the basis of legislations and Environment Policy and has been operating in full compliance with these procedures.

In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. began manufacturing low energy consuming products much earlier than they have adopted in Turkey.

Arçelik A.Ş. was also the first Turkish household appliances company to produce refrigerators (in 1995) without ozone-depleting CFC gases much earlier than 2006, deadline set for Turkey in Montreal Protocol.

Having adopted the principle of “Environmental approach throughout the product life cycle”, Arçelik A.Ş. will carry out its activities in full compliance with legal regulations concerning the protection of the environment, as it is used to be.

Arçelik A.Ş. makes necessary contributions for combating climate change. The Company is the member of Climate Platform in Turkey and serves as spokesperson and the leader of this organization. Arçelik A.Ş. has signed the “2°C Challenge Communiqué”, which draws attention to efforts made for combating climate change. The Company also participated in the World Climate Summit held in Durban, South Africa at the end of 2011 and in Doha within 2012 at the CEO level and shared information regarding its efforts for combating climate change in two different sessions.

CFC Usage Table

CFC12 Ended	R134a Started to use	R600a Started to use	R600a Continued to be used	R600a Continued to be used
1995	1995	1997	2011	2012

**Arçelik A.Ş. is a green company** that has achieved the highest level of energy efficiency with a large majority of its products.



### Dishwasher

- The first A+++ energy class dishwasher within 45cm slimline dishwasher market as "The Most Energy-Efficient 45 cm Dishwasher in the World"
- Automatic door opening at the end of washing
- Special aluminum insulation having also noise absorption feature which is only used by Arçelik A.Ş. for energy optimization

PRODUCTS  
GREEN

### 50" A+ Led TV

- Consumes 17% less energy compared to other TVs in the same screen size
- Access to the news, weather forecast, traffic and video applications through different internet applications with Smart Inter@ctive TV feature



PRODUCTS  
GREEN

### No-Frost Combi Refrigerator

- A+++ -10% energy level, consuming 185 kWh/year.
- Latest technology VIP (Vacuum Insulation Panel) and variable capacity compressor.
- Electronic touch button display control with independent temperature setting for both compartments.

#### New Active Dual Cooling System

- Fridge and freezer compartments have independent cooling systems to provide the optimum level of humidity to prolong the storage life of fresh fruit and vegetables while preventing odour transfer. Due to the independent cooling system of each compartment, the air circulating into the fridge stays in the optimum level. This prevents the food and vegetables in the cooling compartment from freezing.

#### Hygiene Applications

- Active Ioniser neutralizes bacteria, viruses and particles that cause effluvia in the refrigerator, thus creating antibacterial effect.
- Active odour filter eliminates unwanted odours and bacteria to help keep the food inside fresh.



### Washing Machine

- "One of The Most Energy-Efficient Products in the World", with its performance that consumes 40% less energy than A+++ class among products with 8 kg capacity. Achieved by combining Aquafusion, flow meter, precision water level alarm sensor and brushless motor.



**Dryer**

- “Eco-friendly Heat Pump Dryer” with its A+++ energy class performance and variable-speed brushless motor technology among products with 8 kg capacity
- Having A class condensation performance with its heat exchanger used in condensation of humidity on the cloths, leak-proof design and water-repellent surfacing. By this means, a low energy drying performance is provided.

**Combo Washer Dryer**

- Combo washer dryer consumes up to 50% less water compared to conventional combo washer dryer within the market thanks to its air-dried condenser technology
- In air-dried condenser technology, within the process of drying the clothes, air is used instead of water.

**Oven**

- “The Most Energy-Efficient Built-in Oven in the World” providing 40% energy saving compared to A energy class by consuming 580Wh in Eco Turbo cooking mode
- “The Quietest Built-in Oven in the World” with its 43dBa noise level
- Heat loss is minimized thanks to detailed energy and flow analysis, thermal simulations, control algorithms, insulation optimization and special cover design
- Electronic control system compatible with stand by feature
- Easy to use touch control programmer
- Easy to remove 5 level side racks
- Single Telescopic Tray System ensuring ease of use
- Warm keeping function
- Nano Clean Zone inner glass ensuring easy cleaning
- Usable volume : 65 lt



## Environmental Awards - Achievements

- Elektrabregenz received a “Green Brand” Award in the Household Appliances Category from the Austrian tradesman's union in Vienna.
- Arçelik A.Ş. received the title of Turkish Carbon Disclosure Leader under the scope of the 2012 Turkish Report of the Carbon Disclosure Project, carried out in Turkey by Sabancı University Corporate Management Forum.
- Arçelik A.Ş.'s Beko factory located in China has been awarded the Platinum certificate in the “Energy Efficient Green Factories” certification.
- Passing the audits made by independent auditing firm BSI (British Standards Institution) successfully, Arçelik A.Ş. has become the first company having ISO 50001 Energy Management System certificate, which is based on the sustainable and efficient use of the energy consumed within the scope of activities, in its sector in Turkey.
- Arçelik A.Ş., with its Beko brand, has been granted two awards given on the basis of both brand and model by the China State Information Center in China. Beko received its first certificate with its Beko WCB 81241 PTLMS washing machine, the product has become certified for “the star brand produced in China home appliances market” and “smart and environment-friendly product” categories. Beko brand has also awarded as the “2012 China Energy Saving Leading Brand”.
- Arçelik A.Ş. was ranked among private sector entities having best practices that set model for the entire world with Cactus Dishwasher project and represented Turkey in Rio+20 United Nations Conference on Sustainable Development.
- The built-in ovens and built in gas hobs of Beko, were entitled to use the Energy Saving Trust ‘EST’ label which is granted to the energy-efficient products by the most prestigious, independent and a voluntary-based certification authority, the Energy Saving Trust “EST”.
- Beko was chosen as ‘Best Buy’ and “Energy Saver” with its DCU8230 dryer by Which?, the magazine of the leading consumer organization in UK with the highest level of participation.
- Arçelik A.Ş. participated in 3<sup>rd</sup> National Energy Efficiency Forum and Exhibition, which is organized for raising the consciousness of all consumers, within the framework of its cooperation launched with UNDP (United Nations Development Programme).
- Arçelik A.Ş. has been awarded the certificate in the “Eco-friendly” certification at 4th Global Warming Assembly organized by Economic Journalists Association.
- Levent Çakıroğlu, President of Durable Goods Group of Koç Holding A.Ş. and Arçelik A.Ş. General Manager represented Turkey as the Term Spokesman of Climate Change Leaders’ Group in the 3<sup>rd</sup> World Climate Summit.

## Corporate Awards - Achievements

- Arçelik A.Ş. was awarded for “Product Development Process” within the “Large Companies” category at “TESID Awards for Innovation and Creativity 2012”, organized by the Turkish Electronic Industrialists Association.
- Arçelik A.Ş. has been granted “The Most Innovative Company” award by Turkish Exporters Assembly during the Innovation Week organized for the first time this year.
- In Design Turkey 2012 Industrial Design Awards ceremony, Arçelik received Design Awards in the category of Small Household Appliances with 6 new products. Bread Toaster, Blender set, Filter Coffee Machine and Water Heater from the new Small Household Appliances Family, “A La Chef” Built-in Oven with its new User Interface and new Washing Machine from “In Love” series of Arçelik, have been granted Design Turkey 2012 Good Design Awards and the new Hand Blender product of Arçelik has also been granted the “Superior Design” award.
- Arçelik A.Ş. received an award at the 1st University-Industry Cooperation Summit, during which awards were granted to the universities and companies that achieved success in university-industry cooperation and SAN-TEZ projects.
- Beko plc was chosen “The Best Turkish Investor” in “The Most Successful Turk Awards” ceremony, organized in London by Business Network Organization.
- Blomberg, one of the international brands of Arçelik A.Ş., has been awarded “White Goods Supplier of the Year” by the ERT (Electrical & Radio Trade), one of the leading trade magazines of the UK.
- Arçelik has been chosen as the Most Liked Brand in the “Electronics-Manufacturing Retail” category according to the results of the Research of Most liked and Most Preferred brands in Shopping Malls conducted with the cooperation of the Association of Shopping Mall Investors (AYD) and GfK Turkey.

- Arçelik A.Ş. has received two awards under the context of the 1st R&D Centers Summit organized by the Ministry of Science, Industry and Technology. The Central R&D Unit received an award in the category of “University & Industry Cooperation” and Eskişehir Cooling Appliances Plant R&D Unit received an award in the category of “Intellectual Property Rights”.
- The rice storage compartment of 3-door No-Frost refrigerator of Arçelik A.Ş., which is designed with superior features, was granted the “Innovative Product” Award, given by CHEARI (China Household Electric Appliance Research Institute) during the IFA Fair in Berlin.
- Beko has received a “Bronze Award” at Eventplus Awards 2012, held since 2006 as an annual survey that awards the best corporate social responsibility projects in Spain and Portugal for its campaign “We Give Life to Your Clothes”.
- The campaign “We Give More Life to Your Clothes” undertaken by Beko in Spain was honored with a Gold Award at the sixth annual European Excellence Awards.
- At “Most Successful Koç Members Awards”, Arçelik A.Ş. received awards in 2 different categories; with “Sirius Project” in the category of “Creative & Innovative Star” and with “The Quietest Refrigerator of the World Project” in the category of “Customer Satisfaction Creators”.
- Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., updated Arçelik A.Ş.’s corporate governance rating point as 9.11 on July 30, 2012. Previous rating on August 1, 2011 was 8.59. The rise in the corporate governance rating made Arçelik A.Ş.’s point the highest in Turkey.
- Arçelik A.Ş. 2011 Annual Report won five awards in the durable goods sector, including the “Gold Award” in an international contest, which is held in San Diego by the “League of American Communications Professionals (LACP). In addition to the “Gold Award”, Arçelik A.Ş. 2011 Annual Report also won; Top 100 Annual Reports Worldwide, Top 50 Annual Report Europe Middle East Africa Region, Most Engaging Annual Report - Special Award - Bronze - Europe Middle East Africa Region, Top 25 Turkish Annual Reports of 2011 awards.
- Arçelik A.Ş. won three awards in its turnover class, regardless of sector, including the “Gold Award” for its 2010 Sustainability Report in an international contest, which is held in San Diego by the “League of American Communications Professionals (LACP). In addition to the “Gold Award”, Arçelik A.Ş. 2010 Sustainability Report also won; Top 50 Annual Report Europe Middle East Africa Region, Top 25 Turkish Annual Reports of 2011.
- Arçelik A.Ş. became the third company awarded the first 10 employers across Turkey who pays the highest premium and has no debt and was awarded by the Turkish Social Security Institution (SGK).
- Beko LLC company was elected as the winner of the category “The Best White Goods Manufacturer” based on the results of the contest “Top Companies and Plants in Russia - 2011”. This success puts Beko among “The Top 100 Companies” in Russian Federation according to the results of 2011.
- Arçelik A.Ş.’s Çerkezköy Electric Motors Plant and Bolu Cooking Appliances Plant were deemed worthy of the TPM (Total Productive Management) award by JIPM (Japan Institute of Plant Maintenance).
- Arçelik A.Ş. finished second among 48 companies and won an award in the contest of “Intellectual Property Rights Management” (IP Management) 5<sup>th</sup> of which was held by Fraunhofer IAO Institute.
- The report including the 2011 sustainability performance of Arçelik A.Ş. has been issued. The report has been prepared at B+ level in accordance with GRI-Global Reporting Initiative Standard which is a reporting standard that is used by global leading companies.
- With 7 kg capacity and consuming 30% less energy than A class products; Beko DPU7340X model dryer has been assessed as Test GUT with a score of 1.9 by Stiftung Warentest (StiWa) Testing and Research Institute, which is the most prestigious and independent institute in Germany.
- Blomberg was given an award by Stiftung Warentest (StiWa) Testing and Research Institute, which is the most prestigious and independent institute in Germany, with its TKF 7451 W50 dryer with 7 kg capacity and 50 percent less energy consumption than A class products.
- Arçelik A.Ş. turned out to be one of the two companies that ranked number one in the “5 Most Successful Companies at European Union (EU) 7<sup>th</sup> Framework Programme based on number of shareholders” and also ranked number three in “5 Most Successful Companies Based on Support Amount”. One more project application was accepted following the publication date of the Report and Arçelik A.Ş. has become the owner of the highest number of projects under its belt in Turkey thanks to 8 projects in total.

## Supply Chain

The “Dynamic Routing” application, which has been launched in 2010, had been used more extensively and effectively in 2012 for the product distribution within Turkey.

“Dynamic Routing” application has helped the company; to reduce its delivery costs to authorized dealers by increasing vehicle utilization, to increase customer service level by shortening delivery periods; to reduce carbon emissions by shortening average distances and to optimize labor force by improving the process efficiency.

For the purpose of increasing the productivity of deliveries between our warehouses, Automatic Loading/Unloading Systems were put into operation in 2012. Within the scope of this project, duration of loading/unloading and forklift operations within the warehouse were decreased. Accordingly, carbon emission rate was decreased.

In line with environmental awareness policy of Arçelik A.Ş., transition to energy saver illumination systems and vehicles powered by electricity instead of LPGs has been continued. By this means, warehouse CO<sub>2</sub> emission has been reduced.

Acting in accordance with its “Sustainable Development” principle, across all of its supply chain activities Arçelik A.Ş. prefers to deliver its products by eco-friendly sea and rail transport, where such options are available. In view of that, the company delivers nearly 77% of all its exports by sea transport.

## Purchasing

‘Environmental Compliance Management’, which will secure that the all materials supplied for Arçelik A.Ş. are fulfilling the national and international regulatory requirements, is carried out systematically under the coordination of Energy and Environment Department with the participation of Purchasing, R&D and production plants. In this context, also a general prohibited material specification has been prepared and it is guaranteed that the products of Arçelik A.Ş. cover all customer prohibited material specification. For the compliance confirmation of the materials with this specification, in addition to require reports, test results and declarations from the suppliers, RoHS compliance confirmations are carried out with the analysis devices in

our production facilities. Furthermore for the Substances of Very High Concern (SvHC) materials included in the Candidate List issued within the scope of REACH Regulation, inquiries are being delivered to our suppliers on a regular basis and thus our REACH compliance is guaranteed.

After Arçelik A.Ş. has entitled to ISO 50001 Energy Management System Certificate in October 2012, arrangements related to purchasing energy resources and energy consuming investments have been performed and a new procedure has been created.

**Some environmental applications performed in 2012 are as follows:**

- Making the materials used in product packages more eco-friendly,
- For plastic raw materials, extending the use of recycled materials at suppliers,
- Zero waste amounts through the new materials and processes developed for our surface treatment processes, reducing the consumption of the water used in our manufacturing processes by 25%,
- Reducing the paper consumption at a rate of 100 tons per year by the use of long-lasting and recycled plastic crates instead of single use cardboard boxes for the packages of electronic cards,
- Extending the developments, which we have performed in our internal processes in the field of Energy and Environment, also to our suppliers,
- Reducing CO<sub>2</sub> emissions through the decrease of the weights of transportation loads by switching to aluminum winding instead of copper in high rates in compressors and motors both supplied from internal production and outsourced,
- Providing growth in the product range that consumes less natural resources by achieving to purchase the models that enable less energy consumption in the components used in the products with lower prices (Efficient motor and compressors, halogen lamps, sensitive sensors, etc.)



## Consumer Services

Our sales and after sales activities for Arçelik VRS Air Conditioning Systems rapidly increases. In addition to these products, for the purpose of extending our product range, sales and after sales services for renewable energy products and efficient central heating products were also launched. All services for various products from solar energy collector to cascade type central heating boilers are provided throughout Turkey. Besides the sales of LED illumination products, which are 60% more energy efficient than conventional illumination products, has been started. As of 2012, Arçelik A.Ş. assumed the title of "Industrial Energy Efficiency Consulting Company" from the General Directorate of Renewable Energy. In this context, Arçelik A.Ş. has been authorized to prepare, approve and implement etude studies and projects in private and public buildings in the size of 10.000 m<sup>2</sup> and larger.

As Consumer Services, a "Corporate Customer Solution Center" has been created with the intent of providing more different service to especially our corporate customers.



Arçelik A.Ş. not only creates value by increasing new employment opportunities and growth across the countries in which it operates, but also supports the development of social, cultural, environmental and sports activities.

Contributing to social projects in accordance with its sustainable development principle will continue to be one of the priorities of Arçelik A.Ş.

### Standing United for Education with Arçelik Program

The Standing United for Education Program was launched in 2004 in cooperation with Ministry of National Education with the intent of reaching children of primary education age based on the awareness that contributions to individual educational development must begin during the earlier stages of an individual's life.

The Program aims to improve the education and development standards of the students, who are studying at Regional Primary Boarding Schools in Turkey and coming from financially disadvantaged families and raising them as role models. The Standing United for Education Program has reached 200 thousand students who are studying at 300 Regional Primary Boarding Schools spread across 60 provinces.

Within the framework of the program, students who have graduated with distinction from Regional Primary Boarding Schools but do not have the necessary financial resources to pursue secondary education have been offered scholarships for their secondary education. Arçelik has provided teachers and school heads working at these Regional Primary Boarding Schools with a series of seminars and workshops to contribute to their personal and professional development. The Volunteer Family Council, which is comprised of Arçelik employees, authorized dealers and services, has organized many important events, ranging from "career days" to book/toy campaigns, school and plant visits to "environmental awareness competitions" in order to contribute to the students' personal development.



### Arçelik A.Ş. Family and Volunteerism

Arçelik A.Ş. considers developing and implementing sustainable projects aimed at improving social standards and solving issues in the light of corporate values and culture as one of its main responsibilities.

Social volunteerism approach is one of the core values of Arçelik A.Ş. The Company adopted maintaining the sustainability of the projects with the contribution and local embrace that will be provided by the volunteers composing of the large family of Arçelik A.Ş., as significant success criteria.

### No Barriers for My Country - Seminars for Accurate Approach to Disabled Persons

Arçelik A.Ş. employees also voluntarily support "No Barriers for My Country" themed project carried out by Koç Holding in cooperation with UNDP (United Nations Development Program) and Ayder (Alternative Life Association) and this project carries out various projects for supporting the improvement of disabled persons' life quality.



**ÜLKEM İÇİN!**  
**ENGEL TANIMIYORUM!**

In this context, Arçelik A.Ş. employees have completed their "Voluntary Trainer Training" with the support of Ayder. In 2012, 36 Voluntary Trainers of Arçelik A.Ş. conducted "Accurate Approach to Disabled Persons" seminars to increase the awareness and further inform the employees. Arçelik A.Ş. reached to 4,625 employees with totally 60 trainings.

During 2012, within the scope of this project many activities were performed for our enterprises and dealers to become disabled friendly; an idea pool was created for disabled friendly product portfolio, disabled employment was increased and the number of disabled employees working from their home were also increased.

## For No Barriers for My Country - We Read Books for You

Arçelik A.Ş. employees carry out a voluntary activity under the name of “We Read Books for You” in cooperation with Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM).

Arçelik A.Ş. supports this activity by reading books to “Audio Library” created for visually impaired persons. 40 volunteers supporting the project have attended to the training arranged in Söğütözü Campus and after the training 25 volunteers supported the project by reading books.

In the project, first step was taken to transform work environments into disabled friendly environments and necessary arrangements have been made in Çayırözü Campus. Activities for transforming Arçelik A.Ş. products into disabled friendly products still continue. Arçelik A.Ş. gives priority to disabled persons for the jobs that can be handled by them and endeavors to support their career developments.



## Vocational High School Coaches

“Vocational Education: A Crucial Matter for the Nation” by Koç Holding is a social responsibility project supported by Arçelik A.Ş. employees, authorized dealers and services.

Within the scope of the project, Arçelik A.Ş. has taken the responsibility of 26 schools. A 28-person team composing of company employees, authorized dealer and services is voluntarily in charge as “Vocational High School Coaches” and act as role model to prepare them for their business life by supporting the personal developments of the students. Since the beginning of the project totally 1,233 scholarship students have been selected; currently there are 275 scholarship students who continue their education. As of June 2013, all students will be graduated.



