

Respects
THE GLOBE
Respected
GLOBALLY

Arçelik A.Ş.
2013
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
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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.

	Vision 02
	Almanac 2013 04
	Report of the Board of Directors and Message from the Chairman 06
	Message from the General Manager 08
	Auditor's Report on Annual Report 10
	Financial Statement Summary 2013 11
Sustainable Growth	Financial Indicators 12 Five-Year Consolidated Financial Review 14 Shareholders 15 Dividends Paid 16 Share Performance 17 Risk Management 18
The Target Market; the Globe	Brands 22 Global Operational Network 23 International Markets 24 - Home Appliances 25 - Consumer Electronics 25 Turkish Market 28 - Home Appliances 31 - Consumer Electronics 31
Innovation	Plants 35
Corporate Responsibility	Innovative and Advanced Technology 36 Innovative Products 42 Innovative Applications 45
Global Organization	Corporate Governance Principles Compliance Report 50 Statement of Compliance with Corporate Governance Principles 51 Environmental Approach to Products and Production 71 Environment-Friendly Products 74 Environment-Friendly Applications 77 Social Responsibility 79 Awards and Achievements in 2013 88
Consolidated Financial Statements and Independent Auditor's Report	Global Organization 90 Business Excellence 94 International Compliance Certificates 95 Board of Directors 2013 96 Management 2013 98 Agenda 101 Profit Distribution Proposal 102 Amendments to the Articles of Association 103 Independency Statements of Candidates for Independent Members of Board of Directors 105 Dependent Company Report 107 Independent Auditor's Report 108 Consolidated Financial Statements 109



JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

- Arçelik A.Ş. participated in Living Kitchen Fair held in Cologne with brands of Beko and Grundig.
- Beko opened its first store in Tanzania.
- Arçelik A.Ş. Dishwasher, Tumble Dryer, Electric Motors and Arctic Cooling Appliances factories were awarded with "Platinum" certificate which is the highest rank in "Energy Efficient Green Facilities" grading.
- Beko introduced its product range to "Sri Lanka Market" in the launching event held in Colombo.
- Beko opened its biggest concept store in Tunisia.
- With the launching event held in Riyadh, Beko introduced its high-technology and innovative product range to Saudi Arabian market.
- Arçelik A.Ş. was awarded with grand prize in "Innovative Environment Friendly Product" category of ISO Environment Awards with "Arçelik 9658 ETI" oven.
- The biggest Beko concept store of Northern Cyprus was opened.
- Beko participated in "Batibouw" which is the most important built-in product fair of Belgium market.

- Arçelik A.Ş. carried out the first Eurobond export in International Markets. A borrowing of 500 million \$ with coupon rate of 5% for a term of 10 years was provided.
- In "The Most Prestigious Industries and Companies of Turkey Research", Arçelik A.Ş. was determined to be "The Most Prestigious Company" of the year 2012.
- 5th International Beko Authorized Dealers Meeting was held in Antalya with 1,600 authorized dealers from all over Turkey and globe.
- Beko participated in 46th Cairo International Fair held in Cairo.
- With its new products with brand of Grundig and Blomberg, Beko participated in the "Trade Show" held in Antwerp, Belgium.
- Blomberg participated in "Architectural Digest Home Design Show" held in New York.
- Elektabregenz celebrated its 120th year with a special party.
- Arçelik A.Ş. claimed to earn the "ISO 10002 Customer Satisfaction Management System Certificate".
- Beko opened 2 gigantic stores in Erbil, Iraq.
- With an introduction event held in Tel Aviv, Beko introduced its new product range to Israel market.
- Arçelik A.Ş. became a member of "Smart TV Alliance" which is the leading constitution of Smart TV world.
- Beko participated in "Shanghai Electric and Electronic Fair" which is the biggest and most important home appliances fair of Asia-Pacific Region.



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

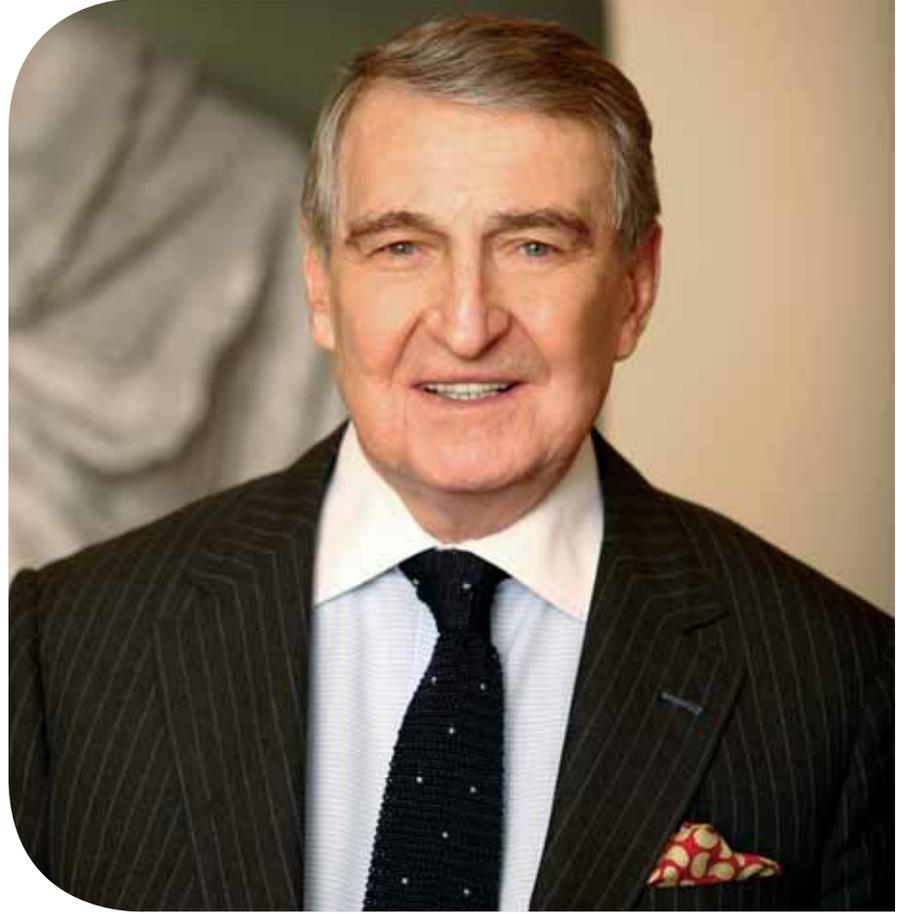
- Arçelik A.Ş. China Washing Machine Plant manufactured 1,000,000th washing machine.
- Beko participated in Kitchen and Bathroom Fair held in Shanghai, China.
- Corporate governance rating of Arçelik A.Ş. was updated as 9.28.
- Beko and Grundig participated in IFA, the greatest technology fair of Europe, and introduced their new products.
- Beko brand became “Presenting Sponsor” of 2013 FIBA European Basketball Championship held in Slovenia and 2014 FIBA World Basketball Championship to be held in Spain.
- Arçelik A.Ş.'s Annual Report of 2012 and Sustainability Report of 2011 was awarded with four prizes in the contest held by League of American Communications Professionals (LACP).

- Beko Dolphin series washing machine was awarded with “Innovative Product” prize by China Household Electric Appliance Research Institute (CHEARI).
- Beko opened its second concept store in Tbilisi and raised the number of its stores in Georgia to 54.
- Arçelik A.Ş. held a “Far East Supplier's Day” in China with participation of over 300 suppliers from 8 countries.
- Arçelik A.Ş. was awarded with “Innovation Leadership” prize of Turkish Exporters' Assembly.
- Arçelik A.Ş. opened the new product line of Romania Arctic Cooling Appliances Plant.
- Arçelik was found to be “The Most Approved and Preferred Retail Brand” in a research among consumers in malls.
- Arçelik A.Ş. was awarded with “CDP Performance Leader” prize by Carbon Disclosure Project.
- First Beko concept store of Azerbaijan was opened.
- Arçelik A.Ş. 2012 Sustainability Report was prepared in accordance with GRI-Global Reporting Initiative Standards at “B+” level.
- Beko strengthened its position in the region with the launching event it held in Singapore.

“

Arçelik A.Ş. reached a consolidated turnover of TL 11.1 billion and a net profit of TL 623 million in 2013.

”



Esteemed Shareholders,

I would like to welcome you, wishing all of us an efficient meeting during which we will share the results of the last year.

Keeping with the trend of the last few years, the global economy began to show signs of recovery. The strongest indications of recovery came from the American economy. As the effects of the crisis were deep in some European countries, development in that region remained weak. Regarded as a steam engine for the global economy in the past, the Asian region and developing countries showed signs of recession and deceleration.

In terms of the acceleration of the global economic recovery, the monetary policies of the central banks of powerful countries, especially the Fed, has gained importance. Thus, the Fed's decision to reduce liquidity to control inflation had a negative effect on markets even before being applied. Due to the decision to maintain this process at a slow pace, there was a little stability.

In this complex global economic environment, our country was affected by the negativity in international markets due to our geographical position, domestic policy and forthcoming elections.

Nonetheless, the 4.4% growth rate met in the last quarter of the year is a positive sign considering the yearly goal of achieving 4% growth. However, inflation, the unemployment rate and interest and exchange rates could not be maintained at the desired level. The most critical issue is our current account deficit that has the risk of being overly affected by global monetary transactions.

Koç Group finished this period of fluctuation both for the world and Turkish economy, parallel with its targets and budget on schedule. Arçelik has a great importance to our Group for achieving goals, the leader of the durable consumer goods sector in Turkey and a prominent company in the world also maintained its steady growth in 2013.

Our qualified and well-trained employees, our design and R&D competence, our strong brands, our healthy financial structure, and our quality of rapid and flexible work have all played a great role in our success for years.

Our company is third in the European ranking in terms of white goods, with 10 different brands in various product lines. In addition to the industry leadership that we have held for years in Turkey, we are also a leader in Romania and South Africa and are at the top in many European countries.

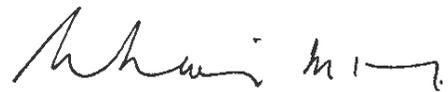
Arçelik reached a consolidated turnover of TL 11.1 billion and TL 623 million net profit in 2013. Our company maintained its success by gaining growth over 10% in the white goods industry in spite of instabilities in the markets where it operates.

Our policy and goal is not only achieving growth year by year, but also paying profitability and dividends to our shareholders while contributing to the resolution of environmental and social problems in our country. With this goal in mind, we have launched products that use natural resources and energy in the most rational way for consumers.

It is a necessity to allocate resources for research and development and innovative technologies in order to achieve goals globally, both as a country and a company. In line with this, our company has been awarded many prizes from prestigious institutions in our country and all over the globe for its qualified products, manufacturing procedures, technology innovations and patent-developing efforts. In this sense, the point that we have reached promotes and encourages us to achieve higher goals.

I would like to take this occasion to thank all our employees, employee unions, authorized dealers and services, suppliers who contributed to our company's success; our customers and you, our shareholders that have always supported us.

I extend my kindest regards to you all, hoping to report positive results during next year's meeting as well.



RAHMI M. KOÇ
Chairman
Arçelik A. Ş.



In the Middle East and North Africa, which are among our target markets, political uncertainty and domestic disturbances have caused a great deal of pressure on the market. In South Africa, the greatest and most developed economy of the African continent, the white goods market shrunk by 4%. Turkey maintained its position as Europe's biggest production center in terms of white goods. Exports for 2013 remained the same as last year with 16 million units, while the internal market grew 6%, reaching up to 6.85 million units.

We are further strengthening the position of our brands in global markets.

As a result of our branded growth policy, we have increased our market share in countries where we operate and also increased our price index. We maintained the position of Europe's third largest white goods company in our industry. Beside our strong leadership in Turkey, we maintained our leadership in the market with the Arctic brand in Romania and the Defy brand in South Africa. Beko increased its market share the most in the last 6 years in Europe. Furthermore, it holds the position of being the best-selling refrigerator brand of Western Europe for the last two years. Beko stepped up to second position in the white goods market in Western Europe in 2013. Beko maintained its leadership in the UK and Lithuania while becoming one of the top three brands in white goods markets in France and Poland. It became the brand that increased its market share most in Germany, Belgium, Romania and Ukraine. Beside our high performance in European markets, we maintained our strong position in the Middle East and Turkic Republics. We have enhanced our efficiency in the Gulf. We have expanded in African markets and increased our business volume. We continued to develop business in far off markets in line with our diversification goal. We have increased our export volume to Southeast Asia. We have decided to use our Grundig consumer electronics brand, with its quality, design and high level of brand recognition in many countries around the world, as a home appliances brand as well. We launched the Grundig white goods line at the Living Kitchen Fair in Cologne.

Our financial results show we achieved our targets.