## Electrical Household Appliances Technical Training Program - Arçelik Laboratories

While the support of Arçelik A.Ş. to “Vocational Education: A Crucial Matter for the Nation” project continues with “Vocational High School Coaches”, the Arçelik A.Ş. Electrical Household Appliances Technical Curriculum – Arçelik A.Ş. Laboratories has been created in cooperation with Ministry of National Education and General Directorate of Technical Education for Boys. The project aims to raise manpower who has knowledge about last developments and emerging technologies in electrical household appliances industry, thus to facilitate the employment in Turkey. To achieve this, as of 2011-2012 academic year, Arçelik Laboratories that were equipped with measuring instruments and devices based on new technologies within the field of technical service of electrical household appliances have been established in totally 4 schools, 3 of which are in Istanbul (Kartal, Beykoz and Zeytinburnu) and 1 of which is in Diyarbakır. Syllabus applied in the laboratories has been recreated in cooperation with Ministry of National Education and teachers were trained in Arçelik Academy.

In these schools, by year-end of 2012, 226 students have education with 29 teachers within the scope of Arçelik A.Ş. Electrical Household Appliances Technical Curriculum created in Electrical-Electronic Technologies Field - Electrical Household Appliances Technical Service Department.

The aim is to educate these students as to be able to serve as technicians within home appliances and air conditioner product groups with the knowledge obtained in Arçelik Laboratories. Within the scope of the program, the internship opportunities in Arçelik A.Ş. authorized services will be provided to the students. Students who accomplish certain stages and desire to work in Arçelik A.Ş. Authorized Services or within the Company will be employed upon certification. Thus Arçelik A.Ş. has brought a sector specific application into to the sector for establishing and maintaining education and employment relation and blazed a trail in the field of Electrical Household Appliances Technical Service Personnel in Turkey.

## White Fish Playrooms

Along with volunteerism approach, Arçelik A.Ş. employees create new rooms with “White Fish Playroom Project” for the inpatient kids and jazz up hospital environment. For the purpose taking the initiative to create special playrooms for improving the morale and motivations of the kids suffering from cancer and having treatment in the oncology units of the hospitals, the “White Fish Playroom Project” has been realized in 2011. With the project, which was named by assuming white blood cells that are effective in immune system as white fishes, the aim is to be hope and morale for hundreds of children. In 2011, the first playroom has opened its doors to the little patients in Marmara University Training and Research Hospital, Children Section. The scope of the project has been extended in 2012 and a playroom and a library launched in Children Section of Süreyyapaşa Hospital to also provide morale for patient kids who are long-term inpatients.

Within the scope of the project, also all walls of children polyclinic floor have been colored with cartoon characters drawn by Arçelik A.Ş. Çayırova drawing office team. Arçelik A.Ş. employees have financially provided the needed pecuniary resource which was needed to open the playrooms by purchasing old product stocks. Targeting to open a playroom in each needer hospital which has no playroom within its structure, the project is being carried out by Arçelik A.Ş. Volunteer Teams and Supply Chain Directorship Planning Group Management employees.



## International Support Activities

Production facilities and , sales and marketing offices of Arçelik A.Ş. throughout the world not only create new employment opportunities in the countries and cities in which they are located, but also implement a wide range of social responsibility projects that will contribute to social development, ranging from education to healthcare to the environment and sports.

## Beko - Russia

### Support to Krasnodar, Krymsk Flood Region Donation

A disaster of epic proportions was occurred on July 6-7, 2012 in Krymsk city of Krymsk region located in the south part of Russia. Heavy rain continued for 2 days brought waves up to 7 meters, which destroyed the city just in a few minutes. During the mentioned disaster, 171 people died and over 34,000 people were injured. All buildings have been collapsed and the town people became homeless.

Russia Government has undertaken to build new buildings until October 2012 and for all citizens of Krymsk new apartments have been provided. Beko LLC has also participated to solve the problems and has delivered 100 product sets composing of washing machines, refrigerators and ovens to the region without any charge to support the city.

## Elektrabregenz - Austria

Elektrabregenz, a long-established Austrian brand, provides support to an organization titled Projuventüte, which looks after homeless and needy children, in line with its social responsibility approach during the 2011 and 2012 period. As part of the contributions made in 2011, Elektrabregenz not only donated various products to the orphanages renovated by Projuventüte, but also made contributions to the programs implemented by the organization in order to increase social awareness and generate support.

## Defy - South Africa

### Foundation of AmaZulu Society



The Foundation of AmaZulu Society had been established in 2009 to improve the societies located in South Africa by using the power of football. The football can be used as a means to launch life skills programs, HIV/AIDS training and promotions. Defy devoted itself to revive these regions by acting together with the Foundation of AmaZulu Society for carrying out development projects in Ezakheni, Durban and East London regions. The most important thing is to launch life skills programs that will support the citizens with financial impossibilities. The most talent persons are provided with the opportunity of a scholarship program offered by Defy; children selected within the scope of this scholarship program are able to receive education intended for last classes in one of the best schools within the region without any charge.

## LIV Village



LIV provides holistic residential care for vulnerable children with the core vision: rescue a child, restore a life, raise a leader and release a star. LIV exists to raise the next generation of leaders in South Africa. We place vulnerable, parentless children into a family environment where they receive unconditional love, spiritual discipleship, care and nurturing. All their physical needs are met. Children are tomorrow's future, so the manner in which they are raised will influence who they become. HIV/AIDS and poverty have resulted in many children being abandoned and orphaned. We want these children to grow up to be a generation that will influence positive change within South Africa, our continent and indeed the world. If these children are equipped with essential moral values and life skills, they truly can live lives that influence and inspire significance and lasting impact. Defy has supported LIV to accomplish its targets and donated 26 units gas stove in 2012.

## Ethelbert Children's Home

Ethelbert Children's Home is a home and shelter for 65 children who have been removed from their families due to physical and/or sexual abuse, neglect, or abandonment and those orphaned because of HIV/AIDS. Ethelbert is not an orphanage and a majority of the children who have been entrusted to this home have parents. The ultimate goal of this center is to ensure that the children are united happily with their parents after they receive rehabilitation. Ethelbert Children's Home consists of six cottages, each with two residing Child Care Workers and a maximum of twelve children.



Boys and girls are placed in separate cottages, with children under five finding a home in the toddler cottage. Ethelbert can care for a maximum of 65 children, though this number often differs due to the placement of children with rehabilitated parents or foster/adoptive parents. Besides donating white goods and electronic appliances in parallel with the necessities of the Ethelbert Children's Home, Defy also made cash donations also in 2012.

## Beko - Spain

### "We Give More Life to Your Clothes"

Award winner "We Give More Life to Your Clothes" campaign of Beko-Spain has been launched in November 2011. Within the scope of the campaign 2.5 ton clothes were collected and donated to SOS Africa NGO Foundation within the context of Africa continent cooperation organization. Then, these clothes were distributed among a large society in Dadaab, Kenya.

During the campaign, we have supported the project with 300 different sales points along with solidarity corners created within their own stores, in 150 different cities. Thousands of people throughout Spain visited these sales points for donating clothes. Totally 2.578 kg clothes, 1 ton of which was from Madrid, were collected. Collected clothes have been displayed within the huge washing machine built in the city center of Madrid by Beko.

The campaign "We Give More Life to Your Clothes" undertaken by Beko in Spain was honored with a Gold Award at the sixth annual European Excellence Awards. The campaign also has received a "Bronze Award" in July at EventoPlus Awards 2012 in the category of "Best Corporate Social Responsibility Projects".



## Grundig - Germany

In 2012, Grundig, with its social responsibility approach, enabled 50 poor children, who live in orphanages, to watch "Tabaluga", most famous musical of Germany, which was put on in Munich. The musical was an adventure for all children participated and it was an amusing and memorable night. Grundig has supported "Tabaluga" management by placing TVs in its performance area.



## Beko - Bosnia

### "10 Years, 10 Cities, 10 Schools Project"

10<sup>th</sup> year of Beko has become a meaningful with its social responsibility project named "10 Years, 10 Cities, 10 Schools" in Bosnia and Herzegovina within the scope of projects supported sports and together with its distributor Omega in Bosnia and Herzegovina, has completed the first stage of the "10 Years, 10 Cities, 10 Schools" project in June. Within the framework of the project, Beko has donated most needer primary schools and orphanages located in Tuzla, Lukavac, Saraybosna, Kakanj and Zenica cities in line with their needs and renewed the basketball courts of these schools. At the opening ceremonies, presents such as Beko branded t-shirts, flasks and basketballs, etc. have been given to the children. Moreover, Nenad Markovic, former coach of national basketball team of Bosnia and Herzegovina, was among the supporters of the project and had a pleasant time with the children. 5 other schools' basketball courts, which were among the selected 10 schools and are located in Banja Luka, Novi Travnik, Cazin, Mostar and Posu, has put into service along with the organizations performed in September.



## Activities for the Conservation of Environment and Nature

In 2012, Arçelik A.Ş. Enterprises have performed many activities for the conservation of environment and nature. Bolu Enterprise has taken the habitat under protection by planting a special kind of 100 wild nuts and 4 kinds of endemic plants within the region. The care of saplings planted by Eskişehir Refrigerator and Compressor Enterprise, Çayırova Enterprise and Ankara Enterprise in 2011 has continue also in 2012. In addition to activities, separate campaigns were carried out in the enterprises to collect waste medicines and waste oils.

## Arçelik A.Ş. Environmental Consciousness Spokesperson at Climate Platform



Being the member of "Climate Platform" established with the intent of supporting the activities that are carried out for combating climate change and switching to low carbon economy, Arçelik A.Ş. served as spokesperson also in 2012 and shared information regarding its efforts for combating climate change in two different sessions at World Climate Summit held in Doha.

## Ecology from A to Z

Arctic has launched a training campaign for providing a serious encourage for the consumers to adopt ECO life style in 5<sup>th</sup> June World Environment Day. In addition to this, a series of practical information, which have been prepared to help Arctic customers to enjoy a healthier and eco-friendly life and as well as to provide longer term savings, have been added on Green Page of its website at [www.arcticpentrutine.ro](http://www.arcticpentrutine.ro).



## Beko China - Planting Trees

Beko Electrical Appliances has planted 1,500 Sea-buckthorn trees, which have 20-years life, within Gansu region in cooperation with China Green Foundation (a public institution) to emphasize its care for the environment. Each of these trees provides 1.66KG CO<sub>2</sub> emission decrease per year. Besides, the Company has planted Adinandra milletii trees within Guangxi region. Each of these trees contributes 8.3KG CO<sub>2</sub> decrease emission decrease per year, five times more than Sea-buckthorn trees.



## Beko Basketball League - Turkey

Supporting Turkish basketball through sponsorships, the Beko brand continues to invest in this area without losing steam. Beko launched its sponsorship program in 2006 by lending its name to the Turkish Basketball League. This sponsorship, which still continues today, is the first step in associating the Beko brand with basketball through which the company aims to reach its long-term brand goals. Beko not only lent its name to the Turkish Basketball League, which has been renamed the Beko Turkish Basketball League after the launch of the sponsorship program, but also to the All-Star games, which has been renamed the Beko All-Star games. Beko's investments in basketball, which have moved forward in parallel with the brand's "Global Brand" vision, have expanded beyond the borders of the country and have taken to the international stage. Beko became the main sponsors of the 2009 FIBA Asian Basketball Championships organized in China and the 2009 FIBA European Championships organized in Poland.

Beko also became the "Presenting Sponsor" (the biggest sponsor, who presents the championships to the entire world) of the 2010 FIBA World Basketball Championships organized in Turkey and then became the "Presenting Sponsor" of the FIBA European Championships organized in Lithuania in 2011.

Beko has been the "Presenting Sponsor" of FIBA European Basketball Championship that will be performed between September 4 and 22, 2013 in Slovenia and FIBA European Basketball Championship that will be performed between August 30 and September 14, 2014 in Spain.

## Beko Basketball Bundesliga - Germany

The German Basketball League, one of the leading basketball leagues in Europe, has been organized under the name of "Beko Basketball Bundesliga" from the start of the 2009 and 2010 season. Beko also sponsored sports events such as the Beko Basketball Bundesliga All Star Day, Beko BBL Top Four, Beko BBL Champions Cup and Beko Super Cup in 2011.

Furthermore, Beko has provided a huge organization for basketball lovers under the name of "Beko Cup 2012" tournament in which the strongest teams of the countries whose leagues are sponsored by Beko brought together for the first time. In the organization held in Munich, Germany on September 22-23, 2012, Beşiktaş of Turkey, Zalgiris Kaunas of Lithuania, CSKA Moscow of Russia and Bayern Munich of Germany competed for the championship of the first BEKO Cup.



## Beko Basketball League - Russia

The Russia Basketball League has been organized under the name of Beko Professional League since 2010. Beko organizes various BTL events at basketball courts during the in-season before the games start.

In addition to its contribution to basketball league, Beko has supported the biggest Streetbasket 3x3 tournament "Moscow Open Cup", which has taken place at the Luzhniki Stadium in September, 2012 within the scope of Moscow City Day festivities. 411 streetbasket teams were included in the tournament and played in 35 basketball courts. Over 100,000 people have attended this single day organization. In the organization, Beko hosted its own basketball area next to the courts of professional basketball players.

## Beko Basketball League - Lithuania

Beko also became the sponsor of the Lithuanian Basketball League in 2011. The Lithuanian Basketball League will be organized under the title of "Beko LKL League" during the 2011 and 2012 season.

## Beko Basketball League - Italy

In 2012 Beko became the brand sponsorship of "Lega Basket Serie A", Italian Basketball League, after the Germany, Russia and Lithuania league sponsorships.

## Beko Football Cup - FA Cup England



Beko has been the official supporter of FA Cup, which is oldest cup of the world with its 141 years history and the most important tournament of English football, during 2012-2013 and 2013-2014 seasons. For the last 4 years, Beko exists in the football pitches of many famous football teams listed in English Premier League.

## Grundig - Germany

"Bundesliga Official Technology Partner"



Grundig has become the "Official Technology Partner" of Bundesliga. The Grundig logo has been displayed permanently during all Bundesliga and Bundesliga 2 broadcasts during the 2011/2012 season. This will also continue throughout the 2012/2013 season. The Grundig logo is displayed during all Bundesliga and Bundesliga 2 games, including the opening, return and relegation games, which are broadcast live. This cooperation has increased the brand awareness of Grundig in Germany and worldwide.



Arçelik A.Ş. sets higher goals year over year with the strength taken from our employees. Our competent employees, supported with innovative human resources implementations, lie behind our global competitive power.

Arçelik manages its global organization very effectively and supports it with innovative practices. With the aim of implementing system and tools of human resources in same strategy in all locations operating both in the country and abroad, process revisions and developments are being performed.

Drawing strength from the geographical spread of its operations and diversity of its culture, Arçelik A.Ş. sets more ambitious targets every year and strengthens its global competitiveness. The company implements the following human resources approaches to contribute to the development of employees:

- Integrated Human Resources systems and tools,
- Encouraging creative and innovative environments,
- Talent management and career planning,
- Continuous development of employees.

#### Integrated Human Resources Systems and Tools

Arçelik A.Ş. aims to maintain sustainability and growth in the company by utilizing assessment methods such as performance management, competency assessment, potential assessment and leadership assessment and to improve current human resources by managing in most efficient way. Utilized system tools cover standard implementations as well as new implementations in line with innovative vision pursuant to the needs of the organization. Competencies of the employees are assessed within the scope of both development needs and leadership competencies and assessment results provide input for development, career and talent management processes.

The integration of processes has importance in terms of integration between organizational development and employee development. In this respect the global database studies have been started and this aims to further increase process efficiency.

#### Encouraging Creative and Innovative Environments

Identifying with innovations and prioritizing creativity in all of the activities, Arçelik A.Ş. updates itself on a continuous basis by developing new strategies and business models. In addition to the synergy in a cross-cultural work environment, the matrix organizational structure offers greater opportunities for various groups to come together and generate projects, allowing creative ideas to emerge and flourish.

Arçelik A.Ş. has established an Innovation Management Department in 2011 in order to bring out in-house consumer insights, create communication and solution ideas based on these insights, maintain and assess ideas created through these processes, and develop and manage idea management methods. The Innovation and System Development Department continues its activities in coordination with the Marketing Department intended to develop idea systems and innovation processes within production establishments and to monitor their effectiveness. R&D Directorate has been receiving creative and innovative ideas from the company's employees through a suggestion submission system called "Inter" since 2010, assessing these suggestions through a board of assessment and creating opportunities for those ideas that can be turned into products.

Arçelik A.Ş. organizes an "Innovation Award Ceremony" every year on "World Patent Day" in order to encourage its employees to be more creative, reward creators of innovative ideas and promote them across the company. In addition, Arçelik A.Ş. encourages its employees to generate creative and innovative ideas and rewards the creators through a reward system called "Pyramid Climbers Awards".



Developed innovative approaches enable us to differentiate and to come into prominence with our products and services offered to our customers in a competitive environment. With an R&D team of over 1,000 employees, Arçelik A.Ş. continues to develop and manufacture technological products that are eco-friendly, innovative and which improve life standards of our customers.

Arçelik A.Ş. has created a platform which enables employees to be constantly in touch and encourages further creativity and communication through the intranet system renewed in 2012.

## Talent Management and Career Planning

Arçelik A.Ş. aims to improve its competencies by employing the most qualified young people and experienced professionals. The company believes that personal success is a prerequisite for organizational success. Accordingly, the company deploys various professional development systems in order to improve the performance and competencies of its employees in accordance with the company's targets.

Arçelik A.Ş. plans the careers of its employees based on their knowledge, competencies and skills. The company identifies critical positions and potential employees who will take the company into the future during annual human resources planning meetings and development of potential employees are supported by monitoring their performance, thus they are prepared for their future potential roles. In 2012, 10% of our employees were subjected to rotation, appointment and/or promotion process.

Arçelik A.Ş. believes that the company and employees share responsibility for personal development and career management. Accordingly, the company uses an "Internal Job System" to inform its employees about vacancies and encourages them to take initiative concerning their career development plans. Our blue-collar employees were also integrated into internal announcement system for supporting the career management of our employees.

## Development Management

The development policy of Arçelik A.Ş. aims continuous performance development of the company and employees in accordance with priorities, strategies and targets of the company. For this purpose, design and implementations of development programs that will support and strengthen the global structure of Arçelik A.Ş. are being performed. While Arçelik A.Ş. focuses on facilitating the achievement of company targets and developing performance, on the hand attaches importance to knowledge, talent and competency development to keep the personal competencies of the employees up-to-date. Accordingly, technical and functional trainings are prepared with orientation, foreign language, leadership, personal development programs.

With the intent of raising efficient leaders, who will strengthen the global organization, the leadership competencies assessment center assesses the activities and supports the development of the employees through international management development and leadership programs. **Leader and Work / Leader and Efficient Team:** This is a development program which has been planned to prepare potential managers and support their development. In 2012, 97 employees have attended to the program.

**Management Skills Development Program:** This is a program developed for providing rapid adaptation for new appointed managers and supporting their development. The program is designed with on-the-job training methods after trainings

and supported with coaching sessions. Managers working both in local and abroad organizations can be included in this program. In 2012, the program was performed with the participation of 67 employees.

**Leader and Strategy / Leader and People:** This is a program developed for supporting the development of potential managers for senior management positions. Our 13 employees were participated to these programs. **International Management Development Program:** This is a program which prepares the employees, who are candidates for international positions, to their future positions by supporting their developments. Our trainings, called as Global Manager, have been realized by designing in cooperation with Koç University. Our 24 employees who work in global organizations have attended this program.

**Arçelik Mentorship Program:** This is a program developed with the intent of providing opportunity for supporting the personal, career and professional development of new appointed managers and international employees with the knowledge, skills and experiences of senior Arçelik managers. In 2012, 21 employees have attended this program.

**Arçelik Talent Program:** This is a development program, which was designed for potential employees who will take charge in management positions of Arçelik A.Ş. in the future and has been launched in 2012. Training within the scope of the program aims the development of participants in different fields through experience sharing meetings and workshops.

**Functional Development Programs:** These are the programs prepared for different functions and processes. (E.g. Sales, Purchasing, Human Resources, Information technologies, Finance etc.) Marketing functional development program has been launched this year. Purchasing, Sales and Finance programs planned to be launched next year.

Furthermore, seminars on miscellaneous subjects intended for the development of our employees are organized constantly. Positive Communication themed seminar intended for Blue-Collar employees has been performed in all locations within this year with the participation of our employees. Apart from these programs, our employees are encouraged to participate in many social projects as volunteers.

One of the innovations of 2012 was "Pause & Play" brand intended for internal communication.

Development and Talent Management activities also include internal communication activities and activity organizations performed for our employees. Within 2012, "Pause & Play" brand has been created with internal communication project. This brand is created for using common language in the communications of all internal communication activities performed for improving employee satisfaction and motivation. Sharing, entertainment, energy, celebration and surprise oriented activities offered to our employees and their families are organized within the scope of this brand.

Arçelik A.Ş. Management System is being developed constantly with the target of achieving excellence in all business processes and maintaining a sustainable productivity that enables competing at the international level.

## Business Excellence

Management System of Arçelik A.Ş. is the combination of the workforce and workflows, which are organized with the aim of realizing the vision. The following systems, which are used in order to improve the effectiveness of its Management System, are defined within the processes of Arçelik A.Ş.:

- EFQM (European Foundation for Quality Management) Excellence Model
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 14064-1 Greenhouse Gas Reporting System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories
- Six Sigma (Process Improvement)
- Total Productive Maintenance (TPM)
- BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Accountability Systems

Quality assurance efforts of Arçelik A.Ş., which began with Quality Circle practices in the early 1980s, were brought under the umbrella of Total Quality Management in the early 1990s. Arçelik A.Ş., as the holder of the EFQM Quality Prize and TUSIAD - KalDer (Turkish Society for Quality) Quality Award, has adopted the Total Quality Management philosophy in all of its business processes.

All of the Management Systems defined with international standards (ISO 9001 Quality, ISO 14001 Environment, ISO 50001 Energy, ISO 14064-1 Greenhouse Gas Reporting, OHSAS 18001 Occupational Health and Safety - Electronic Plant, ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories - Central Calibration and Washing Machine EMC Laboratories) have been certified by independent auditing firms. Compliance with mentioned standards is being assessed and developed through periodical internal and external audits.

Arçelik A.Ş. uses the Six Sigma Methodology in order to reach excellence by increasing productivity across all of its business processes to stay competitive in international markets. By implementing the Six Sigma methodology, Arçelik A.Ş. aims to:

- Improve processes,
- Make the processes transparent and manageable,
- Create decision making mechanism based on data,
- Develop a platform for continuous growth in profitability,
- Harmonize its organizational targets and process objectives,
- Maintain customer focus,
- Creating a common language and improve creativity.

Since 1996 Arçelik A.Ş. has been implementing the "Total Productive Maintenance" (TPM) system, which is based on teamwork at all levels, units and functions from senior management to the lower ranks across all its production plants. By using the TPM, Arçelik aims at making effective use of its resources by eliminating all factors that have a direct or indirect negative impact on efficiency.

Arçelik A.Ş. domestic and overseas production plants have been audited based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange), which are used commonly across the European Union, by an independent auditing firm and received compliance reports.





### **System Standard Compliance Certificates:**

TS EN ISO 9001:2008, TSE  
ISO 14001:2004, SGS  
ISO 50001:2011, BSI  
ISO 14064-1:2006, BSI  
OHSAS 18001:2007, SGS  
TS EN ISO/IEC 17025:2010, TÜRKAK (Turkish Accreditation Agency)

### **Product Standard Compliance Certificates:**

TSE - Turkey  
CE, HAR, UPC (TV) - EU  
UL, ETL - USA  
TÜV, VDE, GS - Germany  
IRAM - Argentina  
AGA, AS, CBA, Energy Safe Victoria, JAS-ANZ - Australia  
ORS (TV) - Austria  
CCC - China  
DEMKO, Stofa (TV), YouSee (TV), ETA - Denmark  
Levira (TV) - Estonia  
FIMKO, FICOM (TV) - Finland  
SABS, SANS - South Africa  
KETI - South Korea  
ZIK - Croatia  
ISI - India  
KEMA, Digitenne (TV), Ziggo (TV) - Netherlands  
IQS - Iraq  
ITS, BEAB, INTERTEK, BSI, ASTA, FREEVIEW (TV) - England  
ISRI - Iran  
TDT (TV) - Spain  
SII - Israel  
SEMKO, Boxer (TV), ComHem (TV), Canal Digital (TV) - Sweden  
SEV - Switzerland  
IMQ, DGTVi (TV) - Italy  
CSA, cUL - Canada  
KUVEYT STD. - Kuwait  
NOM - Mexico  
ES - Egypt  
NEMKO, Riks (TV), Canal Digital (TV) - Norway  
GOST R – Russia  
Kvalitet - Serbia  
PSB - Singapore  
SASO - Saudi Arabia  
UkrSEPRO - Ukraine  
NZS - New Zealand  
HDMI, Dolby, SRS, DVD Forum, DivX HD, CI+, DLNA, Wi-Fi, YouTube/Adobe, USB, Skype (TV) – All Regions



**Rahmi M. Koç**

Chairman

Rahmi M. Koç graduated from John 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 TURMEPA (Turkish Marine Environment Protection Association), 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 in the United States 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 Industry 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 organization 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 recognized 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 Center and Vice-President of the Florence Nightingale Foundation. She is also the Founder of Koç University's School of Nursing.



**Ömer M. Koç**

Member

Ömer M. Koç earned his B.A. degree from Columbia College (U.S.) 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.



**Ali Y. Koç**

Member

Ali Y. Koç graduated from Rice University (U.S.) 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.



**O. Turgay Durak**

Member

O. Turgay Durak completed his undergraduate and graduate degrees at Northwestern University (U.S.) in Mechanical Engineering. 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 General Manager 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.



**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 Board of Directors of Arçelik A.Ş. since April 1994. He speaks English and French.



**Levent Çakıroğlu**

Member

He graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his MBA degree from University of Illinois. He started his business career in the Ministry of Finance in 1988 as an Assistant Accounting 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 1997-1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş General Manager from 2002 to 2007, and Migros General Manager from 2007 to 2008. He was appointed Arçelik General Manager in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.



**Kutsan Çelebicin**

Member

Kutsan Çelebicin graduated from Ankara University School of Political Science and began his career at the Ministry of Finance as Tax Auditor in 1969, served as Deputy General Director of Treasury of the Ministry of Finance between 1979-1982 and then worked in World Bank. He joined Koç Group in 1987 and served as President of the Finance Group and retired from Koç Group in 2001. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**Tunç Uluğ**

Member

Tunç Uluğ graduated from Mechanical Engineering Department of Robert College and received his Master degree in Mechanical Engineering from University of Columbia in 1964. He worked at Bechtel Co. in USA for 3 years and started working at Koç Group from 1967. He became General Manager in the various Koç Group Companies and served as Vice President and President between 1981- 1997 and retired from Koç Group in 1997. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**Davut Ökütçü**

Member

Davut Ökütçü received his BSc degree in Chemical Engineering at Robert College. He received his Industrial Engineering master's degree from Syracuse University (USA) in 1971. He began his career at Bozkurt Mensucat San. A.Ş., a Koç Group Company, in 1971 and appointed as the General Manager of this company. Ökütçü served as the General Manager of Ramerica International Inc. (USA) in 1991. He served as Vice President in Koç Holding A.Ş. between 1996-2003 and retired from Koç Group in 2003. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.



**Mehmet Barmanbek**

Member

Mehmet Barmanbek graduated from Ankara University, Faculty of Political Sciences in 1963. Between 1963 and 1977 he worked in the Ministry of Finance as an Accounting Specialist. He became Accounting Manager of Ford Otomotiv Sanayi A.Ş. in 1977 and appointed as Assistant General Manager of this company in 1986 and served until 2002. As of March 29, 2012, he serves as independent member in the Board of Directors of Arçelik A.Ş.

## Board of Auditors



**İnanç Kiraz**

Member

İnanç Kiraz graduated from the Istanbul University, Department of Economics and completed his MBA degree in business administration from Koç University. He started his business career at Koç Holding Audit and Finance Group as a Management Trainee in 1998. Kiraz served as an Auditing Expert from 2001 to 2005 and as the Auditing Group Manager from 2005 to 2008. He has been the Audit Coordinator at Koç Holding Audit Group since January 2009 and responsible for the Durable Goods Group and the Food & Retailing Group.



**İbrahim Murat Çağlar**

Member

İbrahim Murat Çağlar graduated from the Department of Economics at Bilkent University. He began his professional business career at PricewaterhouseCoopers in 1997 as Assistant Auditor and served as Team Head in 1999, Assistant Manager in 2001 and Manager in 2002. He joined Koç Holding as Auditing Group Assistant Manager in 2005 and has served as Auditing Group Coordinator since 2008. Çağlar is also a member of the Union of Chambers of Certified Public Accountants of Turkey (TURMOB), the Institute of Internal Auditors and the Association of Certificated Fraud Examiners.

**Authorities and Limits of the Members of the Board of Directors and the Board of Auditors:** The Board of Directors and the Board of Auditors were elected at the Ordinary General Shareholders Meeting by resolution on March, 29, 2012 for one year. Chairman and Members of the Board of Directors are entitled the authorizations specified in TCC and Articles 11-16 of the Articles of Association. Members of the Board of Auditors are entitled the authorizations defined in Article 25 of CMB's Communique Serial: X, Nr. 22.



Levent Çakıroğlu

General Manager

He graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his MBA degree from University of Illinois. He started his business career in the Ministry of Finance in 1988 as an Assistant Accounting 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 1997-1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş General Manager from 2002 to 2007, and Migros General Manager from 2007 to 2008. He was appointed Arçelik A.Ş. General Manager in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.



C. Ş. Oğuzhan Öztürk

Assistant General Manager  
Purchasing and Supply Chain

Cemal Şeref Oğuzhan Öztürk graduated from Aeronautical Engineering at Istanbul Technical University, and earned his Master's degree from the Faculty of Mechanical Engineering at the same university. He began his business career as a Research Assistant at the Material Sciences and Production Technology Application and Research Center at Istanbul Technical University in 1982. Öztürk joined Arçelik A.Ş. as a Quality Control Engineer at the Eskişehir Compressor Plant in 1987. After serving in various managerial positions across quality, manufacturing and product development processes at Arçelik's Compressor and Refrigerator Plants, he was appointed as Arçelik Refrigerator Products Director, S.C. Arctic S.A. General Manager, Arçelik Washing Machine Products Director, Grundig Elektronik A.Ş. General Manager and Arçelik A.Ş. Supply Chain Director. Öztürk has been serving as Assistant General Manager responsible for the Purchasing and Supply Chain at Arçelik A.Ş. since September 2010.



Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager  
Finance and Accounting

He graduated from Ankara University, Faculty of Political Sciences, Department of International Relations. He earned his Finance-MBA from Virginia Commonwealth University and Ph.D. from Ankara University, Faculty of Political Sciences, Department of Accounting-Finance. He started his business career in the Ministry of Finance as a Junior Accountant in 1989 and served as an Account Expert, and Head Account Expert. He joined the Koç Group in 2002 and served as the Coordinator of the Koç Holding Finance Group. He has been the Assistant General Manager in charge of Finance and Accounting at Arçelik A.Ş. since April 2005.

Ahmet İhsan Ceylan	Supply Chain Director
Ali Tayyar	Accounting Director- Headquarters and Plants
Ayşe Topçu	Marketing Director - International
Barış Orbay	Marketing Director - Turkey
Brigitte Petit	Country Manager France - Beko France SA. General Manager
Buket Çelebiöven	Human Resources Director
Cemal Can Dinçer	Sales Director - Subsidiaries, Europe, America, Asia-Pacific
Cem Kural	Research and Development Director
Cemil İnan	Product Director - Refrigerator
Doğan Korkmaz	Finance Director
E.C. Murat Büyükerk	Sales Director - Middle East, Africa, Turkic Republics
Ercüment Gülşen	Beko Sales Director
Erkan Duysal	Product Director - Electronics
Erhan Akdoğan	Retail Development Director
Evren Albaş	Product Sourcing Director
Federico Mangiacotti	Country Manager Italy - Beko Italy S.R.L. General Manager
Hakan Kozan	Product Director - Dishwasher
Hasan Ali Yardımcı	Strategic Planning Director
Hüseyin Öner	Information Technologies Director
Hilmi Cem Akant	Country Manager Spain - Beko Electronics Espana S. L. General Manager
İhsan Somay	Accounting Director - Sales and Marketing



**Hakan Hamdi Bulgurlu**

Assistant General Manager,  
Sales - Europe, America, Asia-Pacific

After completing his undergraduate education in Departments of Economics and Mechanical Engineering at University of Texas, Hakan Hamdi Bulgurlu received his MBA degree from the joint MBA program of Northwestern University's Kellogg School of Management and Hong Kong University of Science and Technology. He started his professional business career at Ram Dış Ticaret in 1995 as Sales Representative and following his duty as Sales Director for Ram Pacific, he worked at the Manufacturing, Strategic Planning and Marketing departments at Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret. Afterwards he served as Ram Pacific Company Manager, Ram Pacific General Manager and Arçelik-LG Klima A.Ş. General Manager, respectively. He has been serving as Deputy General Manager, Sales - Europe, America, Asia-Pacific at Arçelik A.Ş. since September, 2010



**İsmail Hakkı Sağır**

Assistant General Manager  
Production and Technology

İsmail Hakkı Sağır graduated from the Department of Mechanical Engineering at Middle East Technical University. He began his professional business career as a Project Engineer at Arçelik's Refrigerator Plant in 1980 and served as Quality Control Supervisor, Assistant Production Manager, Production Manager, Plant Manager, Compressor Product Director and Refrigerator Product Manager. He has served as Assistant General Manager responsible for Production and Technology at Arçelik A.Ş. since May 2009.



**Şirzat Subaşı**

Assistant General Manager, Sales Turkey, the  
Middle East, Africa and the Turkic Republics

Şirzat Subaşı graduated from Management Engineering Department at Istanbul Technical University. He started his business career at Beko Ticaret A.Ş. in 1986 and served as Regional Sales Manager, Assistant Sales Manager, Sales Manager, Beko Sales Director, Director of Turkey Marketing and Sales Group and Assistant General Manager of Turkey Marketing and Sales. He has served as Assistant General Manager, Sales in Turkey, the Middle East, Africa and the Turkic Republics at Arçelik A.Ş. since May 2009.



**Tülin Karabük**

Assistant General Manager  
Marketing

Tülin Karabük graduated from Business Administration Department at Bosphorus University in 1986. She started business career at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, later serving in various management and senior management positions at 3M, KVK and Turkcell Group. In September 2009, she began to serve as Assistant General Manager responsible for Sales in Europe, America, and Asia-Pacific. Karabük has served as Assistant General Manager responsible for Marketing at Arçelik A.Ş. since September 2010.

İsmail Kürşat Coşkun	Country Manager China - Beko Electrical Appliances Co Ltd. General Manager
Kamil Uğur Kayalı	Corporate Relations Coordinator
Maciej Mienik	Country Manager Poland, Czech Republic and Slovakia Beko SA, Beko Cesko S.R.O. Beko Slovakia S.R.O. General Manager
Mehmet Savaş	Product Director - Dryer and Electric Motors
Mehmet Emin Bulak	Customer Services Director
Melis Mutuş	Corporate Communications Coordinator
Mete Karaer	Country Manager Ukraine, Beko LLC Ukraine General Manager
Mustafa Esenlik	Production Technologies Director
Monica Iavorschi	Country Manager Romania - Arctic S.A. General Manager
Murad Şahin	Country Manager Germany - Grundig Multimedia Beko Deutschland GmbH General Manager
Mike Goadby	Country Manager Australia - Beko A and NZ Pty Ltd. General Manager
Nihat Bayız	Product Management Director
Polat Şen	Purchasing Director
Ragıp Balcıoğlu	Country Manager UK - Beko PLC General Manager
Ross Heron	Country Manager South Africa - Defy Appliances Pty Ltd. General Manager
R.C. Oğuzkan Şatiroğlu	Sales Director, Europe Direct Sales
Salih Arslantaş	Product Director - Washing Machine
Serdar Sözenoğlu	Country Manager Austria - Elektra Bregenz A.G. General Manager
Serdar Sualp	Country Manager Egypt - Beko LLC Egypt General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Tevfik Adnan Tüfekçi	Product Director - Cooking Appliances
Turgut Karabulut	Arçelik Sales Director
Zafer Üstüner	Country Manager Russia - Beko LLC General Manager





- Agenda
- Profit Distribution Proposal
- Amendments to the Articles of Association
- Dependent Company Report
- Auditor's Report
- Independent Audit Report and Consolidated Financial Statements

## THE AGENDA OF ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY DATED MARCH 28, 2013

1. Opening and the Election of Presidential Board,
2. Reading, discussing and approving the 2012 Annual Report issued by Board of Directors,
3. Reading Auditor's Report and the Summary of Independent Audit Report concerning 2012 fiscal period,
4. Reading, discussing and approving the Financial Statements concerning 2012 fiscal period,
5. Approval of the amendment made in the Board Membership within the year as per 363<sup>rd</sup> Article of Turkish Commercial Code,
6. The acquittal of each Board Member for the operations of the Company in 2012,
7. The acquittal of each Auditor for the operations of the Company in 2012,
8. Informing Shareholders regarding Company's "Profit Distribution Policy" for the year 2012 and following years as per the regulations of Capital Markets Board,
9. The approval, approval with modifications or refusal of the Board of Directors' offer for the distribution of the profit of the year 2012 and the profit distribution date,
10. On condition that necessary permissions are obtained from the Capital Markets Board and Ministry of Customs and Trade; the approval, approval with modifications or refusal of the Board of Directors' offer on amendment of 6<sup>th</sup> Article entitled "Capital" of the Articles of the Association of the Company to re-transit to registered capital system and determining our company's registered capital ceiling as TL 1,500,000,000 and amendment of all articles of the Articles of the Association of the Company, Part 1 Principal Provisions, except 1<sup>st</sup> Article entitled "Establishment" and cancellation of all articles from Part 5 General Assembly, 22<sup>nd</sup> Article entitled "Establishment" to 45<sup>th</sup> Article entitled "Compliance With Corporate Governance Principles" and provisional article with intent to comply with 6102 numbered Turkish Commercial Code and Capital Market Law,
11. Determination of the number and duty term of the Members of Board of Directors, making an election in accordance with the number of members, election of Independent Board Members,
12. As per the regulations of Capital Markets Board, determining the "Remuneration Policy" for the Board Members and Top Managers and informing shareholders on payments made within the scope of the policy and the approval,
13. Determination of gross monthly salaries of Board Members,
14. As per regulations of Turkish Commercial Code and Capital Markets Board, approval of Independent Audit Institution selected by the Board of Directors,
15. The approval, approval with modifications or refusal of the Board of Directors' offer for "General Assembly Internal Directives" including the rules about operating principles and procedures of General Assembly,
16. As per the regulations of Capital Markets Board, informing shareholders on "Company's Information Disclosure Policy",
17. As per the regulations of Capital Markets Board, informing shareholders on donations and aid made by the Company in year 2012 to foundations and associations for social relief purposes and determining the upper limit for the donations to be made in year 2013,
18. Authorizing the shareholders holding management capacity, shareholder Board Members, top managers and their wives and relatives by blood and marriage up to third degree within the framework of 395<sup>th</sup> and 396<sup>th</sup> Articles of Turkish Commercial Code and regulations of Capital Markets Board and informing shareholders about transactions performed within this scope in accordance with Corporate Governance Principles within year 2012,
19. Wishes and opinions.