Our 2013 financial results reflect our steady growth. We achieved growth of over 20% in the last two consecutive years. Growing with a rate of 5% in 2013, we gained a consolidated turnover of TL 11.1 billion. Overseas markets make up 58% of our sales. Although downsizing in TV segment in Europe limited our total growth, we achieved growth of over 10% in white goods. We increased our profit margin. Our net profit reached up to TL 623 million. The share value of our company increased 8% compared to the previous year and its market value reached up to TL 8.2 billion by year's end. The first bond export in 2013 drew great interest from international investors.

We support our growth and operations with new investments.

In our Romanian Arctic Refrigerator Plant, manufacturing capacity reached up to 2.6 million units yearly with the new refrigerator line investment. Therefore, Arctic has become the largest refrigerator manufacturing facility in Europe after the Arçelik Eskişehir Refrigerator Plant.

Esteemed Shareholders, Business Partners and Colleagues,

In 2013 the global economy began to gain strength, especially from second half of the year onwards, with the effect of developed countries. On the other hand, growth rates of developing economies that undertook the mission of being the steam engine of the world economy during the crisis remained relatively limited. It is estimated that financial problems will remain in developed countries, while growth will gain speed in 2014. It is expected that growth in developing countries will be based mainly on exports due to the increasing demands of developed countries, while growth in domestic demand will remain limited. A decrease of global liquidity due to the monetary constriction policy of the U.S.A. poses a risk for developing economies in terms of funding opportunities and costs. As a result of all these factors, a more optimistic economic outlook is projected along with the expectation that the global economy will strengthen in 2014.

Growth in global white goods industry achieved.

Estimates show that the global white goods industry has reached \$180 billion by increasing 2.5% compared to the previous year; the global LCD TV market has reached \$143 billion by gaining 3.5% in 2013. In Europe, our main market, the white goods industry, remained at the same level as last year. In detail, the Western European market tightened with the effects of the UK, France and Spain, while the Eastern European market has grown a little with the effects of Russia, Ukraine and Poland.

For Defy, the leading white goods manufacturer of South Africa, we renovated the combi-refrigerator and tall freezer manufacturing lines and we put new products on the market. Our manufacturing capacity increased by 40% with the new manufacturing lines. In the Beylikdüzü Electronics Plant, we developed the Beko pos device (YazarkasaPos) in accordance with the New Generation Cash Register Regulation. Beko YazarkasaPos became the first device to be manufactured in Turkey and to complete the TUBITAK tests.

We continue to develop innovative and environmentally friendly products.

Our innovative technologies, smart products and value-adding solutions increase consumers' quality of life. We contribute to creating a sustainable future with our environmentally friendly products that are energy and water efficient. As a result of our efforts to reduce the environmental impacts of our products; we developed A-45% energy class built-in oven, A+++-10% energy class dryer, A+++-50% energy class washing machine, A+++-10% energy class dishwasher, A+++ energy class tall freezer and 41dBA - low sound level - built-in oven. We put out the first and only refrigerator in the world that has a built-in ice-cream maker; Gurme, the first and only tea maker in Turkey that keeps tea fresh up to two times longer; and for the first time in the world, the "BabyWatch" TV application. Our products were awarded with many prizes in the fields of design, innovation and energy efficiency by international institutions. Our ElektraBregenz brand ranked second in the home appliances category of the Golden Plug Awards. Our Arçelik, Beko and Grundig brand products were awarded with the Plus X prize in seven categories, with the Red Dot prize in 11 different categories and the IF Design prize was awarded to two products.

Innovation is at the heart of our corporate strategy.

Innovation is at the heart of our strategy for our vision "Respects the Globe, Respected Globally". With our 23 year-old R&D knowledge and experience and innovation power, we develop products and services that meet the expectations and requirements of consumers in different markets and moreover, that will go beyond that. Our company has been the undisputed patent champion of Turkey for years, and the only Turkish company among the top 200 companies listed by the World Intellectual Property Organization (WIPO) for the last five years. After receiving The Most Innovative Company of Turkey prize in 2012, Arçelik A.Ş. was awarded with the Innovation Leadership award by the Turkish Exporters' Association in 2013 as a result of its consistent efforts in the field of innovation. Furthermore, it was chosen as "The Most Reputable Company of Turkey" in a research study [1] where company performance was measured in terms of "recognition," "management quality," "product/service quality," "employee brand," "financial stability," "corporate social responsibility" and "emotional commitment".

We integrate sustainability principles into all our working processes.

We act with a sustainable development approach in all our operations. Beside our products, we work to increase energy and material efficiency in all our processes from supply to distribution and to use resources in the most efficient way. As a result of our efforts in terms of energy

efficiency in manufacturing, our nine manufacturing facilities in Turkey, Romania and China were awarded with the Platinum Certificate, the highest ranking in the Energy Efficient Green Facilities grading. We continue to take part in the CDP (Carbon Disclosure Project), the most prestigious and well-known environmental initiative where corporations share with international investors their strategies concerning greenhouse gas emission and climate change. Given the title Carbon Disclosure Project Leader in 2012, our company advanced its success further by being granted the Carbon Disclosure Project Performance Leader Award in 2013. **We give importance to social development in the countries where we operate.**

Apart from our economic activities, we support development in social and cultural matters as well as sport. As Arçelik Family; with our employees authorized dealers and services, we voluntarily take part in social responsibility projects and we aim to add value to the society. We maintain our contribution to Koç Holding's For My Country project that aims to find solutions to social problems with a participatory approach. We continue the Household Electrical Appliances Technical Training Program that aims to strengthen the relationship between vocational education and employment. Within the scope of this project, we reached 331 students from eight schools with four new laboratories that we put into use in 2013. Our investment in sports which, contributes to individual and social development, continues unabated. With our Beko brand, we became the Presenting Sponsor of the 2013 European and 2014 World Basketball Championships after having name sponsorship of the Turkish, German, Lithuanian and Italian Basketball Leagues. In football, we continued to be the official supporter of FA Cup; the oldest, most watched tournament in the world and the most important tournament in the UK. With our Grundig brand, we remained the Official Technology Partner of Bundesliga Football League and kept our sponsorship of the Fenerbahçe Men's Volleyball team in Turkey. Furthermore, we signed a three-season contract beginning with the 2014-2015 season with our Beko brand for the Jersey Back Sponsorship of the Beşiktaş Professional Football A Team in Turkey.

We look to the future with confidence.

We support our vision of "Respects the Globe, Respected Globally" with our sustainable, profitable growth strategy that focuses on R&D, innovation, quality, design and brand. In this direction, we will continue to strengthen our market position and expand our global area of activity by creating competitive superiority. We will act in accordance with our environmental and social responsibilities and maintain our position as a leader in Turkey and continue to have a voice in the world. Our employees, authorized dealers, authorized services, suppliers and business partners are the most significant factors in our successful performance and our ability to set ambitious goals for the future. I hereby sincerely thank all our stakeholders, especially our customers for the trust they have shown in our products and our shareholders for their long-lasting support.


LEVENT ÇAKIROĞLU
General Manager
Arçelik A.Ş.

[1] "Turkey's Most Reputable Sectors and Companies" survey by RepMan Reputation Research Center, sponsored by GfK Türkiye Research Company.



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AUDITOR'S REPORT ON ANNUAL REPORT

To the Board of Directors of
Arçelik Anonim Şirketi

As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Arçelik Anonim Şirketi ("Arçelik") and its subsidiaries (together will be referred to as the "Group") prepared as of 31 December 2013 are consistent with the audited financial statements as of the same date.

Management is responsible for the preparation of the annual report in accordance with "the Communique related to the Determination of the Minimum Content of the Companies' Annual Report".

Our responsibility as independent auditors is to express an opinion on whether the consolidated financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated 7 February 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information and the assessment and explanations of the Board of Director's in the accompanying annual report of Arçelik Anonim Şirketi are consistent with the audited consolidated financial statements as at 31 December 2013.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ertan Ayhan, SMMM
Engagement Partner

Istanbul, 5 March 2014

- In 2013, the consolidated net sales turnover reached TRY 11,098 million, an increase of 5.1% for total consolidated sales compared to 2012.
- The consolidated operating profit for 2013 realized as TRY 853 million and the net profit recorded as TRY 623 million.

- In 2013, international sales comprised 58% of consolidated sales.

Operating Profit
853
TRY million

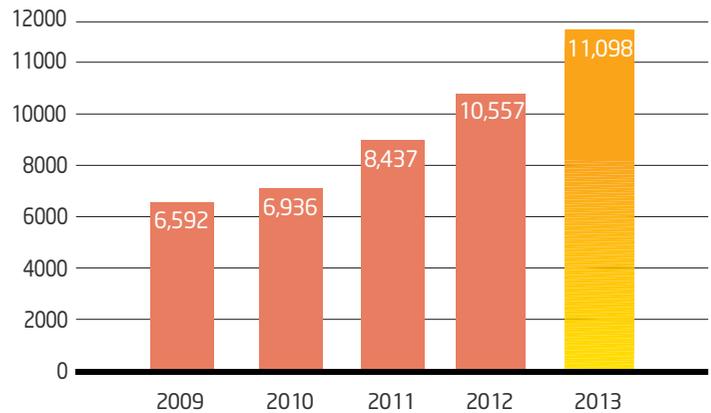
Net Profit
623
TRY million

Net Sales
2013
11,098
TRY million



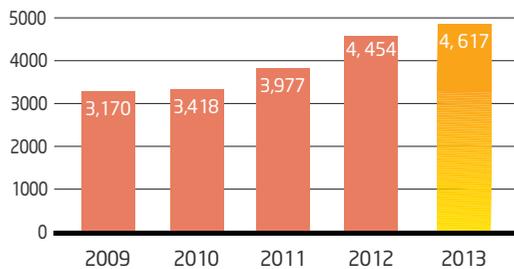
Net Sales

(TRY Million)



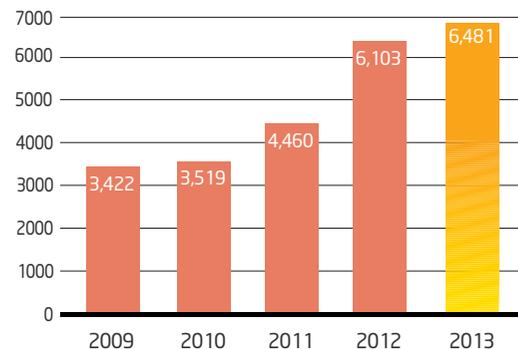
Net Sales - Turkey

(TRY Million)



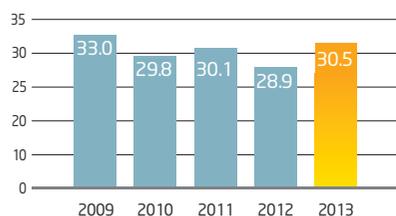
Net Sales - International

(TRY Million)



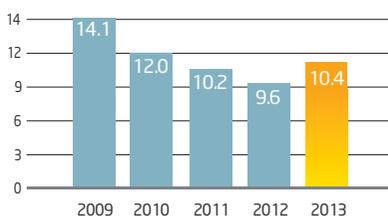
Gross Profit Margin

(%)



Earnings before Interest, Taxes and Depr. & Amort.

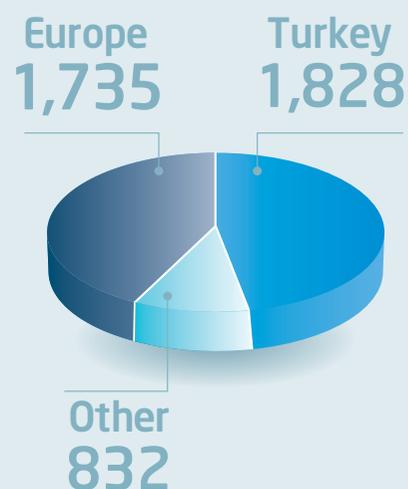
(%)



Regional Distribution of Net Sales

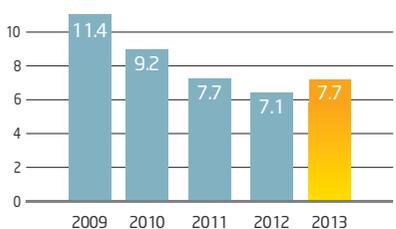
Million Euro

2013



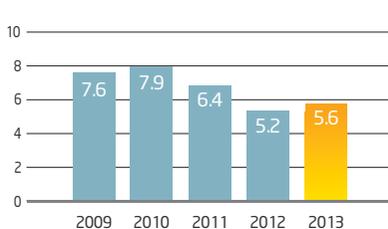
Operating Profit Margin (*)

(%)



Net Profit Margin

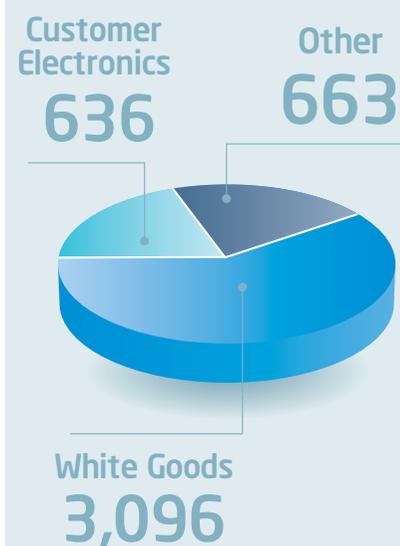
(%)



Net Sales by Product Group

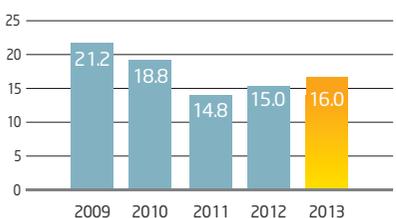
Million Euro

2013



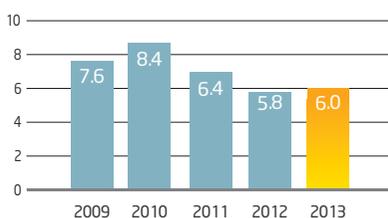
Return on Equity

(%)



Return on Assets

(%)



(*) For consistency with the presentation of 2009-2011, operational profit margin, and EBITDA margin are calculated by deducing the impact of foreign exchange income and expenses, and credit finance income / charges from trading activities, and by adding income / loss from sales of property, plant and equipment.