Esteemed Shareholders,

According to our financial statements for the accounting period 01.01.2012-31.12.2012 prepared by our company in accordance with the International Financial Reporting Standards within the framework of the Communiqué of the Capital Markets Board Series: XI, Nr.: 29, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) a TL 551,687,902.04 (Consolidated) Net Profit For The Year has been provided, TL 524,764,141.34 of which is net profit for the year attributable to the equity holders of the parent. Prepared on basis of the long-term group strategy, the capital requirements of our company, our affiliates and subsidiaries; investment and finance policies as well as profitability and cash position, our proposal for profit distribution has been explained below. The payment of dividend will commence on April 1, 2013 in accordance with the decision to be adopted by the general assembly.

In accordance with Capital Markets Law and Capital Markets regulations, it was established that a distributable profit of TL 524,764,141.34 has been obtained, the sum of TL 531,706,008.76, which includes the addition of TL 6,941,867.42 consisting of the donations made to the tax-exempt foundations and associations, was the first dividend amount and in official records it was seen that there was a total distributable profit of TL 581,197,616.11, including TL 180,871,415.13 as net term profit after tax.

From the consolidated profit calculated according to Capital Markets Board Legislation, to propose

TL 355,000,000.00		As gross dividend to be distributed to the shareholders,
TL 32,121,358.98	10 % as	2 <sup>nd</sup> group reserves and

Based on our legal records,

Funding TL 355,000.000.00 cash dividends through;

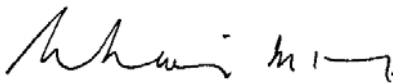
TL 124,426,338.06	Current year profits
TL 43,073,712.99	Current year's exceptional profits
TL 187,499,948.95	Reserve for Contingencies
Funding TL 32,121,358.98	2 <sup>nd</sup> group legal reserve funds through
TL 13,371,364.08	Current year profits,
TL 18,749,994.90	Reserve for Contingencies,

- To pay TL 0.52536 gross=net cash dividend for one share with TL 1.00 nominal value at the rate of 52.5%, to full taxpayer institution shareholders or to limited taxpayer institution shareholders who acquire dividend through a workplace or permanent representative in Turkey,
- To pay gross TL 0.52536 and net TL 0.45612 cash dividend at the rate of 45.6% for one share with TL 1.00 nominal value to our other shareholders,

and to begin the payment of dividend on April 1<sup>st</sup>, 2013 are submitted to approval of General Assembly.

May 2013 be prosperous year for both our country and our company.

With our kind regards,



Rahmi M. Koç  
Chairman of the Board

OLD TEXTS	NEW TEXTS
<p><b>PART 1</b> <b>Principal Provisions</b></p> <p>Article 2 – TITLE OF THE COMPANY The title of the Company is “Arçelik Anonim Şirketi”. Hereinafter referred to as “Company” in this Articles of Association.</p> <p>Article 3 – PURPOSE AND SUBJECT Subject of the Company is to perform all commercial and industrial activities related with production, sales, marketing and leasing, in virtual environment included, import and export of refrigerators, deep-freezers, washing machines, dish washers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar household appliances operating with or without electric power or other power source, bath tub and fitted kitchens, home furniture, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors, carburetors, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobile telephone lines and components electrical devices and their parts and components; transportation and passenger vehicles and their motors and other parts; power production, utilization, transmission and distribution equipments.</p> <p>The company may perform these activities included in its subject singularly as well as perform production activities jointly with another company; It may realize the production under its own brand names as well as for and on behalf of others under their brand names.</p> <p>Related with its purpose and subject the Company, in the country and abroad, may;</p> <p>A) Operate as an agent, broker, representative and Dealer and authorize others to do same. B) Establish marketing, transportation, commitment, warehousing and entropot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly. C) Establish companies or participate in already established companies; use forms or partnerships and other forms of cooperation; realize partnerships and cooperation with others provided that requirements of the Legislation are fulfilled. D) Acquire trademarks, models, pictures, special production and manufacturing methods, know-how, patent rights; exercise its rights on the same. E) Import and export, participate in tenders; realize these together with domestic and foreign partners. F) Use its knowledge and experience, build plants and installations for others in the country and abroad. G) It can buy securities including bonds and shares in the country and abroad as well as depository receipts, contracts of future delivery, derivatives listed in the financial markets, structured financing elements and can make disposition of the foregoing, can also buy and/or dispose of when necessary the share certificates of commercial banks, financial leasing, consumer loan and factoring companies for affiliation purposes provided that such services would not constitute intermediary activities or portfolio management. H) Participate and when necessary terminate its participation in companies providing Radio, Television Program Production and Broadcasting Services, companies operating Television Studios, and companies manufacturing and selling necessary equipments. I) Involve in buying and selling and import and export activities of all types of raw materials, semi finished and finished products. I) Set up and/or have others set up all kinds of Laboratories and Research centers required for Research and Development activities J) Give aids and grants to Foundations established with social objectives, Associations, Universities and similar institutions provided that these aids and donations given in the year do not create results which may be included in the scope of Article nr. 15 of Capital Market Law, and such is submitted to the information of the shareholders and the required special circumstances are explained at the General Assembly.</p>	<p>Article 2 – TITLE OF THE COMPANY The title of the Company is “Arçelik Anonim Şirketi”. Hereinafter referred to as “Company” in this Articles of Association .</p> <p>Article 3 – PURPOSE AND SUBJECT The Company has been established with the intent of carrying out all commercial and industrial activities related to the manufacturing, sales and marketing including also virtual platform, leasing, importing and exporting of refrigerators, deepfreezers, washing machines, dishwashers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar home appliances operating with or without electric power or other power source and bath tub and fitted kitchens, home furniture, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors, carburetors, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobile telephone lines and components, electronic devices and their parts and components; transportation and passenger vehicles and their motors and other parts and equipments for generation, usage, transportation and distribution of energy and to achieve its goal the Company may perform these activities both on its own and may get into partnership for manufacturing, may realize the manufacturing with its own brands or other brands and may realize for and on behalf of others.</p> <p>For this purpose the Company especially may perform following activities in the country and abroad;</p> <p>A) Operate as an agent, broker, representative and dealer and authorize others to do same. B) Establish marketing, transportation, commitment, warehousing and entropot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly. C) To realize Company’s objective, the Company may acquire every kind of movable and immovable properties, may have constructed and manufactured or may acquire every kind of real or individual rights on these, may lease, may operate acquired or leased properties, may lease out and sell. Company may take every kind of real or individual warranty including commercial enterprise pledge as well, may set pledge and other miscellaneous limited property rights over others’ real properties in its favor and may transfer or release these for securing the rights and receivables of Company. On condition to comply with the principles determined by Capital Markets Board, Company may establish real rights in favor of third parties and may have them released. D) To realize Company’s objective, the Company may take out loan from local and foreign individuals, companies and banks, may enter into every kind of financial, commercial and economical undertaking against third parties, on condition to comply with the principles determined by Capital Markets Board may issue every kind of bonds and miscellaneous capital market instruments in the country and abroad and may make investment in securities, derivatives and miscellaneous capital market instruments. On condition to comply with the principles determined by Capital Markets Board may go bail and provide warranty in favor of third parties. If necessary, the Company may accept to establish right of mortgage and/or lien in favor of itself over movable and immovable properties of others, may release the pledges established in its favor, may waive a lien and may accept establishing bail and warranty by third parties in its favor. E) The Company may perform abovementioned activities on its own or through national or foreign real person and legal entities, provided that other provisions of this Articles of Association are reserved. In case the Company deems necessary for this purpose, may establish ordinary partnerships, commercial companies or other miscellaneous legal entities in the country or abroad or in part or whole, may make the acquisition of ordinary partnerships or other miscellaneous legal entities which had established with the same purpose and without the purpose of performing brokerage operations and operating security portfolio, with the participation purpose the Company may acquire, transfer the shares of these to the companies, commercial banks, financial leasing, consumer loan and factoring companies which had established with the same purpose and may participate into ordinary partnerships. The regulations of Capital Markets Board on transfer of concealed gain are reserved.</p>

<p>K) In compliance with the legislation relating to the power market and within the framework of auto-producer licence, and with the main aim of meeting its own need for electricity and heat energy; it may conduct activities relating to built production facilities, produce electricity and heat energy, in case of production exceeding its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers, and to import all the necessary equipment and fuel for noncommercial purposes.</p> <p>L) As long as adapting to the principles of Capital Markets Board, the Company can give warranty, bailment, assurance in favor of on its behalf or third parties or build right of pledge including mortgage.</p> <p>M) Give energy manager training, prepare and implement energy studies and efficiency increasing projects (VAP), provide consultancy and energy manager services for buildings.</p> <p>If other activities deemed beneficial other than the ones specified above are intended to be ventured then such shall be submitted for approval to the general assembly by the Board of Directors and after raising a resolution in that respect the company will be able to undertake the activity desired. However application of such decision which is an amendment to the Articles of Association by nature shall require permission from Capital Markets Board and Ministry of Industry and Trade.</p>	<p>F) The Company may perform every operation that are necessary to perform abovementioned matters written in above paragraphs and may perform import, export and every kind of trade.</p> <p>G) On condition that not to constitute a contradiction against the regulations of Capital Markets Board on transfer of concealed gain, to provide necessary material disclosures and informing shareholders about donations made within the year at General Assembly, the Company may provide donation and aid to foundations, associations, universities and similar establishments under the determined principles in a way that not hinder its own purpose and subject.</p> <p>H) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may perform every kind of transactions and use any possessions including registry, annotation, type classification allotment, amalgamation, partition, release and donation related to parceling at land offices concerning every kind of real properties and may perform renunciation for road and green area transactions, furthermore may provide its alienation and may gratis release and donate mentioned real properties.</p> <p>I) The Company may acquire, rent land, sea and air transportation vehicles and may sell and rent out owned vehicles. On condition to comply with regulations of Capital Markets Board, the Company may establish every kind of real and individual rights on these including pledge and pawn in favor itself and/or of third parties and may release them.</p> <p>J) The Company may register every kind of licenses, letter patents, patents, useful model, know how, brand, trade titles, company names and other all miscellaneous intellectual property rights that are related to its purpose under its name and may acquire and transfer, on condition to comply with the regulations of Capital Markets Board provide as warranty and may make license agreements related to them.</p> <p>K) For realizing Company's objective, the Company may make every kind of industrial and commercial investments that it deems suitable in the country and abroad, accordingly may establish factory, facility and sales office in the country and abroad and may provide services for architecture, engineering, design, software, accounting, call center and data storage.</p> <p>L) On condition to comply with regulations of Capital Markets Board on transfer of concealed gain, the Company may join the tenders in the country and abroad on its own or by establishing partnerships with third parties.</p> <p>M) The Company, on condition to comply with regulations of Capital Markets Board on transfer of concealed gain, may collaborate with companies that provide radio, TV programs production and broadcast services, operate TV studios and produce and sell required equipment and if necessary may terminate its collaboration.</p> <p>N) The Company may establish and/or have established every kind of laboratories and research centers required for R&amp;D activities.</p> <p>O) In compliance with the legislation relating to the electricity market, within the framework of auto-producer license, in essence for meeting its own need for electricity and heat energy; it may conduct activities relating to building generation facilities, generating electricity and heat energy and in case generated energy exceeds its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers within the framework of related legislation, and on condition not for commercial purposes to import installation and all related equipment and fuel.</p> <p>P) The Company may provide energy manager training, may prepare and implement energy study and efficiency increasing projects (VAP), may provide consultancy and energy manager services for buildings.</p>
<p>Article 4- DISPOSITION FOR REAL PROPERTIES AND OTHER REAL RIGHTS The company may acquire immovables, transfer and assign its rights on the immovables to another party upon resolution of the Board of Directors and provided that it is within the scope of realising the company objective and subject.</p> <p>The company may lease its immovables wholly or partly as well as establish mortgage and other limited real rights, annual such rights and exercise other rights like Division, Joinder, donation.</p> <p>The company may take loans with or without security in order to realise its objective and subject.</p>	

<p>For the purpose of securing its rights and receivables the company may obtain all kinds of real or personal securities including business enterprise pledge and transfer and annual such rights.</p>	
<p><b>Article 5 – HEAD OFFICE AND BRANCHES</b> The head office of the Company is located in Beyoğlu, Istanbul. Its address is “Karaağaç Caddesi No:2-6 34445 Sıtlüce-Beyoğlu / Istanbul”.</p> <p>Any changes in the address is registered to Trade Registry and announced in the Turkish Trade Register Gazette and also notified to Ministry of Industry and Trade and Capital Markets Board of Turkey. Any notification delivered to the registered and announced address is deemed to have been made to the company. In the event that the Company has not registered its new address within the specified period despite it has moved out of the previous registered and announced address shall be deemed reason for termination of the Company.</p> <p>The company may open branches in the country and abroad based on the decision of the Board of Directors provided that such is notified to the Ministry of Industry and Trade and Capital Markets Board of Turkey.</p>	<p><b>Article 4 – HEAD OFFICE AND BRANCHES OF THE COMPANY</b> The head office of the Company is located in Beyoğlu, Istanbul. Its address is “Karaağaç Caddesi No:2-6 34445 Sıtlüce-Beyoğlu / Istanbul”. In case of address change, new address is registered to Trade Registry and announced in Turkish Trade Register Gazette. In addition, it is stated to related Ministry and Capital Markets Board . Any notification delivered to the registered and announced address is deemed to have been made to the company. In the event that the Company has not registered its new address within the specified period despite it has moved out of the previous registered and announced address shall be deemed reason for termination of the Company. In case the Company opens a branch, mentioned branches shall be registered to Trade Registry and announced in Turkish Trade Register Gazette.</p>
<p><b>Article 6 – PERIOD</b> The company was set up for an unlimited period of time, as effective from the date of registration.</p>	<p><b>Article 5 – PERIOD OF THE COMPANY</b> The company was set up for an unlimited period of time and terminates with legal grounds or the decision taken by General Assembly as per the related provisions of Turkish Commercial Code.</p>
<p><b>PART 2</b> <b>CAPITAL, SHARE CERTIFICATES AND BONDS</b></p> <p><b>Article 7 – REGISTERED CAPITAL</b> The company has adopted the registered capital system in accordance with the provisions of Law nr. 2499 and has passed into this system upon permit nr. 61 dated 28.10.1982 by the Capital Market Board.</p> <p>The registered capital of the Company is TL. 1.500.000.000,00 (One billion and five hundred million Turkish Liras), divided into 150.000.000.000 shares, each with a nominal value of Kr. 1 (one Kurus).</p> <p>The permit provided by the CMB for the registered capital ceiling is valid for the years 2008- 2012 (5 years). In the period ended 2012, even if the registered capital ceiling levels are not attained, in order to take capital increase decision, for a previously approved ceiling level or a new level, the Board of Directors must get authorization from General Shareholders Meeting that will be held after permission of CMB. In case the company doesn’t get such an authorization, the company will be considered as signed out from the registered capital system.</p> <p>The issued and paid up capital of the Company is TL 675.728.205 (Six hundred and seventy-five million seven hundred and twenty eight thousand and two hundred and five), which is divided into 67.572.820.500 registered shares, each with a nominal value of Kr. 1 (one Kurus).</p> <p>The previously issued capital of TL 659.934.000 is paid in full and completed.</p> <p>The increased capital of TL 15.794.205, has been met by the equities that were determined by the 15.04.2009 dated report of the expert, who was assigned by the decision of the Turkish Republic Kadıköy 4.Commercial Court of First Instance dated 10.03.2009 and Article No.2009/677 as well as the report of the expert association of KPMG Akis Independent Au dit and Public Accountancy A.S. and that were transferred as a result of the acquisition that was carried out by transferring all assets and liabilities of Grundig Elektronik A.S. as of 31.12.2008, within the framework of Article No. 451 of Turkish Commercial Code and other related articles and Article No. 18-20 of Corporate Tax Law.</p> <p>The 1.579.420.500 shares of stock with 1 Kr nominal value and issued as a result of the acquisition will be distributed to the shareholders of Grundig Elektronik AS who will dissolve as a result of the acquisition in exchange for their Grundig Elektronik AS shares that they owned.</p>	<p><b>Article 6 – CAPITAL</b> The Company has adopted registered capital system in accordance with the provisions of Law nr. 6362 and transited to registered capital system with 28.10.1982 dated and 61 numbered permit of Capital Markets Board.</p> <p>Upper limit of Company’s registered capital is TL 1,500,000,000.00 (One billion and five hundred million Turkish Liras), divided into 150,000,000,000.00 (One hundred and fifty billion) registered shares, each with a nominal value of 1 (One) Kurus.</p> <p>The permit provided by the CMB for the upper limit of registered capital is valid for the years 2013-2017 (5 years). At the end of 2017, even if upper limit of registered capital are not attained, in order to enable board of directors to take capital increase decision after 2017, it is mandatory to obtain authority from general assembly for a new period not exceeding 5 years by obtaining the permit of Capital Markets Board for previously permitted upper limit or a new upper limit. In case abovementioned authorization shall not be obtained, the Company will be considered as signed out from the registered capital system.</p> <p>The issued capital of Company is TL 675,728,205.00 (Six hundred seventy five million and seven hundred twenty eight thousand and two hundred and five Turkish Liras) and mentioned issued capital is fully paid as free of collusion.</p> <p>Corporate stocks are tracked based on records within the framework of dematerialization principles.</p> <p>If necessary, Company’s capital may be increased or decreased within the framework of the provisions of Turkish Commercial Code and Capital Markets Board.</p> <p>The Board of Directors is authorized to increase the issued capital by issuing new shares up to upper limit of registered capital when deemed as necessary in accordance with the provisions of Capital Markets Law and to take decisions on limiting the rights of shareholders for acquiring new shares and on issuing shares at a premium or under its nominal value. Authority of limiting the new share acquirement shall not be used in a way that causes disparity among shareholders.</p>

<p>The Board of Directors may increase the registered capital specified above when necessary by issuing registered share certificates each with kr. 1 (one Kuruş) nominal value to appraise and encourage small savings in the form of share certificate denominations of kr.1 (one Kuruş) and its folds issued as registered and bearer share certificates provided that rate and amount suggested by the Capital Market are complied with. The price of the share certificates are collected promptly and in cash.</p> <p>The shares that represent the capital are being tracked within the frame of dematerialization principles.</p>	
<p>Article 8 – INCREASING AND DECREASING OF CAPITAL The registered capital of the company may be increased or decreased by the decision of General Assembly in accordance with the provisions of Turkish Trade Law and Capital Market Law. In order to execute such decision, which is an amendment to the Articles of Association permissions of Ministry of Industry and Trade and Capital Markets Board, are required.</p>	
<p>Article 9 – INCREASING ISSUED CAPITAL In the event that the capital is increased by issuing new share certificates in the amount of registered Capital, the Board of Directors may issue preferred or nominal value share certificates.</p> <p>In the event that the issued capital is increased, the present shareholders have the preference to buy the new share certificates to be issued. Article Nr. 394 of Turkish Trade Law applies to the use of preference rights.</p> <p>In cases where the capital is increased by converting into the capital the extraordinary reserves and Revaluation and other Funds foreseen by the Legislation each shareholder may have new shares free of charge in proportion to the shares the holder have in the company.</p>	
<p>Article 10 – ISSUE OF BONDS, FINANCING BONDS, PROFIT SHARING DOCUMENTS AND USUFRUCT CERTIFICATE The Company, upon decision of the Board of Directors, may issue secured or unsecured bonds to be marketed both in the country and abroad in the amount limited with the Capital Market Law and Resolution of Cabinet of Ministers Nr. 86/11130. In such case, Articles Nr. 423 and 424 of Turkish Trade Law do not apply. Furthermore, the company upon decision of the Board of Directors, may issue replaceable or profit sharing bonds replaceable with share certificates within the principles determined and announced by the Capital Markets Board.</p> <p>The company, upon decision of the Board of Directors, may Financing Bonds within the framework of Article Nr. 13 of Capital Market Law and Resolution Nr. 86/11130 of Cabinet of Ministers and within the communiqué principles of the Capital Markets Board related to the subject.</p> <p>The company may issue profit and loss sharing documents, Usufruct Certificates and participation usufruct certificates as decided by the General Assembly by determining the maximum amount to be issued, according to the additional article of Resolution Nr. 84/8224 of the Council of Ministers and within the framework of rules prescribed and notified by the Capital Markets Board.</p> <p>When issuing the bonds and certificates stated above, the permission of Capital Markets Board is required.</p>	<p>Article 7 – ISSUE OF BONDS AND OTHER SECURITIES The Company may issue every kind of bonds, cash equivalent bonds, convertible bonds, golden, silver and platinum bonds, commercial paper, participation dividend certificate, profit and loss sharing certificate, other capital market instruments that is accepted as debt instrument for its nature by Capital Markets Board and all other capital market instruments to sell in the country and abroad to real persons and legal entities in accordance with the provisions of Capital Markets Law and other related legislation upon the decision of the board. As per Capital Markets Law, the Board of Directors is authorized for issue and determination of maximum amounts, type, term, interest and other conditions related to the issue and authorizing the Company management on these matters. In the process of issuing, the Company shall comply with Capital Markets Law and regulations included in related legislation.</p>
	<p>Article 8: TRANSFER OF SHARES AND ESTABLISHMENT OF USUFRUCT ON SHARE In relations with Company, registered persons are accepted as shareholders or holders of usufruct right on share by taking only the records kept by Central Registry Agency in stock register into account.</p> <p>For the transfer of registered shares of Company that are publicly-traded, regulations of Capital Markets Board shall be complied with.</p>
	<p>Article 9: ACCEPTANCE OR TAKING OVER OF ITS OWN SHARES AS PLEDGE BY THE COMPANY The Company may accept and/or acquire its own shares as onerous in accordance with related articles of Turkish Commercial Code, regulations of Capital Markets Board and miscellaneous legislation.</p>





## **PART 3 BOARD OF DIRECTORS**

### Article 11 – FORMATION

The business of the company is run by a Board of Directors that will consist of at least 5 (five) members to be selected among the shareholders within the framework of provisions of Turkish Commercial Code and regulations of Capital Markets Board through the decisions of General Assembly. The General Manager of the Company can be appointed as a Board Member.