Million EURO	2013	2012	2011	2010	2009
INCOME STATEMENT					
Net sales	4,395	4,581	3,633	3,487	3,065
Gross profit	1,342	1,323	1,094	1,040	1,011
Operating profit	338	326	278	321	348
Income before tax	295	270	265	330	268
Net income	247	237	233	276	234
Depreciation and amortization	120	113	94	97	84
BALANCE SHEET					
Year-end cash and cash equivalents	431	740	480	643	419
Inventories	677	680	626	482	420
Total current assets	2,608	2,865	2,466	2,314	1,923
Property, plant and equipment	626	682	592	611	576
Total assets	3,886	4,349	3,764	3,573	2,975
Total short-term liabilities	1,393	1,676	1,445	1,143	1,472
Total liabilities	2,476	2,679	2,269	1,910	1,705
Non-controlling interest	26	36	43	32	20
Total equity	1,409	1,670	1,494	1,663	1,270
CASH FLOW					
Cash flow from operating activities	141	293	-37	425	836
Cash flow from investment activities	-177	-178	-349	-76	47
Cash flow before financial activities	-36	115	-386	349	883
Dividends paid	160	150	113	55	1
Capital expenditures	207	209	157	127	96
SHARE-BASED FIGURES					
Dividends (Euro)	0.176	0.228	0.191	0.186	0.069
Year-end share price (Euro)	4.14	4.98	2.50	3.81	2.71
Price-earnings ratio	13.73	15.06	8.16	10.19	6.89
Dividends/net income (%)	50.2	67.6	59.2	48.3	17.4
Year-end market value	2,796	3,362	1,692	2,572	1,830
EMPLOYEE INFORMATION					
Number of employees	23,392	22,552	21,960	18,388	16,931
Blue-collar	9,222	18,598	18,153	15,297	13,923
White-collar	4,170	3,954	3,807	3,091	3,008

(*) For consistency with the presentation of 2009-2011, operational profit margin is calculated by deducing the impact of foreign exchange income and expenses and credit finance income / charges from trading activities, and by adding income / loss from sales of property, plant and equipment.

According to our financial statements of 01/01/2012 – 31/12/2012 accounting period, distribution of dividend began on 01/04/2013 pursuant to decision taken by Shareholders Ordinary General Assembly on 28/03/2013. Dividend of TRY 355,000,000 distributed was funded from current year incomes and reserves for contingencies.

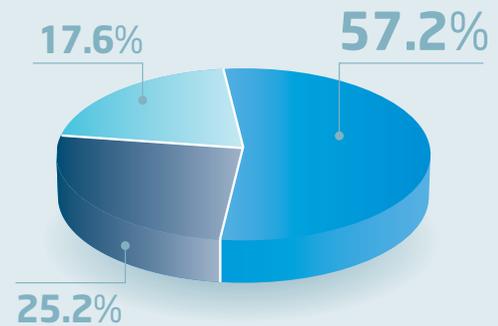
Company's totally paid issued capital in 2013 was TRY 675,728,205 and issued capital was divided into 67,572,820,500 registered shares, each nominally valued at 1 Kr. Registered capital limit of the company is TRY 1,500,000,000.

There isn't any preferred share. In general assembly meetings, each share with 1 Kr. nominal value has one right of vote.

Shareholders	Paid-in Capital (TRY)	Share (%)
Koç Holding A.Ş.	273,742,027	40.5
Koç Group (Other)	112,782,595	16.7
Koç Group Total	386,524,622	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428,337	12.0
Burla Ticaret ve Yatırım A.Ş.	37,571,663	5.6
Other Shareholders	170,203,583	25.2
TOTAL	675,728,205	100.0

Koç Group Burla Group Other

In 2013, no transaction was performed on non-public shares by shareholders.



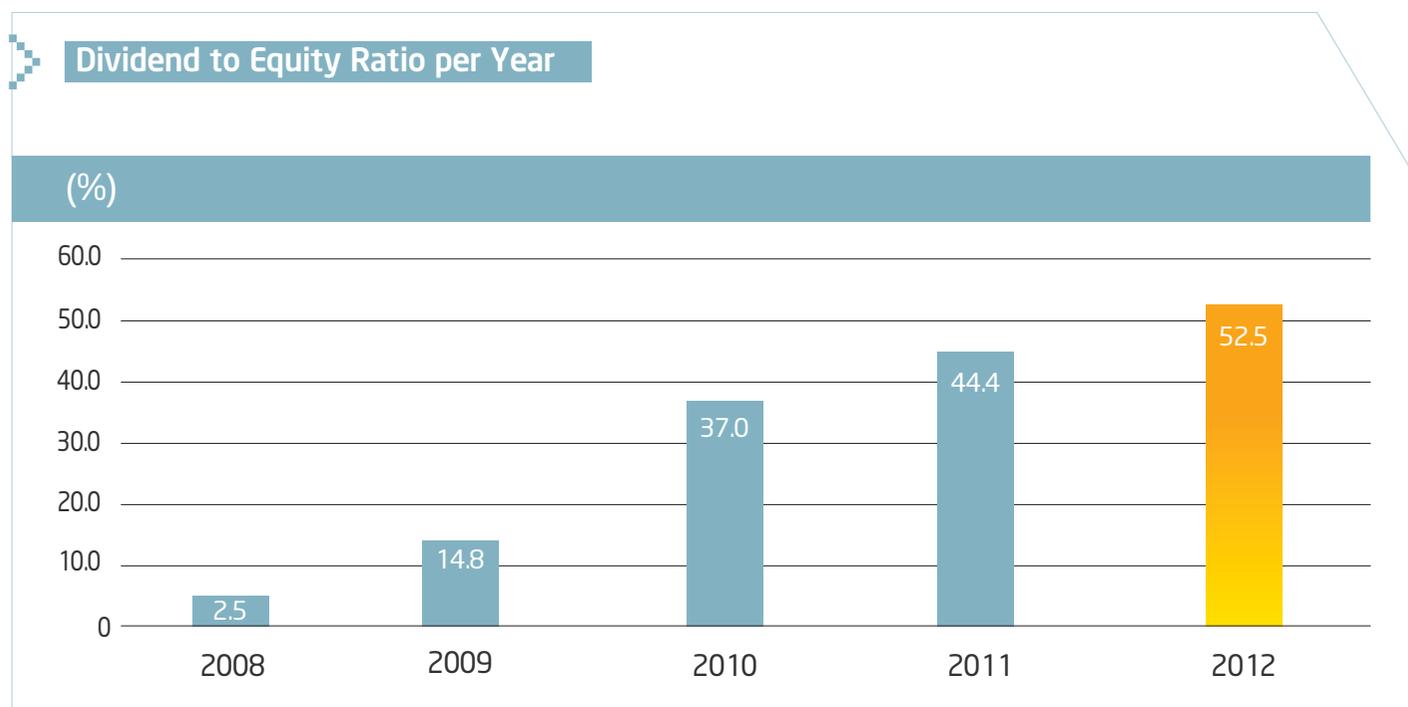
Dividend sums distributed on income from 2008 to 2012 and their proportion to distributable profits and the capital in said years are below.

Dividend Payment Year	Issued Capital (Thousand TRY)	Dividends (Thousand TRY)	Gross Dividend of per Nominal Share of TRY 1	Dividend Payout Ratio (%)	Earnings (TRY) Per Normal Share of TRY 1
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
2012	675,728	355,000	0.52536	52.5	0.777

Dividend to Equity Ratio per Year

In distribution of profit, a stable and consistent policy is followed between interests of shareholders and interests of Company in accordance with Corporate Governance Principles.

Our profit distribution policy of 2012 and following years as presented to our Ordinary General Assembly on 28 March 2013 is as follows: "as long as our relevant regulations and investing requirements allow, long-term average of dividend to be submitted by Board of Directors for General Assembly's approval shall be more than 50% of yearly distributable profit of our Company".

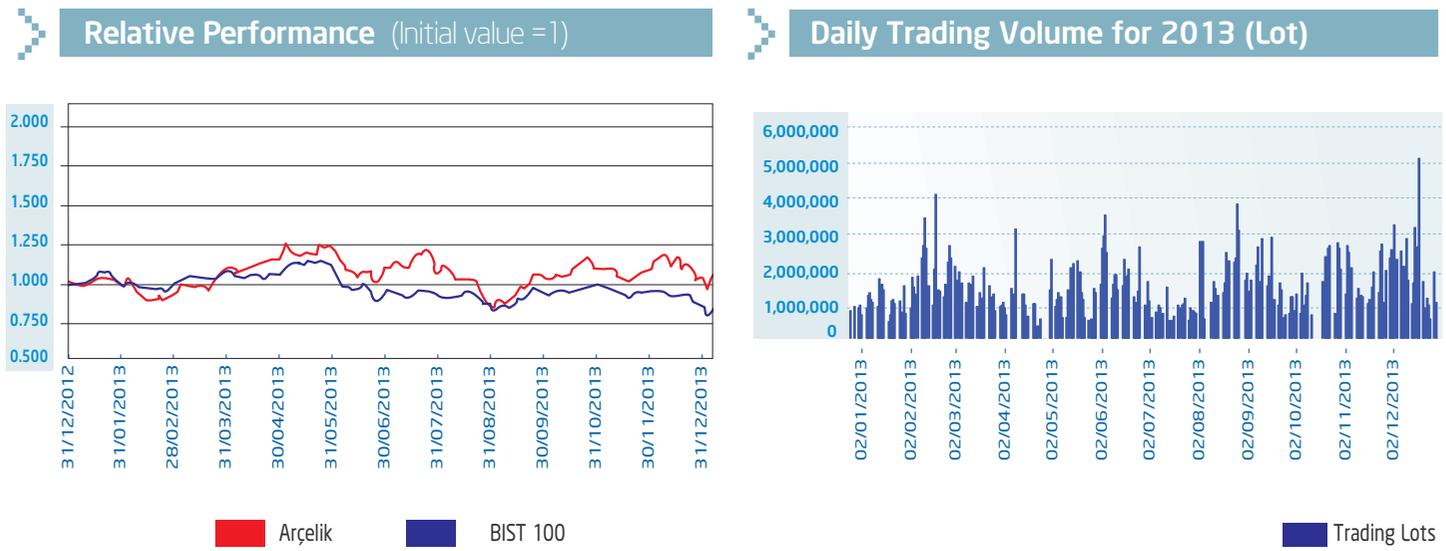


Company's stocks have been traded in Istanbul Stock Exchange (IMKB) and Borsa Istanbul since January 1986. Performance of stocks for the last 5 years are summarized in the table below.

Share Data	2013	2012	2011	2010	2009
Lowest price (TRY) (*)	9.34	5.55	5.01	4.38	1.01
Highest price (TRY) (*)	14.45	11.37	7.84	7.25	5.01
Year-end price (TRY) (*)	12.15	11.23	5.55	6.73	4.93
Year-end price (TRY)	12.15	11.70	6.12	7.80	5.85
Issued capital (Thousand TRY)	675,728	675,728	675,728	675,728	675,728
Market value (Thousand TRY)	8,210,098	7,906,020	4,135,457	5,270,680	3,953,010
Market value (Thousand USD)	3,846,740	4,435,106	2,189,347	3,409,237	2,625,364

(*) Adjusted for Capital.

Stock performance between 01/01/2013 - 31/12/2013 is indicated in the graphic below. According to the graphic, share price of company increased by 8% while BIST 100 index decreased by nearly 13%.



In 2013 daily transaction volume average of the Company's stocks was around 1,439 thousand lots. At the end of 2013, around 79.7% of Company stocks traded in Borsa Istanbul are held by foreign investors.

Indexes where the Company took part in Borsa Istanbul as from end of 2013 are listed below. Free float percentage used in index calculations is 25% while share weight in BIST 100 is 1.5403%.

Arcelik A.Ş. takes part in BIST National, BIST 30, BIST 50, BIST 100, BIST All Shares, BIST Corporate Governance, BIST Dividend, BIST Dividend 25, BIST Industrials, BIST Metal Products, Machinery, BIST Istanbul indices.

First corporate governance rating announced publicly with our special situation statement on 30/07/2009 was raised from 8.21 out of 10 (82.09%) to 8.55 out of 10 (85.53%) on 30/07/2010; to 8.59 out of 10 (85.91%) on 01/08/2011; to 9.11 out of 10 (91.07%) on 30/07/2012; to 9.28 out of 10 (92.80%) on 29/07/2013 as a result of revision performed by SAHA Corporate Governance and Credit Rating Services, Inc.

Our company was included in IMKB Corporate Governance Index on 31/07/2009.

Risk Management and Internal Control Mechanism

Arçelik A.Ş. Board of Directors carries out its operations in a transparent, accountable, lawful and responsible way. Members of Board of Directors elect a president and a vice president among themselves. Besides, Chairman and Member elections for Board of Directors committees take place, as well. General Manager takes part in Board of Directors as executive member.

Board of Directors creates internal control systems involving risk management and information systems and processes that can minimize the effects of risks which may affect stakeholders of the company, especially stakeholders, considering the opinion of Board of Directors committees.

With the decision taken by Arçelik A.Ş. in Board of Directors meeting on 16.07.2010, with the aim of ensuring efficient operation of committees within the body of Board of Directors and in accordance with Article 378 of Turkish Trade Law number 6102; a Risk Management Committee was formed in order to carry out efforts with the aim of early diagnosing risks that may jeopardize the existence, development and continuity of the company, application of relevant actions concerning identified risks and managing risks. Independent member of Board of Directors, Dear Mehmet Barmanbek holds the presidency of the committee. The other member of committee is Dear O. Turgay Durak, member of Board of Directors.

Formed by picking up members among members of Board of Directors, Risk Management Committee held 7 meetings throughout 2013. Risk Management Committee provides advices and suggestions to Board of Directors in terms of early diagnosis and assessment of strategical, financial, operational etc. risks; management and reporting of those risks in accordance with corporate risk taking profile of the Company; application relevant actions concerning the risks identified; regarding the risks in decision-making mechanisms; creating effective internal control mechanisms and their integration in this direction.

Risk Management Committee has started a Enterprise Risk Management Program with the aim of increase profitability and to create competitive advantages regarding strategy, process, human, technology and fund of knowledge factors throughout the institution that will help Arçelik A.Ş. with its growth targets and that will meet the demands of internal and external stakeholders.

Internal Control Mechanism:

Formed within the body of General Vice Directorate of Financing and Financial Affairs, Internal Audit Management conveys information to Audit Committee about its meetings throughout the year in order to manage internal control mechanism in a healthy way. Committee supervises operation and effectiveness of the system constantly and conveys problems concerning risk management and internal control mechanism and solution suggestions to Board of Directors as required.

Enterprise Risk Management Program

Risk management approach of Arçelik A.Ş. aims to integrate Arçelik A.Ş. management system with a Enterprise Risk Management structure that reveals which risks to be focused on while achieving goals; manages risk holding innovations and changes while being aware of risks; that increases risk awareness of employees in the company; that encourages employees to bring risk management process, its applications and risk-posing subjects to the agenda; that helps and guides employees in managing their own risks; that develops image of the company positively and that brings risk management to all stages of all functions and operations.

In line with that approach, Arçelik A.Ş. conducts difference analysis between its current structure and Enterprise Risk Management maturity level which it targets -pursuing Risk Management Principles, international standards and best application elements-, creates its Enterprise Risk Management Program in accordance with development potential that emerges as a result of the analysis and determines its short, medium and long term road maps.

Enterprise Risk Management Program has been developed in a way that protects current values of the company, creates new values for stakeholders, manages opportunities and ensures communication of risks identified in all functions between processes in accordance with risk appetite accepted by Board of Directors and top management of the company.

Enterprise Risk Program is carries out with guidance of the road map and with all working processes in all establishments, central units and foreign associates in an integrated fashion.

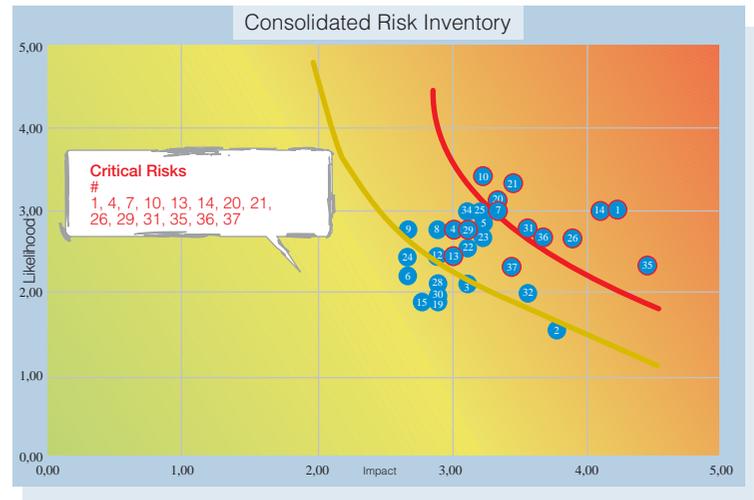
In 2013, within Enterprise Risk Management Program:

- Enterprise Risk Management awareness trainings took place in all central units, factories and selected subsidiaries.
- Over 200 interviews at management level workshops and meetings were held in all our central units and factories and selected subsidiaries.
- Regarding Arçelik's strategic targets, risk effect and possibility tolerance levels identified according to required financial or labor force competency level in order to meet the risk from company resources smoothly were determined.
- Industry-specific risk issues that emerge in all main processes, factories and selected manufacturing and sales subsidiaries of the company were discussed, risk definitions on main category basis with consensus of relevant parties were generated, all factors that may affect those risks were identified and risk maps on function basis were created by determined company tolerance levels.
- After reviewing all risks, primary risks that may affect main goals of the company were chosen and moved to 'Consolidated Risk Inventory' of the company.
- In Arçelik; risks were identified in 5 main categories as strategic, compliance, exterior, financial and operational risks. Distribution of consolidated risks of the company as per categories is below:

Distribution of Risk Category



- Consolidated Risks were classified as critical risks, important risks and secondary risks according to risk score obtained by gathering their effects and effectuation possibilities. Risk priorities for Consolidated Risk Inventory were positioned in the map below:

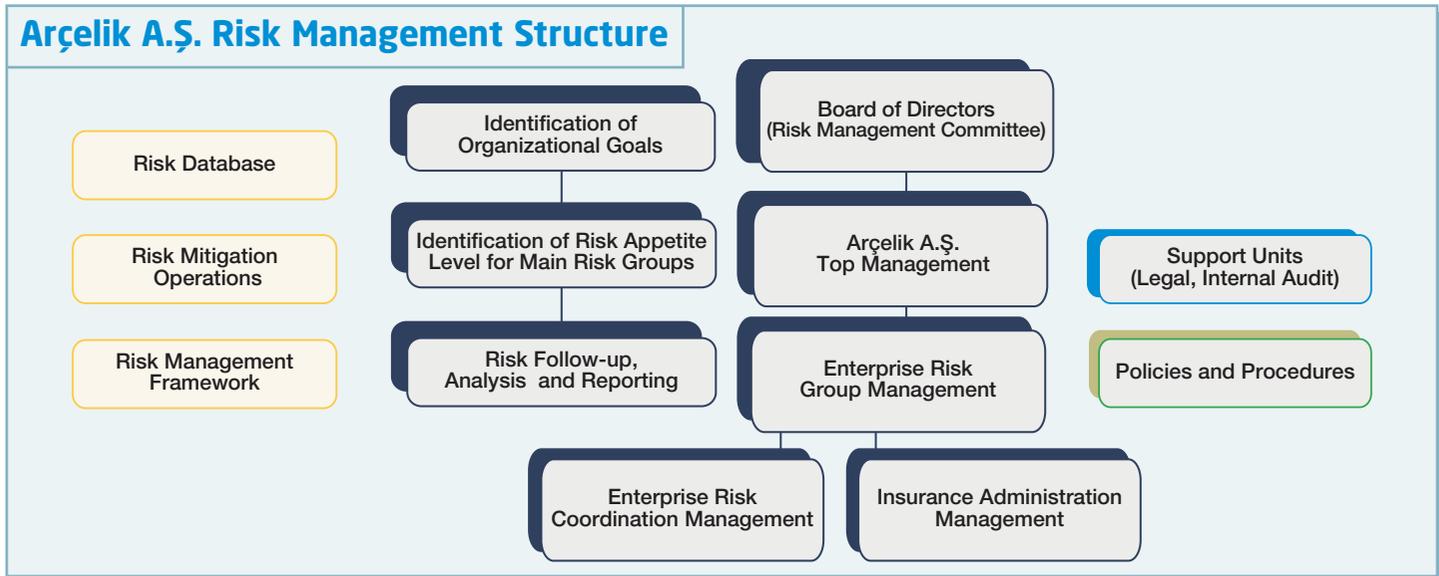


- 14 main risks in Consolidated Risk Inventory were identified as critical risks. Critical risks are risks that should be supervised closely on Arçelik Board of Directors level and handled primarily in action plans.
- Action planning studies that will minimize effects or effectuation possibilities were carried out and reflected to business targets of relevant processes.
- Identifying risk indicators that will ensure continuity in gauging risks as well as created actions and making the most important indicators is performance indicators in relevant business processes are two steps with utmost importance in integrating risk management with all processes. The aim behind identifying corporate risk indicators is to ensure that potential to be exposed by risk is tracked systematically, gauging the performance of action plans decided to be taken against risks, to support the contents of reports concerning risk management with the data provided and to provide more reliable and measurable information to Risk Management Committee using that method.

In our selected subsidiaries; risks identified regarding their social, politic, economic and competitive position were put forth comparatively and handling activities concerning those risks with a more systematic, holistic and global view was ensured.

Enterprise Risk Management Structure

Summarizing risk management structure in Arçelik organization is possible as you see in the table below:



Tracking assessments concerning critical risks and important actions is carried out by Arçelik A.Ş. top management with guidance and leadership of Board of Directors. All activities concerning risk management and risks are reported periodically to Board of Directors Risk Management Committee and tracked constantly and progressively by the Committee. Enterprise Risk Management Governance Manual was developed with the aim of describing the process for risks to be acknowledged, understood and managed and to ensure continuity in that process and ensuring that employees understand that process and their roles and responsibilities.

With this procedure, the goal is a common understanding and culture of risk throughout the company. Specific management processes were established for some risks.

Receivables risk

In international Risk of Receivables Management, risk of receivables of Arçelik A.Ş. and its Group Companies are reported to “Local Credit Risk Management Committee” and “Central Credit Risk Management Committee” formed by top management of the Company and after being supervised and analyzed within the frame of determined methodology, they are approved before the risk is taken.

On the subject of Risk of Receivables, there are Consolidated Receivables Insurance Policies that covers the Group including all subsidiaries with the aim of covering all damages arising from risks. To minimize Risk of Receivables and within the scope of the rules set in Global Risk Management Procedure; credit score to be based on during risk assessment of customers in SAP environment can be determined and risks of receivables can be tracked in a consolidated way.

In addition to Global and Local policies, all processes of financial assets such as Letter of Credit and Letter of Guarantee are managed and customer risks are supervised in the system on the basis of each order.

Financial risks

Those risks are handled in three categories as Liquidity Risk, Interest Rate Risk and Exchange Rate Risk and application principles below are regarded in terms of managing those risks;

Liquidity Risk

Risk of non-fulfillment of financial liabilities is removed by managing balance sheets and cash flow in compliance. Within that scope; attention is paid that terms of receivables and payables are in compliance, targets for net working capital management are set to protect short term liquidity and efforts are put to keep balance sheet ratios on specific levels.

In medium and long term liquidity management, estimates on cash flow of company are carried out taking markets and industry dynamics as basis, cash flow cycle is tracked and tested according to various scenarios.

Interest Rate Risk

Change on interest rates pose an important risk in terms of financial results with its effect on assets and liabilities sensitive to interest. That risk is managed by balancing quantities and terms of interest-sensitive items using methods within balance sheet or derivative financial tools as required.