The number and qualifications of independent members who will take charge in Board of Directors are determined according to the regulations of Capital Markets Board related to corporated governance.

### Article 10: BOARD OF DIRECTORS, ELECTION OF MEMBERS AND BOARD DECISIONS

On condition that unassignable power of General Assembly are reserved as per the related provisions of Turkish Commercial Code, all operations and management of Company are performed by Board of Directors consisting of at least 5 (five) members who will be elected by General Assembly within the framework of the provisions of Turkish Commercial Code and regulations of Capital Markets Board. The numbers and qualifications of independent members who will take charge in the Board of Directors are determined according to the regulations of Capital Markets Board related to Corporate Governance Principles.

Members of Board of Directors can be elected for a term up to 3 years. Member whose duty term is expired, may be reelected.

The qualified persons who have knowledge and expertise about Company's field of activity and management, are able to analyze financial statements and reports, have basic knowledge on legal arrangements that the Company is subject to and are preferably university graduate shall be nominated and elected for Board of Directors Membership.

The General Assembly is authorized for the determination of number of Board Members and the election of members. On condition that the obligations specified by the Corporate Governance Principles of Capital Markets Board are reserved for Independent Members, the General Assembly may change the Board Members at any time if deems as necessary as per 364th Article of Turkish Commercial Code.

In cases where the Board Membership is vacated, the Board of Directors elects a person conforming to legal conditions for a temporary period and submits for the approval of first General Assembly. In case independent member loses its independency, resigns or become inoperative, the procedures determined in the regulations of Capital Markets Board shall be followed.

The meeting and decision quorum in Board of Directors is the absolute majority of total member number. Obligations specified by Corporate Governance Principles of Capital Markets Board are reserved.

Unless one of the members of Board of Directors makes a claim for negotiation, the Board of Directors may take board decisions by obtaining written consent of others for an offer of a member among them regarding a matter. This type of decisions can be taken by obtaining written consents of at least the majority of total member number. Submitting the same offer to all Board Members is a validity condition for taking decision in this method. It is not obligatory to have approval on the same paper, however it is necessary to attach all papers including countersigns into minute book of board of directors or recording into minute book by converting into a decision including the signs of approved persons for the validity of the decision.

### Article 12 – PERIOD AND ELECTION

Members of Board of Directors are elected for a term up to 3 (three) years. In case a member position is vacated or an Independent Board Member lost his independency, appointment shall be made as per provisions of Turkish Commercial Code and regulations of Capital Markets Board and shall be submitted for the approval of first General Assembly.

The qualified persons who have knowledge and information about Company's field of activity and management, are able to analyze financial statements and reports, have basic knowledge on legal arrangements that the Company is subject to and are preferably university graduate shall be nominated and elected for Board of Directors Membership.

The reelection of the member whose term is expired is permissible by law. General Assembly may at any time wholly or partially change the members of the Board of Directors without being bound with the service term.

Service duty of Persons elected to the Board of Directors as a representative of a Legal Entity expires upon written notification to the Board of Directors by the Legal entity specifying that the said persons' relationship with the legal entity has been terminated.

### Article 13 – MEETINGS

The Board of Directors meets whenever Company business requires. However holding minimum four meetings in a year is compulsory. The Board of Directors has to meet upon request of the Chairman or two board members. Board of Directors Meetings may be held in the Company head office or in a suitable place in the city where the company head office is located.

#### Article 14 – MANAGEMENT AND REPRESENTATION

Board of Directors is responsible for the administration and representation of the company towards third parties. In order for all documents and agreement done by the Company to be effective and valid, they should be bearing the Company seal and the signatures of two persons authorized by the Board.

The Board of Directors may allocate Administration and Representation authority among its members or may transfer such authority to executive directors or managers who are not required to be shareholders, totally or partially. Article 319 / 1 of the Turkish Code of Commerce is reserved.

It is the Board of Directors that has the authority to allocate Administration and the Representation authority as mentioned above.

The Board of Directors sets the organization and responsibilities of the executive directors or managers and can transfer all kinds of authorization and responsibilities of the Board of Directors to relevant individuals in line with the conditions, provisions and limitations set by the Board of Directors, and can amend or withdraw in whole or part these authorizations when it considers necessary.

The Board of Directors can establish advisory, coordination and similar nature committees or sub-committees among its members and/or non-members for suitable subjects.

The principles related to meeting organization, working and reporting carried out by such committees are set, arranged and amended by the Board of Directors.

#### Article 15 – OTHER PROVISIONS RELATED TO BOARD OF DIRECTORS

Form of Meeting, Quorum for meeting and decisions, voting, duties and powers of the Board of Directors, conditions pertaining to withdrawal, death of a board member or inability to perform his duties, election of a new board member to the position vacated are carried in accordance with the provisions of Turkish Commercial Code and regulations of Capital Markets Board.

However, the following operations are executed in all cases by the decision of the Board of Directors:

1. Employment and termination of employment of General Manager and Assistant General Managers and determination of employment and powers of same.
2. Determination of persons authorized to sign on behalf of the Company and the limits of the authority of same.
3. Determination time and terms of business subjects to be undertaken which are included in the Article nr. 3 of the Articles of Association.
4. Agencies and Representations to be obtained for the Company.
5. Opening and closing branches.
6. Principle decisions pertaining to purchase and sale.
7. Purchase and sale of immovables for the company.
8. Determination of Annual business program, budget and Staff and make changes in the same.
9. Preparation of Balance Sheet, Profit and Loss Statement and Annual Report.
10. Other businesses specified in the Articles of Incorporation and Turkish Trade Law which can be carried out only by Board of Directors Decision.

Hereby the provisions of 45<sup>th</sup> Article of this Articles of Association are reserved in meeting and decision quorums of Board of Directors.

#### Article 11: DIVISION OF TASKS OF BOARD OF DIRECTORS, REPRESENTATION AND DELEGATION OF MANAGEMENT

In case Chairman of the Board is not elected by General Assembly, Chairman and Vice Chairman for acting as deputy of chairman when chairman is not available, are elected by the Board of Directors. Vice Chairman of the Board is authorized as well in terms of authorities of Chairman of the Board specified by Turkish Commercial Code regarding notice of meeting and demands of board members for obtaining information.

The Board of Directors, especially, may institute proceedings, start arbitration, start every kind of collection and legal proceedings, may perform conciliation and acquittance proceedings, may make an offer to stop the execution of bankruptcy and concordatum proceedings, on condition to comply with the regulations of Capital Markets Board, may make donations, may make an exchange commitment, may provide warranty, may perform transactions for establishing conveyancing and pledge transaction on real properties. If necessary, the Company may authorize third parties on these matters.

The Board of Directors is authorized to partly or wholly delegate the management to a person or several persons (delegates) who is/are or not board members by an internal directive that the Board of Directors will prepare as per 367<sup>th</sup> Article of Turkish Commercial Code. The Board of Directors determines the authority and obligations of delegates by this internal directive and may delegate every kind of authorities and obligations that are assigned to Board of Directors to related persons within the frame of conditions, provisions and limitations again determined by the Board of Directors and if necessary may amend and modify these authorities in part or in whole or may withdraw. 375<sup>th</sup> Article of Turkish Commercial Code is reserved.

Within the frame of 370<sup>th</sup> Article of Turkish Commercial Code, the Company may delegate power of attorney of the Board of Directors to a person or several persons who is/are board member or shareholder or it is not obligatory to be board member. However in such case, it is obligatory that at least one board member has the power of attorney. Unless a special decision is taken by the Board of Directors, any two board members who are not independent within the scope of the regulations of Capital Markets Board may bind the Company in all respects with their signatures together under the Company's name.

The Board of Directors is authorized for the division of management and representation tasks as abovementioned. The Board of Directors, on condition to comply with the provisions of related legislation, may establish advisory, coordinating, audit and similar nature committees or sub-committees consisting of persons who are and/or not board in the fields that deemed necessary. The principles related to meeting organization, working and reporting carried out by such committees are set, arranged and amended by the Board of Directors.

<p>Article 16 – REMUNERATION Attendance fees can be paid to Board Members within the context of Turkish Commercial Code. In consideration of other services that Board Members and above mentioned committee members have provided, in addition to attendance fees, can be paid salaries, bonuses or premiums. The method and the amount of the payments to the Board Members including executive directors due to board membership are determined by the General Assembly and the method and the amount of the payments to committee members due to committee membership service are determined by the Board of Directors in line with the legislation.</p>	<p>Article 12: REMUNERATIONS OF MEMBERS OF BOARD OF DIRECTORS AND COMMITTEE Within the scope of related provisions of Turkish Commercial Code and regulations of Capital Markets Board, attendance fees, wages, premium and bonus may be paid to Board Members and Members of Committee specified in 11<sup>th</sup> Article for their service provided to Company in the capacity of Board Members and Members of Committee.</p> <p>The method and the amount of the payments to the Board Members including executive directors due to board membership are determined by the General Assembly and the method and the amount of the payments to committee members due to committee membership service are determined by the Board of Directors in line with the legislation. In the remuneration of Independent Board Members stock options or payment schedule based on Company performance are not used.</p>
<p><b>PART 4 AUDITORS</b></p> <p>Article 17 – ELECTION General assembly elects one or two auditors among the shareholders or outside the company every year. The Auditors must be Turkish Citizens.</p> <p>The auditor whose term has expired can be reelected. The board members whose term has expired cannot be elected as auditor unless released by the General Assembly. Auditors cannot be elected to Board member Board member positions and cannot be employee of the company.</p> <p>Provisions of Turkish Commercial Code apply to the Election, change, termination of job, death and withdrawal of the auditors.</p>	<p>Article 13: AUDIT For the audit of Company and other matters specified in the legislation related provisions of Turkish Commercial Code and Capital Markets Legislation are applied.</p> <p>The Board of Directors may establish internal audit arrangement operating under its authority with the purpose of internal audit as per 366<sup>th</sup> Article of Turkish Commercial Code.</p>
<p>Article 18 – DUTIES AND POWERS Auditors are empowered to suggest the Board of Directors to take necessary measures to manage the company in the best way possible and protect the rights of the company call in the General Assembly to meeting and determine the meeting agenda when required besides being responsible for performing the duties specified in Articles Nr. 353 and 354 of Turkish Commercial Code.</p>	
<p>Article 19 – RESPONSIBILITY OF AUDITORS Auditors are consecutively liable for not properly fulfilling the duties assigned to them by the Law and Articles of Incorporation.</p>	
<p>Article 20 – ATTENDING MEETINGS Auditors can attend the Board of Directors meeting without right to vote as well as have the matters taken into agenda of Board of Directors meetings and Ordinary and Extraordinary General Assembly meetings.</p>	
<p>Article 21 – REMUNERATION Auditors are paid a monthly or annual salary to be determined by the General Assembly.</p>	
<p><b>PART 5 GENERAL ASSEMBLY</b></p> <p>Article 22 – ESTABLISHMENT Shareholders are to gather at least once a year via a General Assembly. The General Assembly (Shareholders’ Meeting) is to be held in line with the relevant laws and the provisions of the Articles of Association and represents all shareholders. All decisions made during the General Assembly will be binding for both the opponents of the decisions and those absent from the meeting.</p> <p>The General Assembly can be open to public in manner that would include the media and stakeholders on the condition that they have no right to make comments.</p>	<p>Article 14– GENERAL ASSEMBLY</p> <p>Following principles are applied at General Assemblies.</p> <p><b>a) Convocation Method;</b> General Assemblies meet as ordinarily or extraordinarily. In these convocations the provisions of Turkish Commercial Code and regulations of Capital Markets Board are applied. General Assembly is performed as open to public including stakeholders and media without having a right to make any comments.</p> <p><b>b) Meeting Time;</b> Ordinary General Assembly meets within three months following the fiscal period of the Company and at least one time in a year. In these meetings matters that should be negotiated as per agenda are evaluated and concluded. Extraordinary General Assembly meets in case of necessary situations and periods, in accordance with Turkish Commercial Code, regulations of Capital Markets Board and provisions that are stated in this Articles of Association and takes the necessary decisions.</p> <p><b>c) Voting Right;</b> Shareholders attended to Ordinary and Extraordinary General Assemblies use their voting rights in proportion to nominal value of their total shares. In General Assemblies, voting performed as open voting. However, on demand of shareholders who have at least one-twentieth of shares represented in the meeting, secret ballot method is used.</p>

	<p><b>d) Representation;</b> For representing by proxy, on condition to comply with the regulations of Capital Markets Board, in General Assemblies shareholders may have themselves represented by other shareholders or by a proxy who will be appointed from outside. Proxies who have shares in the Company are authorized to use the voting right of the shareholder who they represent in addition to their own voting rights. On condition that representative appointments performed via Electronic General Assembly System are reserved, the power of attorney provided for this purpose should be in written.</p> <p><b>e) Meeting Place;</b> The General Assembly meets in head office building of the Company or in a suitable place in Istanbul.</p> <p><b>f) Attendance to the Meeting;</b> At least one Board Member and Executive Directors, auditor, at least one of the authorized officers who have the responsibility for preparing the financial statements and at least one of the authorized officers who is competent on the subjects having a special place in the agenda to provide explanations shall attend to General Assembly. If persons who are apart from the persons who shall attend to meeting as per law, shall not attend the meeting, their reasons for not attending to the meeting are submitted to General Assembly's information by the chairman of the meeting.</p> <p><b>g) Chairman of Meeting;</b> Meeting Chairman who is authorized to manage the negotiations at General Assembly is assigned from shareholders and at least 1(one) member who is authorized to collect the votes and Minute Registrar are assigned from shareholders or outside.</p> <p><b>(h) Meeting and Decision Quorum;</b> On condition that further quorums specified in regulations of Turkish Commercial Code and Capital Markets Board are reserved, meeting and decision quorum at all General Assemblies of the Company is the absolute majority of the capital.</p> <p><b>(i) Internal Directive;</b> The Board of Directors shall prepare an internal directive including the rules regarding operation procedures and principles of General Assembly as per related provisions of Turkish Commercial Code and regulations and communiqués issued within the frame of this Law and submit this for the approval of General Assembly. The internal directive approved by General Assembly is registered and announced in Trade Registry.</p> <p><b>(i) Attending to General Assembly via electronic platform;</b> Shareholders who have attendance right for General Assemblies of the Company, may attend these meetings via electronic platform as per 1527<sup>th</sup> Article of Turkish Commercial Code. The Company may both establish an electronic general assembly system and may buy service from the systems established for this purpose to enable shareholders to attend general assemblies via electronic platform, state opinions, make an offer and vote as per the provisions of regulation Regarding the Electronic General Assembly Meetings of Joint Stock Companies. In all General Assemblies to be performed, as per this provision of Articles of Association , shareholders and representatives are enabled to use their rights specified in the provisions of mentioned Regulation via established system.</p>
<p>Article 23 – TYPES OF MEETING General Assembly meets ordinarily and extraordinarily.</p> <p>Ordinary General Assembly meets within three months from the end of accounting period of the Company and at least once a year. At this meeting the annual transactions and accounts and other subjects in the agenda are reviewed and decided upon. Extraordinary General Assembly meets at time circumstances the company business requires in accordance with the provisions of Turkish Trade Law and this Articles of Incorporation and reviews the subjects included in the Agenda and takes the required decisions.</p>	
<p>Article 24 – PLACE OF MEETING General Assemblies meet at the Company Head Office or in a suitable place in the City.</p>	



<p>Article 25 – ANNOUNCEMENT AND NOTIFICATION Ordinary and Extraordinary General Assemblies are to be announced in line with the Article 368 of the Turkish Commercial Code.</p> <p>The General Assembly is to be announced at least 3 weeks before the actual meeting date.</p> <p>In addition, the General Assemblies are to be notified to the Ministry of Industry and Commerce or its authorized unit and the Capital Markets Board along with the meeting agenda at least three weeks before the actual meeting date. Any change in legislation will be applied.</p> <p>A commissioner of the Ministry of Industry and Commerce should be present at the meetings; decisions made in the absence of a commissioner will not be effective.</p>	
<p>Article 26 – QUORUM Provisions of Turkish Commercial Code and regulations of Capital Markets Board shall be valid for the quorums at ordinary and extraordinary General Assemblies.</p>	
<p>Article 27 – NUMBER OF VOTES Each share with a nominal value of Kurus 1 has a right of one vote at General Assembly Meetings.</p>	
<p>Article 28 – REPRESENTATION BY PROXY Shareholders can have themselves represented by proxy in the General Assembly by other shareholders or by a third person from outside they will appoint. The proxies who are also shareholders of the company have the right to vote for the shareholder they represent as well as for themselves.</p> <p>If the usufruct right and the possession right of a share belong to different persons they may be represented in the best form agreed between themselves. If such an agreement is not reached then the right to attend and vote at the General Assembly meetings is used by the holder of usufruct right.</p> <p>The provisions of Capital Market Board concerning voting by proxy are reserved.</p>	
<p>Article 29 – ATTENDANCE DOCUMENTS The holders of bearer shares or their proxies who will attend the General Assembly have to deliver both the shares they hold and the shares they represent by proxy or the documents evidencing such representation to company head office or the location to be indicated by the Board of Directors a week prior to the meeting date and receive an attendance document indicating the number serial number of the share certificates.</p> <p>If majority is not achieved in the first meeting then these documents will be valid for the second meeting. However the power of attorney issued to those who will attend the meeting by proxy have to be effective.</p>	
<p>Article 30 – LIST OF THOSE PRESENT A list showing the address, amount of shares and number of votes of the shareholders or proxies and representatives attending the General Assembly must be prepared and a copy of this list must be placed before the meeting at a place where the shareholders can see it and a copy of such list must be attached to the minutes of the meetings.</p>	
<p>Article 31 – TRANSFER OF SHARES BEFORE GENERAL ASSEMBLY MEETING The bearer share certificates delivered to get attendance document cannot be transferred to another person until the General assembly meeting is concluded.</p>	

<p><b>Article 32 – PRESIDING BOARD</b> Presiding Board of General Assembly consists of a Chairman, two vote collectors and a clerk.</p> <p>It is the Chairman of the Board who leads the General Assembly. In cases where the Chairman is absent, the chairman for the Assembly is to be selected out of the participants of the meeting who are present including the vote collectors and the clerk.</p> <p>The Chairman’s duty is to ensure that the meeting is held in line with the relevant procedures and that the meeting minutes are prepared in line with the relevant provisions of the law and the Articles of Association.</p> <p>At least one Board member, one Auditor and at least one of the Company officials involved in the preparation of financial tables, auditors and Company officials related to specific issues that are important agenda items are to be present at the meeting, the Chairman of the meeting is to inform the General Assembly about the reasons of their absence.</p>	
<p><b>Article 33 – MINUTES OF MEETING</b> It is required to keep a minutes of the meeting that shows the scope, conclusion and the reasoning of the opposition to the decision in order for the decisions taken in the General Assembly to be valid. This minutes of the meeting is signed by the present at the meeting and the Commissar.</p> <p>If the Presiding Board is authorized to sign the minutes of the meeting by the present at the meeting, then the minutes of the meeting can be signed only by the Presiding Board provided that this authorization is specified in the minutes of the meeting.</p> <p>The documents showing that the call for the meeting is made in compliance with the procedures must be attached to the minutes of the meeting or specified in writing in the same.</p> <p>The Board of Director is obliged to have a certified copy of the minutes of the meeting registered and announced a summary of it at the Trade Register.</p>	
<p><b>Article 34 – DUTIES OF GENERAL ASSEMBLY</b> The main duties and powers of the General Assembly are as follows:</p> <ol style="list-style-type: none"> <li>1. Discuss and decide on matters which are outside the authority of the Board of Directors.</li> <li>2. Decide on the reports, balance sheet, Profit and Loss Statement to be issued by the Board of Directors and the Auditors, Decide on the release or liability of the Board of Directors and the Auditors, determine the method of profit distribution.</li> <li>3. Select the members of the Board of Directors and change them when necessary, determine the remuneration to be provided to them.</li> <li>4. Decide on whether or not to give permission for transaction which the members of the Board of Directors are required to obtain permission.</li> </ol> <p>Within the framework of provisions of Turkish Commercial Code and regulations of Capital Markets Board, the powers of the General Assembly are not limited with only the ones specified below but includes decisions concerning the business directly or indirectly related with the company such as conducting and developing company business, changing provisions of Articles of Association. In General Assembly Votings the provisions of 45th Article of this Articles of Association are reserved.</p>	
<p><b>Article 35 – VOTING METHOD</b> In the General Assembly Meetings voting is performed by raising hands. However, it is required to apply closed ballot if one tenth of the capital represented in the meeting so requests. The provisions of Capital Market Board concerning voting by proxy are reserved.</p>	

<p>Article 36 – DELIVERY OF MINUTES OF MEETING TO MINISTRY AND CAPITAL MARKETS BOARD AND ITS ANNOUNCEMENT</p> <p>Two copies of the Board of Directors and Auditor Reports, Annual Balance Sheet and Profit and Loss Statement, minutes of Meeting of General Assembly will be sent to Ministry of Industry and Trade and one copy of each of the above will be sent together with the necessary announcements to capital Market Board within one month following the last date of the General Assembly Meeting.</p> <p>The document to be sent to Ministry of Industry and Trade may also be handed to the commissar present at the meeting.</p> <p>Article Nr. 16 of Capital Market Law and related communiqué principles of Capital Market Board apply to issue and announcement of Balance sheet, Profit and Loss Statement, Board of Directors and Auditor Reports.</p>	
<p>Article 37 – AMENDMENT OF ARTICLES OF ASSOCIATION</p> <p>Validity and application of any amendment to be made to this Articles of Incorporation is subject to permission of Ministry of Industry and Trade and Capital Market Board on required matters. Any such amendment shall be effective at the date it is announced following approval and registration of it to the Trade Register.</p>	<p>Article 15 – CORPORATE GOVERNANCE PRINCIPLES</p> <p>Corporate Governance Principles which have been made obligatory by Capital Markets Board are complied with.</p> <p>In transactions deemed as significant in terms of implementation of Corporate Governance Principles and all related party transactions of Company and in transactions related to providing warranty, pawn and mortgage in favor of third parties the regulations of Capital Markets Board related to corporate governance are applied.</p> <p>Any transactions made and any decisions taken by Board of Directors on the contrary of obligatory principles are invalid and constitute a contradiction against Articles of Association.</p>
<p>Article 45 – COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES</p> <p>Corporate Governance Principles which are made obligatory by Capital Markets Board shall be complied. Any transactions made and any decisions taken by Board of Directors on the contrary are invalid and constitute a contradiction against Articles of Association.</p> <p>In transactions deemed as significant in terms of implementation of Corporate Governance Principles and all related party transactions of Company and in transactions related to providing warranty, pawn and pledge in favor of third parties the regulations of Capital Markets Board related to corporate governance shall be valid.</p>	<p>Article 16 - ANNOUNCEMENTS</p> <p>Matters which are obligatory to be announced as per Law are announced in accordance with related provisions of Turkish Commercial Code and regulation and communiqués issued within the frame of this Law, regulations of Capital Markets Board and other legislation to be subjected. Matters, whose announcement target is not specified within the regulations, are announced on the Company's website.</p>
<p>Article 43 – ANNOUNCEMENTS</p> <p>Reserving the provisions of the Article Nr. 37 of Turkish Commercial Code and taking into account the communiqués of Capital Market Board, the announcements related with the company are published at least in one daily newspaper published in the Location of Company head office. The provisions of this Articles of Association concerning General Assembly Meetings are reserved.</p>	<p>Article 17 –ACCOUNTING YEAR</p> <p>The accounting year of the Company starts with first day of January and ends in the last day of December of the same year.</p>
<p><b>PART 6</b> <b>ACCOUNTS, BALANCE SHEET AND PROFIT/LOSS STATEMENT</b></p> <p>Article 38 – ACCOUNTING YEAR</p> <p>The Accounting year of the Company is Calendar Year.</p>	<p>Article 18 – DETERMINATION AND DISTRIBUTION OF PROFIT</p> <p>Period income indicated in the annual balance sheet and remained after deducting the amounts such as general expenditures of the Company and miscellaneous depreciation that it is obligatory to be paid or to be reserved by the Company and taxes that is obligatory to be paid by legal entity of the Company from the revenues determined at the end of Company's fiscal period and if any, after deducting losses of previous periods, are respectively distributed as indicated below:</p> <p>General Legal Reserve:</p> <p>a) 5% is reserved into legal reserve.</p> <p>First Dividend:</p> <p>b) First dividend is reserved from the remaining, if any, from the amount to be determined with the addition of donation amount made within the year in accordance with Turkish Commercial Code and Capital Markets Board Legislation.</p> <p>Second Dividend:</p> <p>c) The General Assembly is authorized to distribute the remaining amount after deducting the amounts specified in (a) and (b) clauses from the net period income in part or in whole as second dividend share or to reserve as the reserve fund reserved at its own discretion as per 521st Article of Turkish Commercial Code.</p>
<p>Article 39 – DISTRIBUTION OF PROFIT</p> <p>The amount remaining after deducting all kinds expenses paid and to be accrued, depreciations, provisions to be allocated by the company from the accounting year and income of the company forms the profit before tax.</p> <p>After allocating provisions for all kinds of taxes, fund share and financial Liabilities with similar nature falling particularly on the Legal entity of the company from this profit in line with the decisions of Capital Market the remaining net profit shown in the annual Balance sheet is distributed as follows after deducting previous year loss if any.</p> <ul style="list-style-type: none"> <li>- 5 % Legal Reserves according to the provisions of Turkish Trade Law;</li> <li>- First dividend in rate and amount determined by Capital Markets Board is set aside.</li> </ul> <p>General Assembly is authorized to decide whether the balance shall be wholly or partly set aside for extraordinary Reserves or distributed. From the portion decided to be distributed to share holders and other persons participating in profit sharing, in accordance with the 3<sup>rd</sup> Subparagraph of 2<sup>nd</sup> paragraph of Article Nr. 466 of Turkish Trade Law second disposition of reserves is set aside equal to the one tenth of the amount found after deducting a profit share of 5% of the paid up capital.</p>	

<p>In case of new shares' being issued in place of dividends or by making use of not distributed profits in the balance sheet through an increase of share capital, no second disposition of reserves shall be set aside in accordance with the resolutions of Capital Markets Board.</p> <p>Including the first dividend, date and method of distribution of Profit is decided by the General Assembly in line with the proposal of the Board of Directors taking into account the communiqué of Capital Market Board.</p> <p>Unless reserves to be set aside according to the provisions of Law and the first dividend specified for shareholders in the Articles of Incorporation are set aside, another reserve can not be set aside or profit transfer to the following year can not be made and unless the first dividend is not distributed in cash and/or in the form of share certificate decision for distribution of share from profit to members of the Board of Directors, employees, foundations similar persons and/or institutions established with miscellaneous purposes can not be taken.</p> <p>Dividend is distributed to all present shares equally for the period without regard to issue and participation date of the same.</p> <p>The Company may distribute dividends in advance to its shareholders in accordance with the regulations stipulated under the Capital Markets Law.</p>	<p>General Legal Reserve:</p> <p>d) One-tenth of the amount obtained after deducting profit share at the rate of 5% from the amount that it has been decided to distribute among shareholders and other persons who participated to the profit, is added to general legal reserve as per 2<sup>nd</sup> paragraph of 519<sup>th</sup> Article of Turkish Commercial Code.</p> <p>Unless reserve funds which has to be reserved as per the provision of Law and the profit share specified for shareholders within the Articles of Association distributed as cash and/or stock; reserving other reserve funds, transferring profit to following year and distributing dividend to board members, officers, clerks and employees, foundations established for various purposes and similar persons and/or establishments cannot be decided.</p> <p>Dividend is distributed to all present shares equally as of the date of distribution without regard to issue and acquisition date of the same.</p> <p>Distribution method and time of the profit which it has been decided to be distributed are determined by the General Assembly upon the offer of the Board of Directors in this matter.</p> <p>Decision on the distribution of dividend which has been decided by General Assembly in accordance with this Articles of Association is irrecoverable.</p>
<p><b>PART 7 TERMINATION AND LIQUIDATION OF COMPANY</b></p> <p>Article 40 – REASONS FOR TERMINATION AND LIQUIDATION The Company terminates with the reasons specified in Turkish Trade Law and by the decision of Court. Furthermore the company may terminate with the decision of General Assembly within the frame of legal provisions. The Board of Directors may call the General Assembly for a meeting with any reason to discuss the termination and liquidation of the company.</p>	
<p>Article 41 – RECEIVERS If the company terminates or terminated for reasons other than bankruptcy General Assembly may appoint up to three receivers. Receivers may be elected from the shareholders or outside the company.</p>	
<p><b>PART 8 MISCELLANEOUS PROVISIONS</b></p> <p>Article 42 – AUTHORIZED COURT The courts at the place of the Company head office are authorized to resolve any dispute that may arise between the shareholders or between shareholders and company concerning both the operation of the company and Company business at the time of liquidation.</p>	
<p>Article 44 – PRINTING THE ARTICLES OF ASSOCIATION The Company will print and distribute this Articles of Association to the shareholders as well as send ten copies and one copy to Ministry of Industry and Trade, and Capital Markets Board respectively.</p>	
	<p>Article 19: ADVANCE DIVIDEND PAYMENTS General Assembly may take a decision to distribute advance dividend payments to shareholders within the frame of the regulations of Capital Markets Board and related legislation.</p>
	<p>Article 20: FOUNDATION FOR COMPANY PERSONNEL The Company may establish a foundation for the benefit of its officers, personnel and employees in the qualification specified in 522<sup>nd</sup> Article of Turkish Commercial Code and may participate into the foundations which have been established within this scope as well.</p>
	<p>Article 21–LEGAL PROVISIONS For the matters which are not specified in this Articles of Association , the legislation provisions related to Turkish Commercial Code and Capital Markets Law are applied.</p>





<p>PROVISIONAL CLAUSE</p> <p>Being previously 5,000 TL the nominal value of the shares has been amended as 1 Yeni (New) Kurus pursuant to the Law Regarding Amendment of 5274 numbered Turkish Commercial Code first and then amended as 1 Kurus upon the removal of the expression "New" in the New Turkish Liras and New Kurus on 1 January 2009 with the Cabinet Decision No. 2007/11963 dated 4 April 2007. Due to such amendment, the total number of shares has decreased and a share with a nominal value of 1 Yeni Kurus has been given in return for two shares each with a nominal value of 5,000 TL. Rights of the shareholders arising from such amendment are reserved.</p> <p>The expressions of "Turkish Liras" in this articles of association are the expressions amended pursuant to the above-mentioned Cabinet Decision.</p>	<p>Article 22 : ESTABLISHMENT Cancelled.</p> <p>Article 23 : TYPES OF MEETING Cancelled.</p> <p>Article 24 : PLACE OF MEETING Cancelled.</p> <p>Article 25 : ANNOUNCEMENT AND NOTIFICATION Cancelled.</p> <p>Article 26 : QUORUM Cancelled.</p> <p>Article 27 : NUMBER OF VOTES Cancelled.</p> <p>Article 28 : REPRESENTATION BY PROXY Cancelled.</p> <p>Article 29 : ATTENDANCE DOCUMENTS Cancelled.</p> <p>Article 30 : LIST OF THOSE PRESENT Cancelled.</p> <p>Article 31 : TRANSFER OF SHARES BEFORE GENERAL ASSEMBLY MEETING Cancelled.</p> <p>Article 32 : PRESIDING BOARD Cancelled.</p> <p>Article 33 : MINUTES OF MEETING Cancelled.</p> <p>Article 34 : DUTIES OF GENERAL ASSEMBLY Cancelled.</p> <p>Article 35 : VOTING METHOD Cancelled.</p> <p>Article 36 : DELIVERY OF MINUTES OF MEETING TO MINISTRY AND CAPITAL MARKETS BOARD AND ITS ANNOUNCEMENT Cancelled.</p> <p>Article 37 : AMENDMENT OF ARTICLES OF ASSOCIATION Cancelled.</p> <p>Article 38 : ACCOUNTING YEAR Cancelled.</p> <p>Article 39 : DISTRIBUTION OF PROFIT Cancelled.</p> <p>Article 40 : REASONS FOR TERMINATION AND LIQUIDATION Cancelled.</p> <p>Article 41 : RECEIVERS Cancelled.</p> <p>Article 42 : AUTHORIZED COURT Cancelled.</p> <p>Article 43 : ANNOUNCEMENTS Cancelled.</p> <p>Article 44 : PRINTING THE ARTICLES OF ASSOCIATION Cancelled.</p> <p>Article 45 : COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES Cancelled.</p> <p>PROVISIONAL CLAUSE Cancelled.</p>
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### **DEPENDENT COMPANY REPORT PREPARED WITHIN THE SCOPE OF 199<sup>TH</sup> ARTICLE OF TURKISH COMMERCIAL CODE**

As per the 199<sup>th</sup> Article of 6102 numbered Turkish Commercial Code entered into force on July 1, 2012, the Board of Directors of Arçelik A.Ş. is obliged to prepare a report on relations in previous activity year with controlling company and its dependent companies within first three months of the current activity year and to include the conclusion of this report in the annual report. The necessary declarations of Arçelik A.Ş. on transactions performed with related parties are included in the 31 numbered financial report footnote.

In March 4, 2013 dated Report, prepared by the Board of Directors of Arçelik A.Ş. following declaration was included: "It has been concluded that in all transactions made within 2012 with controlling company and its dependent companies, based on the situations and conditions to the best of our knowledge at the time of transaction or taken precaution or avoiding to take the precaution, in every transaction a proper counter performance has been provided and there was no precaution taken or avoided to be taken that may damage the company and there was no transaction or precaution that may require balancing in this context."

**AUDITOR'S REPORT****To The General Assembly of Arçelik A.Ş.**

Please find below results of auditing activities in relation with the financial year 2012 of the Company.

1. It is understood pursuant to Turkish Commercial Code and the relevant regulations that;
  - a. Mandatory books and records are duly kept pursuant to the laws,
  - b. Documents evidencing the records are regularly kept,
  - c. Decisions related to the Company management are duly recorded in the minutes book.
2. In this context regarding the status of the Company, we are in the opinion that the attached consolidated financial statements, prepared as of January 1, 2012 and December 31, 2012 in accordance with the provisions of Communiqué Serial: XI, No: 29 of the Capital Markets Board on "Principles for Financial Reporting in Capital Markets" as well as the announcements that provide explanations thereto, reflect accurately the consolidated financial status and consolidated activity results of the Company as of the aforementioned period.

As a conclusion, we hereby submit company affairs summarized in the Report issued by the Board of Directors, consolidated financial statements issued in accordance with the Capital Market regulations, proposals of the Board of Directors about the period results and the acquittal of the Board of Directors to the approval of the General Assembly.

Istanbul, February 11, 2013

Sincerely,



**İnanç Kiraz**



**İbrahim Murat Çağlar**



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## 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.

### 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

**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
<b>ASSETS</b>			
<b>Current Assets:</b>			
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
<b>Total current assets</b>		<b>6,728,107</b>	<b>6,026,828</b>
Assets held for sale		8,571	7,021
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>3,491,475</b>	<b>3,163,904</b>
<b>Total assets</b>		<b>10,228,153</b>	<b>9,197,753</b>

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.