Within this scope, it is important that not only the terms, but also interest change periods of receivables and debts are in compliance. In order to get the minimum effect from interest rate fluctuations; interest change periods of financial debts and receivables are harmonized on one hand, 'fixed interest/variable interest' and 'short term/long term' balances of those debts are observed on the other hand.

In recent years, R&D financing credit of 100 million Euro with 7 year term and 2.6290 % fixed interest was received from European Investment Bank and Eurobond issue of 500 million USD with 10 year term and 5% fixed coupon interest rate was done to international markets and thus, extension of term and fixed interest/variable interest balance were ensured in debt portfolio.

Exchange Rate Risk

As a result of the fact that Arçelik A.Ş. operates on a widespread geography, operations are carried out with many different currencies. As of end of the year 2013, the company conducts business using 22 different currencies. Therefore, exchange rate risk is one of the most important financial risks to be exposed.

Trade relation between main company and its subsidiaries is managed on the basis of functional currencies of subsidiaries within the frame of relevant regulations and therefore, exchange rate risk on the side of subsidiaries are minimized and managed in the main company. Exchange rate risk is tracked on the basis of functional currency for each subsidiaries. Proportion of said position sums to total equity is targeted to be within a specific range.

Main principle of managing that risk is to maintain an exchange position that gets affected by exchange rate fluctuations least, in other words, exchange position should be close to zero.

As in other risk components; methods within balance sheet should be preferred as much as possible while managing exchange rate risk, as well. However; as required, derivative financial instruments are used to maintain exchange position within targeted limits.

Crisis Management Program and Crisis Management Tools

Crisis management program and tools have been developed in order to handle unexpected situations for Arçelik A.Ş. and all its subsidiaries that may arise from effectuation of possible risks on the basis of the country in a way that the company and stakeholders won't be harmed.

Crisis Management Program has been established to manage unexpected potential cases and crises rapidly and effectively; to resolve effects of occurred cases on facilities, operations, financial assets, prestige and stakeholders of the company and to maintain business sustainability. The program aims to ensure effective internal and stakeholder communication during crisis as well as effective and punctual distribution and coordination of resources.

Within the program; structures of crisis management, emergency response and corrective activity teams, their roles and responsibilities, reporting and start-up processes, coordination and communication of teams with each other and their decision-making processes were described using procedures.

Guiding documents have been prepared to ensure execution of the work to be carried out by the team within a plan and easy accession of all information they require during crisis or emergency situation and increase the performance of the operation to be performed. In those documents; various tools such as check lists that will ensure perfect completion of activities, meeting flow plans, reporting guides, training programs that will ensure crisis management team to be prepared constantly and information that will ensure communication were described.

For all methods and resources developed to be internalized within Arçelik A.Ş. and all subsidiaries and to be kept up-to-date; interactive activities were carried out on the web by globally experienced project consultants as well as on-site trainings. In those 'webinar' sessions; developed procedures and tools were introduced and trainings on how to use that material during and before possible crises were performed. Subsidiaries were ensured to participate in online trainings simultaneously and awareness related to perceptions in various countries were increased.

Scenarios about possible cases such as natural disasters and fires were designed and scenarios were used in crisis management applications with participation of crisis management teams of Arçelik A.Ş., Grundig GmbH and Beko Deutschland GmbH companies.



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.



It is a world brand that is the smart preference of 280 million people in over 100 countries; that offers smart solutions with its solo products, built-in white goods, small home appliances, air-conditioners and electronic products; that fulfills requirements of a very wide customer mass and that increases quality in daily life.



The 130-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."



It is the most known and long-established domestic brand of Romania and the leader of white goods market.



Since 1946 Grundig stands for modern, high-quality products which are designed to make people's lives better and more convenient. With the market introduction of large domestic appliances in 2013 the company has successfully completed its transmission from consumer electronics to a home electronics manufacturer with products for literally every room in the household.



It is the brand of people that desire to meet their durable consuming requirements 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.



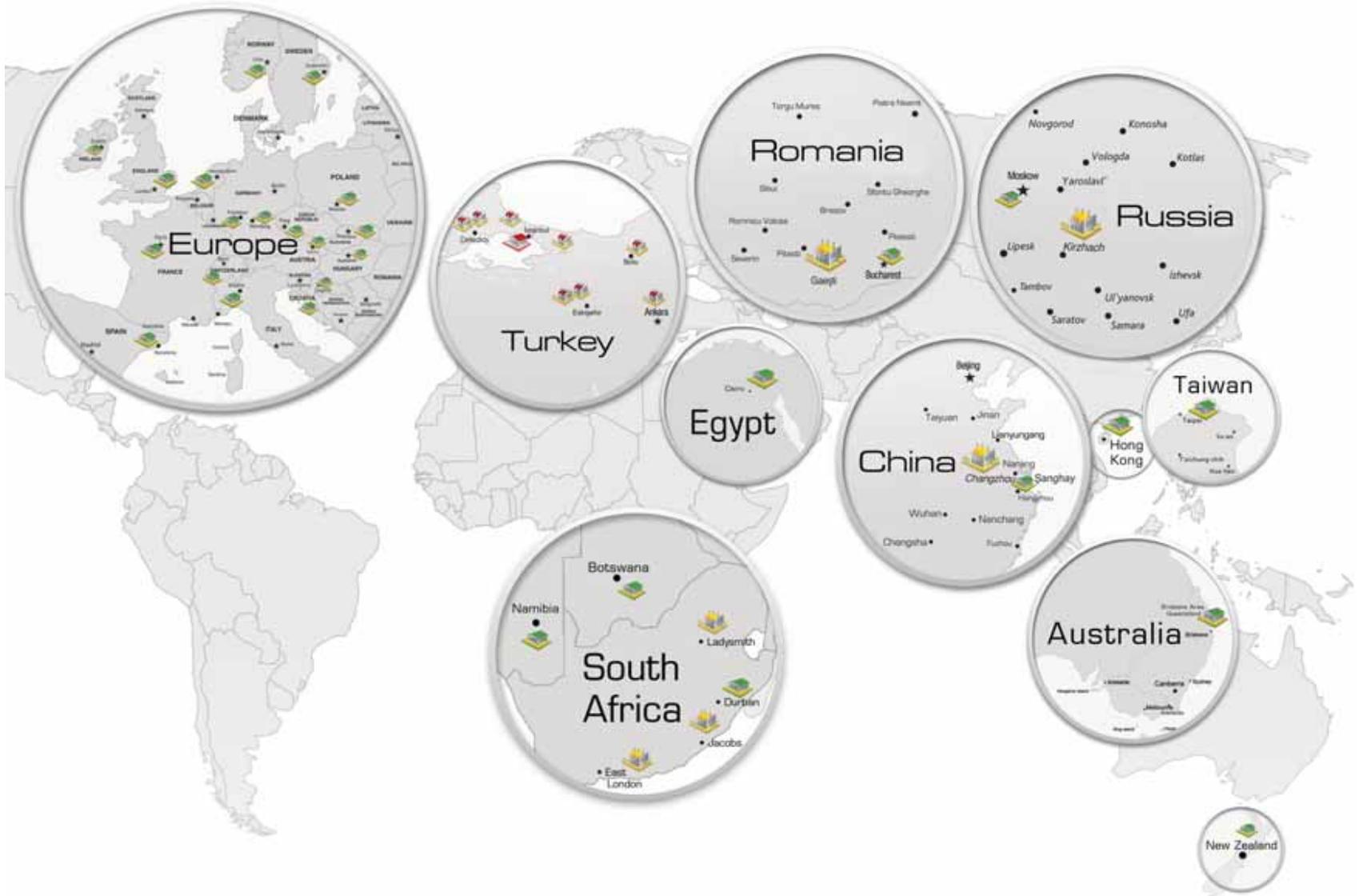
The 120-year-old well-established brand from Austria, one of the most popular home appliances brands in the country.



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.



It is the leader brand of home appliances market in South Africa.



**14 PRODUCTION FACILITIES IN 5 COUNTRIES,
A SALES AND MARKETING ORGANIZATION OPERATING IN 25 COUNTRIES,
PRODUCTS AND SERVICES IN OVER 100 COUNTRIES**



Headquarters
Turkey/Istanbul



Production Plants-Turkey

Refrigerator Plant	Eskişehir
Washing Machine Plant	İstanbul, Tuzla
Electronics Plant	İstanbul, Beylikdüzü
Cooking Appliances Plant	Bolu
Dishwasher Plant	Ankara
Electric Motors Plant	Tekirdağ, Çerkezköy
Compressor Plant	Eskişehir
Tumble Dryer Plant	Tekirdağ, Çerkezköy



Production Plants-International

Refrigerator Plant	Romania, Gaești
Refrigerator and Washing Machine Plant	Russia, Kirzhach
Washing Machine Plant	China, Changzho
Cooking Appliances and Tumble Dryer Plant	South Africa, Jacobs
Cooling Appliances Plant	South Africa, Ezakheni, Ladysmith
Refrigerator Plant	South Africa, East London



International Sales and Marketing

Ar Dutch B.V. Taiwan	Taiwan
Beko A and NZ Pty Ltd.	Australia, New Zealand
Beko Deutschland GmbH	Germany
Beko Egypt Trading LLC	Egypt
Beko Electronics España S.L.	Spain
Beko France S.A.S.	France
Beko Italy SRL	Italy
Beko LLC.	Russia
Beko Plc.	UK, Republic of Ireland
Beko Slovakia S.R.O.	Slovakia
Beko S.A.	Poland, Czech Republic
Beko Shanghai Trading Company Ltd.	China
Beko Ukraine LLC.	Ukraine
Changzhou Beko Electrical Appliances Co. Ltd.	China
Defy Appliances Ltd.	Republic of South Africa
Defy (Botswana) (Proprietary) Ltd.	Botswana
Defy (Namibia) (Proprietary) Ltd.	Namibia
Elektra Bregenz AG	Austria
Grundig Multimedia A.G.	Switzerland
Grundig Intermedia GmbH	Germany, Croatia
Grundig Nordic No AS	Norway
Grundig Nordic AB.	Sweden
SC Arctic SA	Romania
Beko Hong Kong Ltd.	Hong Kong, China



Arçelik A.Ş.;

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

Beko brand is;

- The **3rd largest home appliances brand** in Europe,
- **Increased its market share most in** Germany, Belgium, Romania and Ukraine in 2013,
- **The best-selling** refrigerator and free standing oven brand in Western Europe,
- **The leading brand** in total home appliances market, refrigerator, deep freezer and oven product segments in UK,
- **The leading brand** in total home appliances market and refrigerator group in Poland,
- **The leading brand** in total freestanding home appliances market; oven, refrigerator and deep freezer product segments in Belgium,
- **The leading brand** in total home appliances market in Lithuania,
- **The leading** deep-freezer brand in Spain,
- **The second brand** in total home appliances market and **the leading brand** in free standing oven market in France,
- **The leading** deep-freezer brand in Israel.

International Markets

Home Appliances

It is estimated that home appliances industry in the world reached to 180 billion \$, increasing by nearly 2.5% compared to previous year.

West Europe white goods market shrunk by 1% on the basis of units in 6 main product group while East Europe home appliances market achieved a growth of 4%. Among the biggest home appliances markets of West Europe; England, France and Spain markets shrunk in 2013 while Italian market expanded. In East Europe; Ukraine and Poland markets along with Russia market, the biggest market of the region while Romania, another important market, shrunk. Markets in Baltic Republic achieved a growth, as well.

In Middle East which is among Arçelik A.Ş.'s target markets, shrinkage was observed due to diplomatic and political problems while in North Africa and especially in Egypt, uncertainty and domestic disturbances have caused a great deal of pressure on the market. In South Africa that has the greatest and most developed economy of Africa continent where the company operate as Defy brand, home appliances market shrunk by 4%.

Turkey maintained its position of being the greatest manufacturing center of Europe in terms of home appliances.

Export in the year of 2013 remained the same as last year with 16 million units in six main product groups. Internal market achieved a growth of 6% compared to year 2012, reaching up to 6.8 million units.

Holding its position in markets where it held the leadership 2013, Arçelik A.Ş. maintained its position of being the third greatest home appliances company of Europe in its industry. It maintained the leadership in the market by far with Arctic brand in Romania and Defy brand in South Africa.



Consumer Electronics

It is estimated that world LCD TV market achieved a growth of 3.5%, reaching up to 143 billion \$.



Beko

In the year of 2013; "Family Concept" that presents frames from daily lives of customers, that eases daily lives by offering smart solutions and that contains a talkative and warm structure was used in the communication of the brand. With "Smart Solutions" positioning of the brand, visual and technological features of the products as well as their advantages for consumers were focused on.

Beko continued to receive appreciation by offering its newest products with superior technology in 2013 in IFA, the greatest technology fair of Europe. In IFA Fair, Beko found the opportunity to offer its special built-in cooker series named "CAST LINE" and designed by globally known designer and architect Patricia Urquiola for the brand as well as its innovative and technological products.

Products with Beko brand continued to be ranked among best white goods brands by prestigious consumer magazines, test and research institutions with its superior performance in categories such as quality, environmental impact, ease of use in 2013 as well.

With our international brand Beko which we brought to consumers in over 100 countries, we continue to maintain stable growth. Beko succeeded in becoming the most preferred refrigerator and solo oven brand as the second biggest white goods brand of West Europe.

Holding market leadership in many countries throughout the world, especially in England; Beko started to support basketball that has values parallel to its dynamic and energetic structure and that has an important role of development of young people with its Beko Basketball League Sponsorship in Turkey in 2006 for the first time.

Beko became "Presenting Sponsor" (the greatest sponsor that presents the championship to entire world) of FIBA World Basketball Championship in 2010. After its sponsorships of German, Lithuanian and Russian Basketball Leagues, it became "Presenting Sponsor" of 2011 European Basketball Championship held in Lithuania.

Beko added Italian Basketball League sponsorship to its international investments. Beko became "Presenting Sponsor" of FIBA European Basketball Championship held in Slovenia between 4th - 22nd September 2013, known as one of the most important basketball organizations in the world.

In 2013, Beko gathered all its sports sponsorships under "Home Advantage" concept in line with its new sponsorship strategy. This concept was created setting out from the fact that Beko provides advantage to all sportsmen and sports fans at home with the technologies it offers and on the field with sponsorships.

Beko will maintain its communication with sports in 2014 as "Presenting Partner" of FIBA World Basketball Championship held in Spain between 30th August - 14th September 2013 and afterwards.



Arctic

Domestic brand of Arçelik A.Ş. in Romania, Arctic offers gracious, exciting, family-oriented and value-added benefits and services to its customers. It is the most known home appliances brand with the strongest history and it offers solutions appropriate for meeting lifestyle requirements and demands of its customers. The brand differentiates itself not only with having the widest distribution network in Romania, but also with its service network after sales throughout the country.

Arctic holds its leading position in Romania white goods market with its market share of over 35% for years. Arctic offers a complete home appliances range to its customers in Romania: refrigerators, deep-freezers, box-type coolers, washing machines, cooking tools, fume hoods and built-in products. Arctic is a leader in Romania home appliances market and hold the first position in refrigerator and washing machine markets and second position in cooking products segment.

Energy efficiency and functionality has become a priority for customers in purchase decision-making process. To meet saving requirements of customers, Arctic launched Arctic TET home appliances product range in 2012.

Targeting to provide customers with notable savings in purchase process, TET technology (Long Term Saving Technology) provides important benefits such as water, time and energy savings, superior washing results, more safety and comfort.

Arctic appeals to a customer profile that has a modern lifestyle with its strategy devoted to its brand position, its stylish and modern design, its up-to-date technology that ensures consumers to discover the brand repeatedly. As a part of that, campaigns of Arctic brand in 2013 continued to convey benefits of Arctic TET range and focus on establishing communication via its innovative approach.

Special printing projects, metro campaign and “Electronomy Consultant” campaign in blogs as well as collaborations developed with market leaders in other industries has earned an extraordinary visibility for a home appliances brand. All those efforts ensured that the brand earned permanent commitment and visibility and a new viewpoint was developed. Arctic will continue to strengthen its position in the market with its technology and R&D investments.





Elektrabregenz

Elektrabregenz is a well-established Austria brand whose history dates back 120 years. The company became the part of Arçelik A.Ş. family in 2002 with the extensive sales network. Arçelik Group is one of the major players in 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 started with the "SURF" oven and later on updated by 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 and also provided the Austrian consumers A+++ energy class refrigerators and new built-in products in 2013.

In 2013, Elektrabregenz concentrated on marketing activities at radio, online, outdoor and leaflet advertisings to promote its new products and technologies. For its 2013 end-user and dealership communication campaign, the company has put emphasis on its steam-assisted SURF ovens, I - Cook ovens, dishwashers with six liter water consumption, refrigerators with four doors; and A+++ energy saving heat pump assisted tumble dryers. The company's Nova type washing machines continued to be sold under Austria's high-end market category.

The company added the advertising slogan "etwas besonderes/something special" in 2011 to its company logo with the slogan "completely innovative" to its product range. In 2013, Elektrabregenz continued its Shop in Shop applications with the intent of improving the window display for the different stores. The sponsorship of cooking shows broadcasted on various furniture channels in 2013 and also made a significant contribution to the promotion of the brand. In 2013, Elektrabregenz offered its new image and innovative products to the consumers at important industry exhibitions organized in Austria including Wohnen & Interieur, Ordertage and Futura.

In 2013, the company has launched its new built-in refrigerators featuring easy installation, higher energy efficiency and new designs. Entering into the oven category of furniture market with its new induction hobs, the brand also continued to promote tumble dryers and washing machines featuring higher energy efficiency. Thanks to the environmental technologies, Elektrabregenz was granted to "Green Brands" and awarded in 2012.



Blomberg

In 2013, Blomberg celebrated its 130th 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," practical products that are "In Harmony with You" and future-proof products that are "In Harmony with Future".

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.



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. 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, hobs, and tumble dryers 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, and distribution and after sales service functions.

Defy emphasizes 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

Grundig Intermedia GmbH is one of the world's leading manufacturers of consumer electronics and household appliances. Since 2007 Grundig Intermedia GmbH has been the part of Arçelik A.Ş. The company stands for the quality notion "Made in Germany", thanks to its high commitment to quality and a strong consumer orientation that helped it gain over 98% brand awareness rating in Germany alone. With the market introduction of large domestic appliances in 2013 the company has successfully completed its transmission from consumer electronics to a home electronics manufacturer with products for literally every room in the household.

The brand continues to grow while remaining faithful to its product range and brand values – the focus is always on people and their needs because Grundig cares for the things you love. With this in mind Grundig follows its brand attributes including deep German seated heritage and long experience in the market, user-friendly and good design, high standards and quality control.

Its product portfolio ranges from MP3 players and 60 inch Ultra HD TVs to hair styling devices, vacuum cleaners and kitchen machines, up to the recently launched range of white goods including ovens, dishwashers and washing machines. Grundig branded products are sold in 65 countries as part of Arçelik A.Ş.'s network.



In 2013 Grundig concentrated on increasing the flexibility of its product portfolio and the stability of the company by growing business continuously. The company has pursued this objective intensively through the introduction of the Grundig's WeCare white goods range at the Living Kitchen in January 2013. The company not only extended its product portfolio but also became a brand that supplies electronic goods for every room at home. Grundig strives to meet sustainability conscious customers with its WeCare white goods range including highly energy-efficient ovens, refrigerators, dishwashers, washing machines and driers, which satisfy the tastes and discerning needs of consumers worldwide.

On the way to its transition into a home electronics company Grundig presented the widest-ranging product portfolio in its history at the IFA 2013 in Berlin. With 120 new products, the home electronics company is an inspiration for its customers in virtually every part of their lives – in living rooms and bedrooms as well as bathrooms and kitchens. With the introduction of its first Fine Arts TV line with native 4k Ultra HD resolution, Grundig has demonstrated its innovative power not only in terms of technology but also in design.

Another major TV milestone for Grundig in 2013 was the launch of its own panel production in Istanbul in October. The integration of panel and chassis assembly provides more flexibility with regard to the chassis and design of TVs, enabling the company to achieve even greater product differentiation in the fast moving consumer electronics market.

Grundig also shows a strong commitment to sports and educational matters. Since February 2013, the Nuremberg Stadium has a new patron and a new name: the Grundig Stadium. In addition to an exclusive partnership with Nuremberg's premier league football club for several years, Grundig extended its sponsorship with the German premier league "Bundesliga" for the next two years. The company will also be present at football stadiums throughout Germany with its LED boards which will also be used for public viewing events. Last but not least in schools, students will be able to study using interactive Grundig eBoards instead of conventional slates in the future.

Grundig is striving forward not only with confidence but also stands taller with a broad base for upcoming developments. Its priority is to keep to the brands core values while envisioning change and investing strongly into R&D to prepare successfully for the future.



Home Appliances

In 2013, Turkish home appliances sector maintained its growth compared to the previous year. Data obtained from the Association of Turkish White Goods Manufacturers (BESD) show that home appliances market growth increased 6% compared to last year and reached 6.8 million units totally in 6 main products.

Having the widest service network with its strong authorized dealers and after sales services, Arçelik A.Ş. maintained its leadership in the sector with its market share of over 50% in home appliances, built-in products and air-conditioners and of around 30% in LCD TV in 2013.

Within product ranges, rate of preference has increased for upper model products. More growth has been achieved in cooler and freezer categories when compared to other product groups in home appliances market.

We came to the fore in innovative approaches by introducing joker overhead-cover deep-freezer that may be used freezer-cooler to the market where we are unrivalled in terms of energy with A+++ level overhead-cover deep-freezer. Our product range was strengthened with no-frost and static vertical freezers. Side by side refrigerator that merges internet technology with refrigerator with its "Touchstation" touch screen aroused great interest with that feature. The company continued to hold its leading position with design and innovative approaches with its refrigerators with FullFresh+ feature that keeps vegetables fresh up to 30 days and with ice-cream machines.

With new living spaces created in parallel with new homes constructed with the effect of urban transformation and increasing urbanization, demand for built-in devices has increased as well. Oven, cooker and hoods in built-in category are product groups growing with the utmost speed. Kitchen sections suitable for built-in devices in new houses affect demand for those products positively. In 2013, Arçelik A.Ş. maintained its uninterrupted growth for 6 years in built-in devices market and kept its leadership in the market.

As air temperatures in summer period of 2013 cruised under normal values, air-conditioner market shrunk by 15% compared to previous year. In 2013, demand of inverter model air-conditioners with high energy efficiency and heating performance that gained pace in 2012 was higher than previous year. Arçelik A.Ş. added new capacities to its inverter series in 2013, completed its product range and presented to consumers' taste. Sales of 9 kg. washing machine that the company put to the market in line with its targets and applications for upper segment product group increased considerably when compared to previous year. Combined washing machines with 9 kg. washing and 6 kg. drying capacity was put into use in 2013.

Thanks to air-condensation dryer technology featured on the product, cool air is used to condensate the moisture and water is not consumed for drying. Therefore, water consumption due to drying decreases as user cost is decreased.

In 4-6-8 and 10 programmed dishwashers, visual changes have been completed.

Our model that merges "The First Self-Cleaning Filter Technology" that extends filter cleaning requirement up to 1 year with 10% less energy consumption compared to A+++ in 10 programs was put into use. The technology that extends the lifespan of glasses 20 times thanks to automatic glass protecting system disencumbers consumers from an important problem. Furthermore; the most economical dishwasher of its class with 6 liter water consumption was put into consumers' use and A+ energy level was reached in 2 and 3 programs.

Leader of its industry, Arçelik A.Ş. aims to generalize energy efficiency and environmental consciousness to all its consumers in all its activities and to increase usage of energy efficient products. Within this frame, number of energy-efficient and water-efficient products in main products for years reached a peak in 2013.

"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 with the support of Arçelik A.Ş., 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 2013, LCD and LED TV sales in TV market increasingly continued. After LCD TVs were removed from product range in the first quarter of the year and with innovative, competitive, elegantly designed and featured LED TV products included in the range; products began to be preferred more in the market. Communication efforts were focused on to introduce new products and their features.

In 2013, as demand in the market directed towards wide-screen, the growth on turnover basis realized higher rates than quantity basis in the company.

In 2013, 50" LED TV which was included in product group with competitive prices and features played a role in consumers' heading towards wide-screens. Elegantly designed, the product with Smart TV feature and internal HD Satellite Receiver received great appreciation from Turkish Consumers.

Arçelik

The expert brand of Turkish durable consumer goods industry that has leader, environment friendly, innovative, design and technologic superiority, Arçelik was chosen as LOVEMARK in 2013 both in home appliances and consumer electronic categories. Being the first name to come into mind when it comes to brand, Arçelik supported its worldwide expressions with its energy efficient products and maintained its leadership in energy saving lane with its products respectful of nature.

In parallel with our communication efforts in 2013, "Technology and Design" concept promised with meeting of Arçelik brand character Çelik that represents technology and innovativeness and Çeliknaz character that represents design and elegancy continued to meet with our customers. Consumers were invited to Arçelik stores to see hundreds of products varying from refrigerators to coffee machines, from computers to televisions. Within the scope of the campaign, Arçelik Touch Station refrigerator that has features such as music listening, video and photo sharing, recipe tracking, visual message leaving and online shopping by connecting to internet via its touch screen was put into consumers' use.

The most preferred built-in brand of Turkey, Arçelik put the feature of frying with lower amount of oil and bread making apparatus to consumers' taste with the new apparatus of Gurme Built-in Oven. Its new dishwasher cleans its own filter thanks to "Special Spraying" technology.