## 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
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>3,949,762</b>	<b>3,530,620</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>2,351,156</b>	<b>2,015,492</b>
<b>Total liabilities</b>		<b>6,300,918</b>	<b>5,546,112</b>
<b>EQUITY</b>			
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
<b>Total equity</b>		<b>3,927,235</b>	<b>3,651,641</b>
<b>Total liabilities and equity</b>		<b>10,228,153</b>	<b>9,197,753</b>

Commitments, contingent assets and liabilities 18

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

## 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)
<b>Gross profit</b>		<b>3,053,837</b>	<b>2,540,230</b>
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)
<b>Operating profit</b>		<b>757,137</b>	<b>645,894</b>
Income from associates (net)	12	34,551	28,378
Financial income	27	336,798	415,558
Financial expenses	28	(499,114)	(474,421)
<b>Income before tax</b>		<b>629,372</b>	<b>615,409</b>
<b>Income tax expense</b>			
- Taxes on income	29	(85,824)	(71,996)
- Deferred tax income / (expense)	29	8,140	(2,326)
<b>Net income</b>		<b>551,688</b>	<b>541,087</b>
<b>Attributable to:</b>			
Non-controlling interest		26,924	34,581
<b>Equity holders of the parent</b>		<b>524,764</b>	<b>506,506</b>
<b>Earnings per share (Kr)</b>	30	<b>0.777</b>	<b>0.750</b>

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

## 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
<b>Net income for the year</b>	<b>551,688</b>	<b>541,087</b>
<b>Other comprehensive income:</b>		
Fair value (decrease)/increase on financial assets	147,365	(167,280)
Tax effect	(7,368)	8,364
	<b>139,997</b>	<b>(158,916)</b>
Foreign currency hedge of net investments in foreign operations	159	(59,205)
Tax effect	(32)	11,841
	<b>127</b>	<b>(47,364)</b>
Cash flow hedges	-	(20,965)
Less: transfers to carrying amounts of hedged items (Note 3)	-	20,965
	-	-
Share of other comprehensive income of associates	<b>(1,708)</b>	<b>1,151</b>
Tax effect of amortization calculated over intangible assets revaluation increases	<b>420</b>	<b>423</b>
Currency translation differences	<b>(69,768)</b>	<b>169,351</b>
<b>Reclassification:</b>		
Cash flow hedges (net)	-	(271)
<b>Other comprehensive income/(loss) (net of tax)</b>	<b>69,068</b>	<b>(35,626)</b>
<b>Total comprehensive income</b>	<b>620,756</b>	<b>505,461</b>
<b>Attributable to:</b>		
Non-controlling interest	24,696	51,421
<b>Equity holders of the parent</b>	<b>596,060</b>	<b>454,040</b>

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



## 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	Retained earnings	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity
<b>As of January 1, 2011</b>	675,728	468,811	889	511,969	168,445	29,585	14,507	954,525	517,093	3,341,552	66,182	3,407,734
<b>Comprehensive income</b>												
Net income for the period	-	-	-	-	-	-	-	-	506,506	506,506	34,581	541,087
<b>Other comprehensive income</b>												
Fair value gains on financial assets (net)	-	-	-	(158,916)	-	-	-	-	-	(158,916)	-	(158,916)
Cash flow hedges (net)	-	-	-	(271)	-	-	-	-	-	(271)	-	(271)
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	(47,364)	-	-	-	-	-	(47,364)	-	(47,364)
Share of other comprehensive income of associates	-	-	-	1,151	-	-	-	-	-	1,151	-	1,151
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	423	-	-	-	-	-	423	-	423
Currency translation differences	-	-	-	36,174	-	116,337	-	-	-	152,511	16,840	169,351
<b>Total other comprehensive income</b>	-	-	-	(168,803)	-	116,337	-	-	-	(52,466)	16,840	(35,626)
<b>Total comprehensive income</b>	-	-	-	(168,803)	-	116,337	-	-	506,506	454,040	51,421	505,461
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,661)	-	-	-	1,661	-	(250,000)	(11,554)	(261,554)
Dividends paid	-	-	-	-	21,621	-	-	(271,621)	-	3,545,592	106,049	3,651,641
<b>As of December 31, 2011</b>	675,728	468,811	889	341,505	190,066	145,922	14,507	1,201,658	506,506	3,545,592	106,049	3,651,641
<b>As of January 1, 2012</b>	675,728	468,811	889	341,505	190,066	145,922	14,507	1,201,658	506,506	3,545,592	106,049	3,651,641
<b>Comprehensive income</b>												
Net income for the period	-	-	-	-	-	-	-	-	524,764	524,764	26,924	551,688
<b>Other comprehensive income:</b>												
Fair value gains on financial assets (net)	-	-	-	139,997	-	-	-	-	-	139,997	-	139,997
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	127	-	-	-	-	-	127	-	127
Share of other comprehensive income of associates	-	-	-	(1,708)	-	-	-	-	-	(1,708)	-	(1,708)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	420	-	-	-	-	-	420	-	420
Currency translation differences	-	-	-	(8,408)	-	(59,132)	-	-	-	(67,540)	(2,228)	(69,768)
<b>Total other comprehensive income</b>	-	-	-	130,428	-	(59,132)	-	-	-	71,296	(2,228)	69,068
<b>Total comprehensive income</b>	-	-	-	130,428	-	(59,132)	-	-	524,764	596,060	24,696	620,756
Transfers	-	-	-	-	-	-	-	506,506	(506,506)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,648)	-	-	-	1,648	-	(300,000)	(45,162)	(345,162)
Dividends paid	-	-	-	-	26,621	-	-	(326,621)	-	3,841,652	85,583	3,927,235
<b>As of December 31, 2012</b>	675,728	468,811	889	470,285	216,687	86,790	14,507	1,383,191	524,764	3,841,652	85,583	3,927,235

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

## 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
<b>Operating activities:</b>			
<b>Income before tax</b>		<b>629,372</b>	<b>615,409</b>
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes</i>			
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
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>1,099,039</b>	<b>981,634</b>
Changes in operating assets and liabilities (net)	34	(316,556)	(996,691)
Corporate taxes paid		(82,433)	(70,613)
<b>Cash flows from operating activities</b>		<b>700,050</b>	<b>(85,670)</b>
<b>Investing activities:</b>			
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
<b>Cash flows from investing activities</b>		<b>(435,114)</b>	<b>(810,447)</b>
<b>Financing activities:</b>			
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)
<b>Cash flows from financing activities</b>		<b>313,423</b>	<b>734,804</b>
Currency translation differences (net)		(11,744)	20,900
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>566,615</b>	<b>(140,413)</b>
<b>Cash and cash equivalents at January 1</b>	<b>5</b>	<b>1,172,662</b>	<b>1,313,075</b>
<b>Cash and cash equivalents at December 31</b>	<b>5</b>	<b>1,739,277</b>	<b>1,172,662</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 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
<b>Continuing operations as of balance sheet date</b>			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan") (*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia") (*)	Australia, New Zealand	Sales	Consumer Durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC ("Beko Egypt")	Egypt	Sales	Consumer Durables
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer Durables/Electronics
Beko France S.A.S. (Beko France")	France	Sales	Consumer Durables/Electronics
Beko 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
<b>Ceased operations as of balance sheet date:</b>			
Archin Limited ("Archin")	Hong Kong, China	-	-
ArcticPro SRL ("ArcticPro")	Romania	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Beko 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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,

- 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,
- 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.

##### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### **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.

#### **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.

#### **IFRS 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

The table below sets out all Subsidiaries included in the scope of consolidation 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:

	Functional Currency	December 31, 2012		December 31, 2011	
		Ownership interest	Effective shareholding	Ownership Interest	Effective shareholding
<b>Continuing operations as of balance sheet date:</b>					
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 <sup>(1)</sup>	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 <sup>(2)</sup>	British Pound/Euro	50.00	50.00	50.00	50.00
Beko Ukraine <sup>(1)</sup>	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
<b>Ceased operations as of balance sheet date:</b>					
Archin	-	100.00	100.00	100.00	100.00
Arctic Pro	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko 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 <sup>(3)</sup>	-	-	-	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 <sup>(4)</sup>	-	-	-	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Polska <sup>(4)</sup>	-	-	-	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00

<sup>(1)</sup> Established in 2012.

<sup>(2)</sup> 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.

<sup>(3)</sup> Legally merged with Beko Deutschland in 2012.

<sup>(4)</sup> Dissolved in 2012.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### 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.

##### 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 than 12 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### Classification (Continued)

#### 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).

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### Property, plant and equipment and related depreciation

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

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	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).

#### Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 15).

##### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### *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).

#### **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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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 straightline 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 straightline 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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.

#### 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### 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).

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

#### 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:

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31, 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
<b>Total consideration transferred</b>	<b>504,648</b>
The effect of cash flow hedges	20,965
<b>Total consideration</b>	<b>525,613</b>

**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)
<b>Total fair value of identifiable net assets</b>	<b>346,218</b>
Goodwill	179,395
<b>Total consideration</b>	<b>525,613</b>

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)
<b>Cash outflow due to acquisition of subsidiary (net)</b>	<b>505,098</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
<b>Cash and cash equivalents in cash flow statement</b>	<b>1,739,277</b>	<b>1,172,662</b>
Interest income accruals	1,512	1,227
	<b>1,740,789</b>	<b>1,173,889</b>

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
	<b>1,740,789</b>	<b>1,173,889</b>

### 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
		<b>638,741</b>		<b>491,376</b>

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

	2012	2011
<b>As of January 1</b>	<b>491,376</b>	<b>658,679</b>
Fair value gains/(losses)	147,365	(167,280)
Sale of financial asset	-	(23)
<b>As of December 31</b>	<b>638,741</b>	<b>491,376</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
	<b>2,144,406</b>	<b>1,628,943</b>

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
			<b>785,039</b>

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
			<b>1,078,206</b>

#### b) Long-term financial liabilities

	December 31, 2012	December 31, 2011
Long-term bank borrowings	1,858,992	1,528,130
Other	111	107
	<b>1,859,103</b>	<b>1,528,237</b>

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
			<b>3,218,227</b>
Less: Short-term portion			(1,359,235)
			<b>1,858,992</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 7 - FINANCIAL LIABILITIES (Continued)

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
			<b>2,078,684</b>
Less: Short-term portion			(550,554)
			<b>1,528,130</b>

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	-
	<b>1,858,992</b>	<b>1,528,130</b>

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
	<b>4,003,266</b>	<b>3,156,890</b>

### NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012		December 31, 2011	
	Contract Amount	Fair value Assets/(Liabilities)	Contract amount	Fair Value Assets/(Liabilities)
<b>Held for trading:</b>				
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)
	<b>990,303</b>	<b>2,176 (3,680)</b>	<b>694,877</b>	<b>2,932 (195)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2012	December 31, 2011
<b>Short-term trade receivables:</b>		
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
<b>Short-term trade receivables (gross)</b>	<b>3,371,538</b>	<b>3,295,273</b>
Less: Provision for doubtful receivables	(93,229)	(93,579)
Less: Unearned credit finance income	(16,832)	(20,824)
<b>Short-term trade receivables (net)</b>	<b>3,261,477</b>	<b>3,180,870</b>

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

	2012	2011
<b>As of January 1</b>	<b>93,579</b>	<b>110,611</b>
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
<b>As of December 31</b>	<b>93,229</b>	<b>93,579</b>

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

	December 31, 2012	December 31, 2011
<b>Long-term trade receivables</b>		
Trade receivables	10,969	16,018
	<b>10,969</b>	<b>16,018</b>
<b>Short-term trade payables</b>		
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)
	<b>1,168,774</b>	<b>1,242,454</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 10 - OTHER PAYABLES

	December 31, 2012	December 31, 2011
<b>Other payables</b>		
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
	<b>164,984</b>	<b>183,691</b>

### 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
<b>Inventories (gross)</b>	<b>1,659,443</b>	<b>1,593,452</b>
Less: Provision for impairment on inventories	(59,785)	(63,311)
<b>Inventories (net)</b>	<b>1,599,658</b>	<b>1,530,141</b>

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
	<b>59,785</b>	<b>63,311</b>

The movements of provision for impairment on inventories for the years ended December 31, are as follows:

	2012	2011
<b>As of January 1</b>	<b>63,311</b>	<b>72,578</b>
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
<b>As of December 31</b>	<b>59,785</b>	<b>63,311</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
		<b>182,614</b>		<b>160,580</b>

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

	2012	2011
<b>As of January 1</b>	<b>160,580</b>	<b>136,604</b>
Share of income/(loss)	34,551	28,378
Share of other comprehensive income/expense	(1,708)	1,151
Dividends received	(10,809)	(5,553)
<b>As of December 31</b>	<b>182,614</b>	<b>160,580</b>

#### 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
	<b>34,551</b>	<b>28,378</b>

#### 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
	<b>2012</b>	<b>2011</b>
Sales revenues	1,791,362	1,694,374
Net income/(loss) for the year	78,502	65,490

### NOTE 13 - INVESTMENT PROPERTIES

	2012	2011
<b>As of January 31</b>		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
<b>Net book value</b>	<b>6,441</b>	<b>5,480</b>
<b>Net book value at the beginning of the year</b>	<b>6,441</b>	<b>5,480</b>
Currency translation differences	(258)	1,105
Current year depreciation	(143)	(144)
Impairment provision	(941)	-
<b>Net book value at the end of the year</b>	<b>5,099</b>	<b>6,441</b>
<b>As of December 31</b>		
Cost	12,268	13,754
Accumulated depreciation	(7,169)	(7,313)
<b>Net book value</b>	<b>5,099</b>	<b>6,441</b>

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2012	Additions	Disposals	Transfers	Currency translation differences	December 31, 2012
<b>Cost</b>						
Land	15,040	304	(304)	127	(227)	<b>14,940</b>
Land improvements	32,904	568	-	10	-	<b>33,482</b>
Buildings	561,327	8,247	(844)	917	(6,182)	<b>563,465</b>
Machinery, equipment and moulds	2,804,867	186,482	(77,086)	92,559	(13,708)	<b>2,993,114</b>
Motor vehicles and fixtures	273,069	28,576	(5,182)	26,692	(1,921)	<b>321,234</b>
Leasehold improvements	40,490	1,338	(79)	35	(104)	<b>41,680</b>
Construction in progress	15,966	156,724	(7)	(120,340)	(2,502)	<b>49,841</b>
	<b>3,743,663</b>	<b>382,239</b>	<b>(83,502)</b>	<b>-</b>	<b>(24,644)</b>	<b>4,017,756</b>
<b>Accumulated depreciation</b>						
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)
	<b>(2,296,822)</b>	<b>(206,658)</b>	<b>80,361</b>	<b>-</b>	<b>8,766</b>	<b>(2,414,353)</b>
<b>Net book value</b>	<b>1,446,841</b>					<b>1,603,403</b>

There is no mortgage on property, plant and equipment as of December 31, 2012 (December 31, 2011: None).

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Transfers	Currency translation differences	December 31, 2011
<b>Cost</b>							
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
	<b>3,410,540</b>	<b>51,716</b>	<b>278,701</b>	<b>(81,042)</b>	<b>-</b>	<b>83,748</b>	<b>3,743,663</b>
<b>Accumulated depreciation</b>							
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)
	<b>(2,158,295)</b>	<b>-</b>	<b>(176,003)</b>	<b>72,525</b>	<b>-</b>	<b>(35,049)</b>	<b>(2,296,822)</b>
<b>Net book value</b>	<b>1,252,245</b>						<b>1,446,841</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 15 - INTANGIBLE ASSETS

	January 1, 2012	Additions	Disposals	Currency translation differences	December 31, 2012
<b>Cost</b>					
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
	<b>960,127</b>	<b>98,248</b>	<b>(999)</b>	<b>(34,256)</b>	<b>1,023,120</b>
<b>Accumulated amortization</b>					
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)
	<b>(177,033)</b>	<b>(59,919)</b>	<b>976</b>	<b>457</b>	<b>(235,519)</b>
<b>Net book value</b>	<b>783,094</b>				<b>787,601</b>

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Currency translation differences	December 31, 2011
<b>Cost</b>						
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
	<b>589,689</b>	<b>230,046</b>	<b>85,325</b>	<b>(175)</b>	<b>55,242</b>	<b>960,127</b>
<b>Accumulated amortization</b>						
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)
	<b>(128,272)</b>	<b>-</b>	<b>(46,196)</b>	<b>172</b>	<b>(2,737)</b>	<b>(177,033)</b>
<b>Net book value</b>	<b>461,417</b>					<b>783,094</b>

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
	<b>515,307</b>	<b>548,450</b>

(\*) Values of brands in their original currencies are same as of December 31, 2012 and 2011 and the difference arises from foreign currency translation.

#### Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 16 – GOODWILL

	2012	2011
<b>As of January 1</b>	<b>196,167</b>	<b>7,190</b>
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
<b>As of December 31</b>	<b>177,080</b>	<b>196,167</b>

(\*) 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.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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:

- 100% exemption from customs duty on machinery and equipment to be imported,
- Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates
- Cash refund from Tübitak - Teydeb for research and development expenses,
- Exemption of taxes and funds,
- Discounted corporate tax incentive,
- Insurance premium employer share incentive
- 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:

- Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 1,985 (2011: TRY 2,065),
- Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 35,906 (2011: TRY 15,657),
- 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
<b>Operating lease commitments</b>	<b>56,560</b>	<b>59,057</b>

#### 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
	<b>495,383</b>	<b>494,920</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

<b>December 31, 2011</b>	<b>Foreign exchange purchase commitments</b>	<b>Foreign exchange sales commitments</b>
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
	<b>348,776</b>	<b>346,101</b>

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
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:

<b>CPM's given by the company</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
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	-	-
<b>Total</b>	<b>354,238</b>	<b>191,496</b>

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2012 and 2011:

<b>CPM's given</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
USD	311,784	130,297
TRY	26,059	32,248
EUR	12,714	26,857
Other	3,681	2,094
	<b>354,238</b>	<b>191,496</b>

### NOTE 19 - PROVISIONS

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Short-term provisions:</b>		
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
	<b>233,377</b>	<b>232,390</b>
<b>Long-term provisions:</b>		
Warranty provision	80,311	79,761
Other	1,837	1,758
	<b>82,148</b>	<b>81,519</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 19 – PROVISIONS (Continued)

The movements of warranty and assembly provisions for the year ended December 31, 2012 are as follows:

	Warranty provision	Assembly provision
<b>2012</b>		
<b>As of January 1</b>	<b>208,757</b>	<b>44,605</b>
Additions	236,029	197,897
Disposals	(224,187)	(203,202)
Currency translation differences	(3,321)	-
<b>As of December 31</b>	<b>217,278</b>	<b>39,300</b>
<b>2011</b>		
<b>As of January 1</b>	<b>168,572</b>	<b>38,774</b>
Additions	218,049	168,117
Disposals	(200,717)	(162,286)
Acquisition of subsidiary	8,175	-
Currency translation differences	14,678	-
<b>As of December 31</b>	<b>208,757</b>	<b>44,605</b>

### 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

Movements in the provisions for employment termination benefits are as follows:

	2012	2011
<b>As of January 1</b>	<b>106,782</b>	<b>99,700</b>
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
<b>As of December 31</b>	<b>112,254</b>	<b>106,782</b>

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
	<b>112,254</b>	<b>106,782</b>

### NOTE 21 - OTHER ASSETS AND LIABILITIES

	December 31, 2012	December 31, 2011
<b>Other current assets:</b>		
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
	<b>124,007</b>	<b>138,996</b>
<b>Other current liabilities</b>		
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
	<b>203,503</b>	<b>212,620</b>

### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2012		December 31, 2011	
	Share %	Amount	Share %	Amount
<b>Shareholders</b>				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>51.93</b>	<b>350,909</b>	<b>51.93</b>	<b>350,909</b>
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
<b>Paid-in capital</b>	<b>100.00</b>	<b>675,728</b>	<b>100.00</b>	<b>675,728</b>
Adjustment to share capital (*)		468,811		468,811
<b>Total share capital</b>		<b>1,144,539</b>		<b>1,144,539</b>

(\*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the 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.

#### 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
<b>Revaluation fund total</b>	<b>470,285</b>	<b>341,505</b>

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 22 - EQUITY (Continued)

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
	<b>216,687</b>	<b>190,066</b>

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.