Arçelik continued to increase its share in products of upper segment in TV category with putting "Studio Surround HD Sound System Smart 3D Led TV" into market.

Arçelik put new colors of its "Arçelik in love" small home appliances series that merges technology and design perfectly into use. It continues to bring life-easing solutions with red food preparing set that includes hand blender set and mixer and black breakfast set that includes kettle with touch screen, toaster and toast grill with a waffle plate.

Bringing real Turkish coffee taste with Telve, Arçelik put the first and only automatic tea maker of Turkey, "Gurme Tea Maker" that keeps tea fresh two times longer into use in 2013. Steeping tea automatically in desired way, taste, amount and time, Gurme Tea Maker keeps tea in its original taste thanks to its Filter Sense Steeping Technology.

A sparkling innovation from Arçelik for all kinds of well-cared hair in Personal Care Category, "Hair Shaping Series with Swarovski Crystals" was put into consumers taste.

Giving importance to food culture, being an expert in terms of cooking and being the professional assistant of chefs at home, Arçelik met people curious about gourmet tastes in digital platform and "Arçelik Gastro Istanbul Activity" as well as Miracle Tastes TV program.





Beko

Finding smart solutions, Beko continues to ease lives of consumers with its new products and features in 2013. This year, “Home Concept” and “Look Who’s Talking” dialog language, carrying on with a new baby and a family, contributed to the fact that the brand is perceived warmer and familial by customers.

The company continued to hold its leading position with design and innovative approaches with its refrigerators with EverFresh+ feature that keeps vegetables fresh up to 30 days and with ice-cream machines. Beko WD 964 YK Combined Washing Machines with 9 kg. washing and 6 kg. drying capacity was put into use. Increase in built-in products in 2013 continued considerably and Beko continued to be preferred with its products with smart solutions. In OIM 39600X built-in oven model of Beko, net inside capacity of oven was increased by 15% to 75 liters. A new aspect was added to the product for crowded and hospitable families without changing the size of oven.

Beko continues to be the sponsor of Turkish Basketball League. “All-Star” matches held annually are played under the name of “Beko All-Star”. It also continues to perform activities with basketball theme in and out of the field within the frame of Beko League.

The activity with the most tremendous influence was “Super Basket” activity. In this activity, people determined by eliminating others in shooting contest in basketball matches won the right of shooting from midfield in play-off matches. A participant that scored from midfield was awarded with world tour prize by “World Brand Beko”. Beko’s support to and investments in sports will continue in the forthcoming period, as well.

Beko brand became Beşiktaş Football Club’s jersey back sponsor for 3+2 years as of 2014-2015 season.

Beko brand increased its communication in digital environments year by year and strengthened its communication with consumers via social media. Media plans of digital environments were used to follow trends concerning environment usage changes. Making consumers live the experience with their advanced merchandizing techniques and applications, concept stores performed a far more increase in pieces sold and turnover reached compared to classic stores as well as their contribution to the brand.

Beko 5th International Dealers’ Meeting was held in April in Antalya. Beko family members from various geographies of world came together and spend a day full of information and fun where experiences and plans were shared.



Grundig

Grundig takes steps towards being an electronics brand preferred by consumers, especially by young consumers, with its products suitable to technology trends of today. With model put into use in 2013, a considerable increase in sales of Grundig tablets and Grundig notebooks was achieved.

With 21 mm width and 1.8 kg weight, "Grundig Slimbook" laptop was included in product range in 2013. With its reasonable price and aesthetical look, it created difference from equivalent products in competition. Communication efforts concerning Slimbook series increased sales of other models, as well.

"Grundig Style Tab Tablet Family" in electronic product range is up for being most convenient multimedia friend of children. Web, videos, photos, applications and many more things can be taken everywhere with Grundig Style Tab Family. Most convenient Google applications are offered with their licenses. Gmail, Google Maps, YouTube as well as thousands of free applications, games, books and music are available for easy use.

Grundig 8"GTB 790, 10"GTB 1010 and 11.6" Grundig Duo models were launched in the market with "Grundig Tablet Family" slogan and put into taste of consumers seeking for alternative products in each size. Touch screen quality, Ips screen saturation, upgradeable memory and performance of products created difference from their rivals and ensured their easy prominence.

Besides, "11.6" Grundig Duo "GNB 1160 CV B8" and "GNB 1161 CV i3" are ideal products for consumers seeking both a tablet and a laptop. With its detachable keyboard with 7 mm thickness and touch screen pen option, they are first tablets with Windows 8 and have a memory upgradeable to 32 GB.

Grundig had a successful year in 2013 as usual with its Audio products added to product range recently. It makes consumers live new experiences with GSB 120, GSB 110 and GSB 800 Soundbar models, its bluetooth wireless sound systems. TR 1200, table radio with retro design, created difference and appreciation with its four color options.

Especially for reaching young people, its main target; Grundig started a Facebook page in social media and ensured constant communication. Furthermore, it maintained its "Fenerbahçe Men's Volleyball Team Sponsorship" that it holds as of 2011 in 2013-2014, as well. Grundig actively participated in traditional KoçFest activities and a good communication was ensured with young people with contests and concerts held in 6 universities.

Manufactured with superior technologies, Arçelik A.Ş.'s products and services originate from 14 manufacturing plants in Turkey, Romania, Russia, China and South Africa and meet millions of consumers in over 100 countries.

Having the goal of developing and offering environmentally friendly, efficient, innovative in terms of technology and design, easy-use products in line with its "Sustainable Development" approach, Arçelik A.Ş. carries out efforts to fulfill its responsibilities concerning solutions for issues threatening the future such as "global warming", "decreasing natural resources" and "lack of water". Resource saving is one of issues of top priority for Arçelik A.Ş. in its product development processes.

Controlling environmental effects of products during their life cycles in Arçelik A.Ş. is approached as a process starting from designing step. For this purpose; units carrying out R&D and industrial design activities also carry out efforts concerning design of products, technology, product developing and product enhancement in Arçelik A.Ş.

Realizing cost-decreasing, quality and process enhancement projects and increasing its competitive superiority with its elastic manufacturing structure, Arçelik A.Ş. has a manufacturing technology and quality in international standards in its plants. It manages its processes managed on the basis of "Total Quality" philosophy in

line with Quality Management, Environment Management System, Energy Management System, Occupational Health and Safety Management Systems. Arçelik A.Ş.'s all manufacturing plants operating in Turkey, Romania, Russia and China have ISO 9001 and ISO 14001 certificates.

Arçelik A.S.'s domestic manufacturing plants and headquarters have ISO 50001 Energy Management System certificate based on using consumed energy efficiently in a sustainable way.

Greenhouse gas inventory emitted from Company headquarter and manufacturing campuses is calculated in accordance with ISO 14064-1 Greenhouse Gas Emission Standard and audited and certified by a independent organization.

As a result of Arçelik A.Ş.'s efforts for energy efficiency in manufacturing; Refrigerator, Washing Machine, Cooking Appliances and Compressor Plants in Turkey and Changzhou Washing Machine Plant in China in 2011-2012 and Dishwasher, Tumble Dryer and Electric Motor Plants in Turkey and Arctic Cooling Appliances Plant in Romania in 2013, 9 manufacturing plants in total, were awarded with "Platinum" certificate, top level in "Energy Efficient Green Factories" grading by an independent organization authorized by General Directorate of Renewable Energy.

Arçelik A.Ş.'s Plants continue to realize projects for decreasing water, energy consumption and waste with "Efficiency in Manufacturing".

Refrigerator Plant - Eskişehir, Turkey

Cooking Appliances Plant - Bolu, Turkey

Dishwasher Plant - Ankara, Turkey

Washing Machine Plant - Çayırova/İstanbul, Turkey

Tumble Dryer Plant - Çerkezköy/Tekirdağ, Turkey

Electronics Plant - Beylikdüzü/İstanbul, 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



Having a huge power with its R&D Department with 7 R&D Centers established 22 years ago as well as with R&D Offices in METU Teknokent and Taiwan and with over 1000 employees, Arçelik A.Ş. develops technologies that will drive the company forward and that will differentiate its products in the industry. Technological competency brought by deep-scaled R&D experience increases competitiveness.

Year 2013 was an efficient working period where we increased our technological superiority in terms of energy and water efficiency and silence, where we expanded our collaboration network with domestic and foreign universities and research institutes and where we spread seeds for establishing new technologies and fields of work by taking substantial steps in terms of open innovation.

Innovation

R&D and technology investments maintained by Arçelik A.Ş. without slowing down since 1990 ensured that it is a leading company of its industry in international markets, as well. With its technologically advanced, high-quality and innovative products, Arçelik A.Ş. is one of the leading and difference-creating players in R&D and it markets products designed and manufactured by itself in over 100 countries with its own brands. Efforts continuing and results taken for years in terms of innovativeness gave their fruits this year as well and Arçelik A.Ş. was awarded with "Innovation Leadership" prize by Turkish Exporters Assembly in Turkish Innovation Week.

Intellectual Property Rights

Arçelik A.Ş. is a company in Turkey that creates its own technology and protects its own technology with patent applications. In the list issued by Turkish Patent Institute, it has been "Patent Champion" by far for years.

Having an active role in development of R&D culture in Turkey, Arçelik A.Ş. maintains its R&D activities in our country and in the world.

With its traditional "Invention Day" activity held annually, Arçelik A.Ş. awarded inventors that succeed in manufacturing technology and developing innovative products in 2013 as well. Invention Day has been held for 15 years as an activity where Arçelik A.Ş. emphasizes the importance it gives to R&D efforts.

Protecting its inventions with patent applications, Arçelik A.Ş. has more than one out of three international patent applications made to World Intellectual Property Organization from Turkey. It continues to be the only Turkish company listed in top 200 of "top 500 company" list published by World Intellectual Property Organization with those patent applications. According to 2011 and 2012 Annual Reports of European Patent Organization (EPO), half of applications from Turkey patented by EPO belong to Arçelik A.Ş.

It protects its technological accumulation with inventions and patent applications while it shares its efforts with public through conferences and by publishing in scientific magazines. It published many efforts in national and international magazines, conferences and seminars in 2013 as well.





Home Appliances and Built-in Products

We continue to offer "The most" and "The first" products and services to our consumers in current markets for sustainable leadership. With its environmentally sensitive and energy efficient products manufactured as a result of its R&D efforts, Arçelik A.Ş. overtook its rivals and continued to be on the front line in terms of R&D in 2013 operating cycle, as well.

Our differentiation and cost innovation efforts reveal themselves with our product with new value-adding features that we offer feature and energy performance with more reasonable costs. In parallel with Arçelik A.Ş.'s spreading strategy towards new markets such as Far East, our efforts for developing products and technologies that appeal to new markets bear fruit, as well.

Innovative Dishwasher: Efforts for removing the stinky odour formed on the surface of dirty dishes inside of dishwasher by an ionizer added to the system were completed and a prototype was exhibited in IFA 2013 fair.

Innovative Washing Machine: Chemical finishing program formed as a result of efforts on washing and drying in A energy class with 9 kg washing, 6 kg drying capacity, and that brings hydrophobic feature to textile was introduced in IFA fair.

World's Most Energy-Efficient Heat Pump Dryer: Tumble dryer that has inverter compressor heat pump and that uses 10% less energy than A+++ energy class was exhibited in IFA 2013. Tumble dryer exhibited with its 8 kg drying capacity and energy consumption of yearly 155kWh maintained its title of least energy consuming tumble dryer of world in its own class.

World's Most Quiet Washing Machine: Tested by VDE in 2011, the 1200 rpm Washing Machine with 8 kg capacity is determined to be the most silent product tested by VDE to date. No better product could be found as a result of researches among rivals in the same segment in 2013.

World's Most Quiet Condenser Dryer: Arçelik continued its efforts concerning reducing sound level of condensing driers. Approved by SLG institute (Germany), dryer with condenser machine with 60 dBA sound level is exhibited in IFA as the most silent drier in the world in its own class.

Innovative Built-in Oven: With efforts carried out in 2013, leadership concerning lowest energy consumption level and lowest sound level values in the world was maintained.

Our Oven that has energy consumption value of A-45% on 65 built-in oven field became "Oven with Least Energy Consumption in the World". In terms of sound level, "The Most Silent Oven" with 41 dBA was manufactured. In products with 75 liters of cooking capacity; side opening ergonomic cover, three dimension air blowing (Surf) and Divide&Cook technology that ensures cooking in different temperatures in two different cooking capacities are offered.

Innovative Refrigerator: In 2013, our No-Frost combi refrigerator having A++++- 20% energy index value and our static combi refrigerator having A++++- 30% energy index value have been promoted in IFA Exhibition. World's most energy efficient No-Frost and static combi models consume 68% and 72% less energy than A grade respectively and includes advanced implementations such as vacuum insulation panel, variable-speed compressor and advanced heat exchangers. Offering home-made ice-cream joy by its integrated ice-cream machine went into mass production and put into consumers' taste in 2013.