#### 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
<b>Gross sales</b>	<b>11,416,639</b>	<b>9,038,961</b>
Less: Discounts	(859,778)	(601,722)
<b>Net sales</b>	<b>10,556,861</b>	<b>8,437,239</b>
Cost of sales	(7,503,024)	(5,897,009)
<b>Gross profit</b>	<b>3,053,837</b>	<b>2,540,230</b>

### NOTE 24 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2012	2011
<b>Marketing, selling and distribution expenses:</b>		
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
	<b>1,820,900</b>	<b>1,474,254</b>
<b>General administrative expenses:</b>		
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
	<b>389,928</b>	<b>342,572</b>
<b>Research and development expenses (*) :</b>		
Depreciation and amortisation expenses	54,170	36,803
Personnel expenses	11,541	19,313
Other	7,287	8,731
	<b>72,998</b>	<b>64,847</b>

(\*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 115,976 in 2012 (2011: TRY 102,118).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
	<b>9,869,430</b>	<b>7,851,539</b>

### NOTE 26 - OTHER INCOME AND EXPENSES

	2012	2011
<b>Other operating income</b>		
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
	<b>69,706</b>	<b>60,194</b>
<b>Other operating expenses</b>		
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)
	<b>(82,580)</b>	<b>(72,857)</b>

(\*) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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
	<b>336,798</b>	<b>415,558</b>

**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)
	<b>(499,114)</b>	<b>(474,421)</b>

(\*) 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)
<b>Current income tax liabilities (net)</b>	<b>24,008</b>	<b>23,250</b>
Deferred tax assets	85,968	63,387
Deferred tax liabilities	(236,406)	(226,142)
<b>Deferred tax liabilities, (net)</b>	<b>(150,438)</b>	<b>(162,755)</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended at December 31, are as follows:

	2012	2011
<b>Tax expenses</b>		
- Current period tax expense	(85,824)	(71,996)
- Deferred tax expense	8,140	(2,326)
<b>Tax expenses (net)</b>	<b>(77,684)</b>	<b>(74,322)</b>

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
<b>Deferred tax liabilities (net)</b>			<b>(150,438)</b>	<b>(162,755)</b>

	2012	2011
<b>As of January 1</b>	<b>(162,755)</b>	<b>(89,305)</b>
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)
<b>As of December 31</b>	<b>(150,438)</b>	<b>(162,755)</b>

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**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:

	<b>December 31, 2012</b>
2013	4,897
2014	11,360
2015	10,747
2016	12,029
2017 and after	182,394
	<b>221,427</b>

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:

	<b>2012</b>	<b>2011</b>
Profit before tax	629,372	615,409
<b>Tax expense calculated using 20% local tax rate</b>	<b>(125,874)</b>	<b>(123,082)</b>
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)
<b>Taxation expense recognized in income statement</b>	<b>(77,684)</b>	<b>(74,322)</b>
<b>Effective tax rate</b>	<b>12.3%</b>	<b>12.1%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
<b>Earnings per share (Kr) (*)</b>	<b>0.777</b>	<b>0.750</b>
Dividends distributed to the equity holders of the parent	300,000	250,000
<b>Gross dividend distributed per share (*)</b>	<b>0.444</b>	<b>0.370</b>

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

### NOTE 31 - RELATED PARTY DISCLOSURES

#### (i) Balances with related parties

	December 31, 2012	December 31, 2011
<b>(a) Due from related parties</b>		
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
	<b>22,586</b>	<b>23,402</b>

#### (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
	<b>173,032</b>	<b>133,283</b>

(1) Koç Holding group companies

(2) Associates



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2012	December 31, 2011
<i>Short term financial liabilities</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	7,030	7,077
<i>Long term financial liabilities</i>		
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
<b>Financial liabilities to related parties - gross</b>		
Up to 1 year	11,221	10,956
1 to 5 years	40,823	43,634
Over 5 years	30,482	43,067
	<b>82,526</b>	<b>97,657</b>
Less: future finance charges on financial liabilities	(15,956)	(20,041)
<b>Present value of financial liabilities to related parties - net</b>	<b>66,570</b>	<b>77,616</b>

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
	<b>66,570</b>	<b>77,616</b>

#### (c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	590,068	430,733
	<b>590,068</b>	<b>430,733</b>

#### (d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries (1)	370,775	446,220
	<b>370,775</b>	<b>446,220</b>

#### 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)
	<b>352,538</b>	<b>- (284)</b>
December 31, 2011	Contract amount	Fair value Assets/(liabilities)
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	210,069	920 -
	<b>210,069</b>	<b>920 -</b>

(1) Koç Holding group companies

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

#### (ii) Transactions with related parties

	2012	2011
<b>a) Sales of goods and services:</b>		
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
	<b>186,349</b>	<b>184,932</b>
<b>b) Purchases of goods and services:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	628,428	502,301
Arçelik-LG	443,271	356,423
Ram Dış Ticaret	70,09	881,865
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
	<b>1,260,693</b>	<b>1,065,215</b>

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

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

#### c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the 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
<b>Interest income</b>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	10,458	12,064
<b>Interest expense:</b>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	13,030	8,316

(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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### 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.

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

<b>Total liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual Cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year 5 years</b>	<b>More than 5 years</b>
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	-
	<b>5,516,167</b>	<b>5,914,270</b>	<b>2,102,261</b>	<b>1,630,678</b>	<b>2,097,559</b>	<b>83,772</b>
<b>Derivative financial instruments</b>	<b>Carrying value</b>	<b>Contractual Cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year 5 years</b>	<b>More than 5 years</b>
Derivative cash inflows		495,583	495,583	-	-	-
Derivative cash outflows		(497,087)	(497,087)	-	-	-
<b>Derivative instruments, net</b>	<b>(1,504)</b>	<b>(1,504)</b>	<b>(1,504)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2011 is as follows:

<b>Total liabilities (non-derivative):</b>	<b>Carrying value</b>	<b>Contractual Cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year 5 years</b>	<b>More than 5 years</b>
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	-
	<b>4,753,738</b>	<b>4,966,439</b>	<b>2,340,888</b>	<b>923,045</b>	<b>1,659,439</b>	<b>43,067</b>
<b>Derivative financial instruments</b>	<b>Carrying value</b>	<b>Contractual Cash-flows</b>	<b>Up to 3 months</b>	<b>3 months- 12 months</b>	<b>1 year 5 years</b>	<b>More than 5 years</b>
Derivative cash inflows		348,805	348,805	-	-	-
Derivative cash outflows		(346,068)	(346,068)	-	-	-
<b>Derivative instruments, net</b>	<b>2,737</b>	<b>2,737</b>	<b>2,737</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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
<b>Current Asset</b>										
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	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>										
Financial liabilities	0.00	1.09	1.12	-	7.80	8.57	5.60	-	-	-
Trade payables	6.06	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>										
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
<b>Current Asset</b>										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
<b>Current Liabilities</b>										
Financial liabilities	13.00	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
<b>Non-Current Liabilities</b>										
Financial liabilities	11.60	3.69	2.24	3.20	-	-	-	7.18	-	-

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

	2012	2011
<b>Financial instruments with fixed interest rates</b>		
Time deposits	960,460	436,144
Financial liabilities	946,659	696,887
<b>Financial instruments with variable interest rates</b>		
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of December 31, 2012 and 2011 are as follows:

December 31, 2012	Trade Receivables			Derivative financial instruments
	Related parties	Third parties	Bank deposits	
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>22,586</b>	<b>3,249,860</b>	<b>1,678,456</b>	<b>2,716</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(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)	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2011	Trade Receivables		Bank deposits	Derivative financial instruments
	Related parties	Third parties		
<b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>	<b>23,402</b>	<b>3,173,486</b>	<b>1,132,629</b>	<b>2,932</b>
Secured portion of the maximum credit risk by guarantees, etc. <sup>(2)</sup>	-	(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)	-	-

<sup>(1)</sup> 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

<sup>(2)</sup> Major part of guarantees is composed of mortgages and trade receivable insurances

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

	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
	<b>3,053,340</b>	<b>2,998,070</b>

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

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

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

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

	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
	<b>168,384</b>	<b>140,562</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### 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
	<b>3,272,446</b>	<b>3,196,888</b>

#### 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.

#### 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)
<b>Net balance sheet position</b>	<b>(506,179)</b>	<b>(733,899)</b>
Net position of derivative financial instruments	617,836	340,290
<b>Net foreign currency position</b>	<b>111,657</b>	<b>(393,609)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY Equivalent
<b>Current assets</b>															
Trade receivables	356,153	95,911	116,538	1,714,475	45,479	93,253	-	154,373	20,644	671	-	14,515	567	-	1,552,016
Monetary financial assets	143,626	61,775	6	1	-	-	-	-	6,327	-	-	-	1,417	-	451,319
Other	21,570	43,307	52	-	-	-	-	-	-	-	-	-	770	-	198,464
<b>Non-Current assets</b>															
Trade receivables	-	-	-	-	-	-	-	-	793,130	-	-	-	-	-	166,914
<b>Total assets</b>	<b>521,349</b>	<b>200,993</b>	<b>116,596</b>	<b>1,714,476</b>	<b>45,479</b>	<b>93,253</b>	<b>-</b>	<b>154,373</b>	<b>820,101</b>	<b>671</b>	<b>131,669</b>	<b>14,515</b>	<b>2,754</b>	<b>-</b>	<b>2,368,713</b>
<b>Current liabilities</b>															
Trade payables	91,918	101,970	211	964	-	-	742	23,050	-	-	-	-	119	1,736	405,318
Financial liabilities	297,834	197,442	50,172	-	-	-	-	-	684,002	-	-	-	-	-	1,340,358
Other monetary financial liabilities	2,118	10,663	1,221	-	-	-	-	-	-	-	-	-	341	-	27,996
<b>Non-Current liabilities</b>															
Trade payables	-	33,400	-	-	-	-	-	-	-	-	-	-	-	-	59,539
Financial liabilities	405,048	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1,041,681
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>796,918</b>	<b>393,475</b>	<b>51,604</b>	<b>964</b>	<b>-</b>	<b>-</b>	<b>742</b>	<b>23,050</b>	<b>684,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460</b>	<b>1,736</b>	<b>2,874,892</b>
<b>Net balance sheet position</b>	<b>(275,569)</b>	<b>(192,482)</b>	<b>64,992</b>	<b>1,713,512</b>	<b>45,479</b>	<b>93,253</b>	<b>(742)</b>	<b>131,323</b>	<b>136,099</b>	<b>671</b>	<b>131,669</b>	<b>14,515</b>	<b>2,294</b>	<b>(1,736)</b>	<b>(506,179)</b>
Off-balance sheet derivative financial assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	1,043,406
Off-balance sheet derivative financial liabilities (*)	(16,151)	(9,672)	(68,500)	(1,500,000)	(40,000)	-	-	(80,000)	(110,000)	-	-	(10,000)	-	-	(425,570)
Net position of off-balance sheet items	281,687	170,167	(68,500)	(1,356,797)	(25,611)	-	-	(61,306)	(110,000)	-	-	(9,644)	-	-	617,836
<b>Net foreign currency asset/ (liability) position</b>	<b>6,118</b>	<b>(22,315)</b>	<b>(3,508)</b>	<b>356,715</b>	<b>19,868</b>	<b>93,253</b>	<b>(742)</b>	<b>70,017</b>	<b>26,099</b>	<b>671</b>	<b>131,669</b>	<b>4,871</b>	<b>2,294</b>	<b>(1,736)</b>	<b>111,657</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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	RON	AUD	NZD	JPY	TRY equivalent
Against TRY	(13,711)	(4,062)	(9,856)	356,715	19,868	93,573	1	93,067	16,971	-	-	4,871	-	-	11,151
Against EUR	-	(1,467)	-	-	-	(320)	-	-	9,128	-	131,669	-	-	-	68,533
Against RUB	2,672	(1,225)	-	-	-	-	-	-	-	-	-	-	-	-	4,100
Against PLN	(1,998)	18	-	-	-	-	-	-	-	-	-	-	-	-	(4,667)
Against GBP	6,436	-	-	-	-	-	-	-	-	-	-	-	-	-	15,136
Against RON	6,365	1,126	3,234	-	-	-	-	-	-	(34)	-	-	(1,736)	-	26,213
Against CZK	(1,305)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,069)
Against NOK	(8)	(299)	-	-	-	-	-	(23,050)	-	705	-	-	-	-	(6,604)
Against SEK	35	(79)	-	-	-	-	(743)	-	-	-	-	-	-	-	(296)
Against CNY	3,786	(15,360)	3,114	-	-	-	-	-	-	-	-	-	-	-	(9,537)
Against ZAR	(161)	1,092	-	-	-	-	-	-	-	-	-	-	-	-	1,568
Against AUD	5,730	966	-	-	-	-	-	-	-	-	-	-	2,294	-	18,573
Against EGP	(1,186)	(3,025)	-	-	-	-	-	-	-	-	-	-	-	-	(8,181)
Against UAH	(531)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,249)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
	<b>6,118</b>	<b>(22,315)</b>	<b>(3,508)</b>	<b>356,715</b>	<b>19,868</b>	<b>93,253</b>	<b>(742)</b>	<b>70,017</b>	<b>26,099</b>	<b>671</b>	<b>131,669</b>	<b>4,871</b>	<b>2,294</b>	<b>(1,736)</b>	<b>111,657</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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, 2011 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	AED	TRY equivalent
<b>Current assets</b>											
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
<b>Non-Current assets</b>											
Trade receivables	-	-	-	-	-	-	-	-	684,258	-	160,246
<b>Total assets</b>	<b>374,041</b>	<b>124,676</b>	<b>98,453</b>	<b>1,480,712</b>	<b>50,879</b>	<b>57,369</b>	<b>83</b>	<b>151,136</b>	<b>684,258</b>	<b>9,657</b>	<b>1,762,858</b>
<b>Current liabilities</b>											
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
<b>Non-Current liabilities</b>											
Trade payables	-	37,344	-	-	-	-	-	-	-	-	70,539
Financial liabilities	300,044	127,000	50,000	-	-	-	-	-	680,000	-	1,278,237
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>695,583</b>	<b>245,152</b>	<b>51,331</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,599</b>	<b>684,258</b>	<b>-</b>	<b>2,496,757</b>
<b>Net balance sheet position</b>	<b>(321,542)</b>	<b>(120,476)</b>	<b>47,122</b>	<b>1,480,712</b>	<b>50,879</b>	<b>57,369</b>	<b>83</b>	<b>63,537</b>	<b>-</b>	<b>9,657</b>	<b>(733,899)</b>
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
<b>Net foreign currency asset/ (liability) position</b>	<b>(176,899)</b>	<b>9,238</b>	<b>12,122</b>	<b>(69,288)</b>	<b>2,879</b>	<b>57,369</b>	<b>83</b>	<b>(81,463)</b>	<b>-</b>	<b>9,657</b>	<b>(393,609)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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 equivalent
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)
	<b>(176,899)</b>	<b>9,238</b>	<b>12,122</b>	<b>(69,288)</b>	<b>2,879</b>	<b>57,369</b>	<b>83</b>	<b>(81,463)</b>	<b>9,657</b>	<b>(393,609)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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)
<b>USD Net effect</b>	<b>(3,978)</b>	<b>3,978</b>	<b>(3,978)</b>	<b>3,978</b>
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)
<b>EUR Net effect</b>	<b>1,440</b>	<b>(1,440)</b>	<b>38,830</b>	<b>(38,830)</b>
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
<b>GBP Net effect</b>	<b>(1,007)</b>	<b>1,007</b>	<b>14,481</b>	<b>(14,481)</b>
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
<b>RUB Net effect</b>	<b>2,072</b>	<b>(2,072)</b>	<b>17,801</b>	<b>(17,801)</b>
RON net asset/liability	6,926	(6,926)	31,006	(31,006)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	<b>6,926</b>	<b>(6,926)</b>	<b>31,006</b>	<b>(31,006)</b>
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
<b>PLN Net effect</b>	<b>1,151</b>	<b>(1,151)</b>	<b>5,443</b>	<b>(5,443)</b>
CZK net asset/liability	877	(877)	1,770	(1,770)
Secured portion from CZK risk	-	-	-	-
<b>CZK Net effect</b>	<b>877</b>	<b>(877)</b>	<b>1,770</b>	<b>(1,770)</b>
NOK net asset/liability	(24)	24	973	(973)
Secured portion from NOK risk	-	-	-	-
<b>NOK Net effect</b>	<b>(24)</b>	<b>24</b>	<b>973</b>	<b>(973)</b>
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
<b>SEK Net effect</b>	<b>1,905</b>	<b>(1,905)</b>	<b>2,696</b>	<b>(2,696)</b>
NZD net asset/liability	338	(338)	338	(338)
Secured portion from NZD risk	-	-	-	-
<b>NZD Net effect</b>	<b>338</b>	<b>(338)</b>	<b>338</b>	<b>(338)</b>
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
<b>ZAR Net effect</b>	<b>549</b>	<b>(549)</b>	<b>39,491</b>	<b>(39,491)</b>
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
<b>AUD Net effect</b>	<b>900</b>	<b>(900)</b>	<b>902</b>	<b>(902)</b>
DKK net asset/liability	21	(21)	21	(21)
Secured portion from DKK risk	-	-	-	-
<b>DKK Net effect</b>	<b>21</b>	<b>(21)</b>	<b>21</b>	<b>(21)</b>
EGP net asset/liability	-	-	90	(90)
Secured portion from EGP risk	-	-	-	-
<b>EGP Net effect</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>(90)</b>
UAH net asset/liability	-	-	194	(194)
Secured portion from UAH risk	-	-	-	-
<b>UAH Net effect</b>	<b>-</b>	<b>-</b>	<b>194</b>	<b>(194)</b>
JPY net asset/liability	(4)	4	(4)	4
Secured portion from JPY risk	-	-	-	-
<b>JPY Net effect</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>(4)</b>
	<b>11,166</b>	<b>(11,166)</b>	<b>150,054</b>	<b>(150,054)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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)
<b>USD Net effect</b>	<b>1,745</b>	<b>(1,745)</b>	<b>1,745</b>	<b>(1,745)</b>
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)
<b>EUR Net effect</b>	<b>(43,230)</b>	<b>43,230</b>	<b>(26,798)</b>	<b>26,798</b>
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
<b>GBP Net effect</b>	<b>3,535</b>	<b>(3,535)</b>	<b>22,835</b>	<b>(22,835)</b>
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
<b>RUB Net effect</b>	<b>(403)</b>	<b>403</b>	<b>14,354</b>	<b>(14,354)</b>
RON net asset/liability	-	-	28,237	(28,237)
Secured portion from RON risk	-	-	-	-
<b>RON Net effect</b>	<b>-</b>	<b>-</b>	<b>28,237</b>	<b>(28,237)</b>
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
<b>PLN Net effect</b>	<b>159</b>	<b>(159)</b>	<b>2,792</b>	<b>(2,792)</b>
CZK net asset/liability	549	(549)	1,117	(1,117)
Secured portion from CZK risk	-	-	-	-
<b>CZK Net effect</b>	<b>549</b>	<b>(549)</b>	<b>1,117</b>	<b>(1,117)</b>
NOK net asset/liability	3	(3)	123	(123)
Secured portion from NOK risk	-	-	-	-
<b>NOK Net effect</b>	<b>3</b>	<b>(3)</b>	<b>123</b>	<b>(123)</b>
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
<b>SEK Net effect</b>	<b>(2,217)</b>	<b>2,217</b>	<b>(1,525)</b>	<b>1,525</b>
ZAR net asset/liability	-	-	39,614	(39,614)
Secured portion from ZAR risk	-	-	-	-
<b>ZAR Net effect</b>	<b>-</b>	<b>-</b>	<b>39,614</b>	<b>(39,614)</b>
AED net asset/liability	499	(499)	499	(499)
Secured portion from AED risk	-	-	-	-
<b>AED Net effect</b>	<b>499</b>	<b>(499)</b>	<b>499</b>	<b>(499)</b>
AUD net asset/liability	-	-	104	(104)
Secured portion from AUD risk	-	-	-	-
<b>AUD Net effect</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>(104)</b>
	<b>(39,360)</b>	<b>39,360</b>	<b>83,097</b>	<b>(83,097)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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
<b>Total exports</b>		<b>4,122,624</b>		<b>3,268,594</b>
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
<b>Total imports</b>		<b>2,881,445</b>		<b>2,317,779</b>

#### 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
<b>Total capital invested</b>	<b>6,189,955</b>	<b>5,634,932</b>
<b>Gearing ratio</b>	<b>37%</b>	<b>35%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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.

#### **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:

<b>Financial assets at fair value through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative financial assets	-	2,176	-
Financial assets	-	637,253	-

#### **Financial liabilities at fair value through profit or loss:**

Derivative financial liabilities	-	3,680	-
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Fair value hierarchy table as at December 31, 2011 is as follows:

<b>Financial assets at fair value through profit or loss:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative financial assets	-	2,932	-
Financial assets	-	489,888	-

#### **Financial liabilities at fair value through profit or loss:**

Derivative financial liabilities	-	195	-
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

### 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:

	2012	2011
<b>Changes in provisions:</b>		
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
	<b>81,438</b>	<b>107,749</b>
<b>Changes in operating assets and liabilities:</b>		
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)
	<b>(316,556)</b>	<b>(996,692)</b>

### 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.



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