In 2013, 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.

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 2013, the refrigerator design which has a capacity over 350 lt and 35 dBA noise level that is the world record in No-Frost combi refrigerators has been finalized and the refrigerator exhibited in IFA exhibition.

Automatic Tea Maker: “First and only” automatic tea making machine of Turkey launched in 2013, “In Love Gurme” offers brewing tea in away that suits consumers' taste. Tea can be brewed more lucidly with Filter Sense technology and the taste of tea can be kept two times longer. It has features of brewing herbal and green tea, automatic brewing with time adjustment and self-cleaning.

Consumer Electronics

Arçelik A.Ş. exceeds the ever changing and growing expectations of customers through its innovative products and production processes. Arçelik A.Ş. knows deeply that being a global brand in consumer electronics sector can only happen by R&D and innovation. By means of innovative approaches Arçelik A.Ş. maintains its national and international competitiveness in consumer electronics market.

Arçelik A.Ş. by closely following the usage habits and tendencies in technology, enriched its Smart TV product range by its new project (Multiple Applications Running Networked LED TV with Advanced User Interface) and added catch-up TV and Video on Demand (VoD) applications like “Open Browser”, Arçelik Application Store, Tvyo, Maxdome, Kanal D, Digiturk Play, TRT and Turkcell TV.

In order to meet high performance and new feature demand of customers and to increase the innovative and competent position in Smart TV segment of consumer electronics sector, Arçelik A.Ş. started a new Fourth Generation Smart TV Platform Project. A high-speed, dual core, 1.2 GHz ARM based processor was used within the scope of the project. With this platform, besides with already supported WiDi technology, the new generation technologies like WiFi Direct and Miracast will also be supported.

While continuing its R&D investments for new projects to increase the picture quality of its televisions, Arçelik A.Ş. also made R&D investments to develop 4Kx2K UltraHD TV (with 3840x2160 pixel resolution) that offers 4 times better resolution than FullHD TV (with 1920x1080 pixel resolution). Within the earliest steps of that project;, 4Kx2K 65” and 55” TV designs were finalized.

The brand new products, which are designed to address the expectations of elite upper segment with silky matt aluminum surface, smart (Smart inter@ctive 3.0), 800 Hz Picture Perfection Rate, Passive 3D features, attracted great interest and appreciation in renowned consumer electronics fair IFA.

Furthermore, Arçelik A.Ş. joins subject related European Union projects as a project partner in order to closely follow UHD technologies,

Following developments in panel technologies; Arçelik A.Ş. crowned its TV models with aesthetics and delicacy, with thinner, stylish and innovative frameless TV designs. Products designed in 42”, 47” and 55” screen sizes attracted high appreciation of customers in national and international markets.





The necessary investments for BMS (Backlight Module System) design and production have been completed to rule over panel technologies that incorporates the most value in TV production, to increase added value and to maintain competitive strength. Parallel to this strategy, R&D Center in Electronics Plant started to design BMS and related BLUs (Back Light Unit), further to that the first BMS TVs have been produced after conducting the necessary material and technology researches.

In parallel to developing design skill, by investing into the new BMS production facilities, our electronics plant gets the perfection of panel manufacturing. By courtesy of this infrastructure; the most majority of future TV projects are being planned to incorporate the BMS technology.

In the direction of its “Respects the Globe, Respected Globally” vision Arçelik A.Ş. pays attention to use environment friendly materials in product designs. In parallel to that LED back lit panels were begun to be used instead of CCFL back lit panels. By using D-LED and E-LED panels, and by innovative designs A and A+ energy labeled TVs have been produced.

In order to convey the Arçelik Application Store’s rich applications to the current TV users, the design and production phases of the new Set-Top Box, with internet access and compliant to digital broadcasts in DVB-T2, DVB-S2 and DVB-C standards have been finalized.

In cash register market, where we operate as the market leader, the design and development of new products in compliance with the new regulations of Ministry of Finance were continuing intensely. The newly developed IP based cash register with integrated EFT-POS feature, which enables cash register to be operated in an integrated manner with EMV based EFT-POS terminals, was the first TUBITAK approved product put on the market.

IP based EFT-POS cash register will connect to Arçelik TSM (Trusted Service Manager) with a safe gateway, and the data gathered here can be submitted to the servers of involved banks and/or Revenue Administration. By courtesy of server infrastructure, designed specifically for IP based EFT-POS cash registers, remote software download and parameter update operations were able to be performed.

By designing the Tablet PC and Smart Board within the scope of Fatih Project of Ministry of National Education, our technological competency to design ICT devices have been greatly developed. The Smart Board can be offered some national and international (especially in Germany) educational institutions.



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.

Efforts for establishing common laboratories in universities continued in 2013, as well. A laboratory where common researches will be conducted on Food Storage subject was opened in İTÜ Faculty of Chemistry-Metallurgy- Food Engineering. In this laboratory, projects in collaboration of Santez and TÜbitak for different food storage technologies in refrigerators were planned to be carried out and a common Santez project where TAT group took part was started.

Dresden University, located in Germany, carries out studies on human hand, eye and ear perception related to perceived quality. Our collaboration studies in 2012 continued in 2013 as well. In 2013, application for Eureka project named "Determining and Enhancing Sound Qualities of White Goods" was made with Dresden University.

With the organization held by UK Trade and Investment in March, 2013; Arçelik R&D team visited Nottingham, Newcastle and Oxford Universities in the UK to establish R&D collaboration. A common project with Newcastle University was started to develop efficient and compact Axial Engine technology to be used in White Goods.

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. 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 7th Framework Program and in EUREKA.

With projects Practice and Flspace accepted in 2013, project portfolio was expanded. "Flspace" FP7 project that Arçelik and Koç Sistem participated in is one of the five R&D projects of "FI-PPP" program within the scope of EU initiative aiming to increase competitiveness of Europe in the future. 13.5 million Euro out of its 20 million Euro budget is covered by EU. 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 2013 in the field of Marie Curie Project.

Within the scope of EUREKA, which is a collaboration platform supporting projects for the development of products and processes that are market-focused and that can be commercialized rapidly, 4 projects have been completed, 5 other projects still continue and 6 projects wait for results of assessment.

Participated Organizations and Our Awards

Celtic Plus Activity

In the 2-day activity held in Kayseri by Celtic Plus and TÜBİTAK, project presentations were made and information was shared on Celtic Plus' supports.

TET R&D Project Market

TET R&D Project Market activity held in Haliç Congress Center was held by İstanbul Electric, Electronics, Machine and Informatics Exporters Association with the aim of performing high value-added manufacturing in Electric, Electronics and Informatics industries, of making export sustainable and expanding the culture of University-Industry collaboration. In the event; R&D Director Cem Kural and Mechanic Technologies Manager Dr. Faruk Bayraktar made one presentation with subjects of importance of University-Industry Collaboration and university-industry mechanisms in Arçelik A.Ş.



Arçelik A.Ş. R&D Advisory Board Meeting

Technical Advisory Board held by Arçelik A.Ş. Central R&D Directorate for the first time in Turkey was successfully realized. 15 scientists pre-eminent of their fields and working in various universities in the world and in Turkey were hosted in İstanbul. During 2-day event; assessments of R&D processes and efforts made as well as ideas were shared about shaping future R&D processes and new potential job models and R&D strategies.

In the event where Arçelik A.Ş. Production and Technology Assistant General Manager İsmail Hakkı Sağır, R&D Director Cem Kural, R&D directors and experts took part, information concerning the corporate structure of the company, our R&D processes and technical efforts performed to scientists visiting R&D laboratories. Guests expressed that they are fascinated with the efforts performed and assembly of such a board is an indication that Arçelik A.Ş. has great confidence in itself in terms of R&D. Our guests also shared their valuable opinions on our R&D processes, potential future efforts and strategies to be followed.

TÜBİTAK European Parliament Visit

Production and Technology Assistant General Manager İsmail Hakkı Sağır participated on behalf of Arçelik A.Ş. in the meeting held in Brussels by TÜBİTAK with the aim of takeover of period presidency of Eureka and conveyance of opinions of Turkey and where Turkish Committee presided by President of the Assembly, Cemil Çiçek.

2nd Congress of Turkish Scientist Living Abroad

With participation of Prime Minister Recep Tayyip Erdoğan, Minister Nihat Ergün and President of TÜBİTAK Yücel Altunbaşak; Arçelik A.Ş. took part in the meeting held by Ministry of Science, Industry and Technology and TÜBİTAK on senior administrative level and supported panels with subject of Energy Efficiency.

Connected Living Conference

Arçelik A.Ş. R&D Director Cem Kural made a presentation named as "Household Appliances in the Future Connected Home" in Connected Living Conference held in Berlin.

Eureka R&D collaboration meeting

We have participated in Eureka R&D collaboration meeting held in Zurich Technocity by TÜBİTAK and SERI (Switzerland).

ICT 2013 Event

We participated in ICT 2013 event held in Vilnius by European Commission that attracts participants and researchers that operate in ICT industry heavily.

Uludağ University III. R&D Days

The panel with the subject of R&D incentives was attended as spokesperson.

R&D Centers Summit

Held for the second time this year by Ministry of Science, Industry and Technology, the summit was performed in İstanbul Congress Center with main sponsorship of Arçelik. Ministry officers were informed on our innovative and environmental products.

3rd Industry Council

We took part in 3rd Industry Council held by Ministry of Science, Industry and Technology and published scientific statement named as "Arçelik A.Ş. R&D University Industry Collaboration Models".

Turkey Innovation Week

In "Turkey Innovation Week" held for the second time this year by TEA, Arçelik A.Ş. was awarded with "Innovation Leadership" prize. Ali Y. Koç, Member of Koç Holding A.Ş. Board of Directors received the award from the Prime Minister Recep Tayyip Erdoğan.

ISO Environment Awards

In 2013, Arçelik A.Ş. was awarded with grand prize in "Innovative Environment Friendly Product" category of ISO Environment Awards held for 13th time this year by İstanbul Chamber of Industry with "Arçelik 9658 ETI" oven.

9th China Innovation in Home Appliances Awards

In ceremony of "9th China Innovation in Home Appliances Awards" held in Berlin in 2013 by CHEARI (China Household Electric Appliance Research Institute), Arçelik A.Ş.'s Beko Dolphin Series Washing Machine designed with superior qualities was awarded with "Innovative Product" prize.

"4-Door No-Frost Refrigerator with Multimedia Display"

- 10", TFT Touchscreen LCD Screen.
- Android operating system, online shopping application and expiration date tracking applications.
- Wireless internet connection, media player, camera, microphone.
- Independent temperature adjustment for each of three sections via multimedia screen.
- 20% saving compared to A class with A+ class energy performance.
- Expandable freezing or cooling capacity depending on usage with cooling or freezing lower right section in "Cool Control" feature.
- Wide capacity of 610 lt.
- White LED lightening.
- New No-Frost system;
 - Quicker cooling and freezing, keeping food longer thanks to high moisture in cooling section.
 - Ensuring that odors of cooling and freezing sections are not merged and protecting food in cooling section from freezing.
- Hygiene applications;
 - Keeping green-leaf vegetables fresh and keeping them longer with blue light technology.
 - Antibacterial odor filtering system that prevents odor formation.
 - Ionizer system that destroys bacteria in refrigerator air and that extends the lifespan of food with fresh air. (ion+)



Dishwasher with "Combo Washing Program"

- Dishwasher with "combo program" that cleans sensitive glasses in the upper basket while cleaning heavily soiled dishes and that can dry all dishes including plastic with A class quality.
- "Extra quick" function that can accelerate program length by 50% thanks to its variable circulation engine technology.





42", 47" and 55" New Frameless Smart Inter@ctive TV

- FHD TM100Hz 3D (600 Hz PPR)
- Passive 3D technology
- Frameless design
- Connection to various websites via TV without computer with "Open Browser" feature
- Low energy consumption with "A+" class energy level.
- Access to news, weather, traffic, video applications on its application store special for TV
- Playing displaying photo and playing music and video on compatible devices wirelessly via DLNA feature
- Watching HD digital land, cable and satellite broadcasts without additional box with its DVB-T/C/S2 feature
- Pausing and saving digital broadcasts with USB recording feature

« Accessories and features

- **BabyWatch Camera**
An innovative difference has been achieved with "BabyWatch" application, the first in the globe. Connection to BabyWatch camera in another room on TV via BabyWatch application and changing direction of camera.
- **Skype Camera**
Videoconferencing via TV connection of camera.
- **"Easy Remote" Remote Control**
Controlling TV remotely via voice,
Listening to TV at desired point of the house and on desired level with earphone connection,
Using the screen with "Air Mouse" feature.



Washing Machine and Tumble Dryer - "Innovations with New Product Range"

In compliance with changing customer requirements and developing technologies; with new product range that offers innovations for Arçelik, Beko and Grundig brands;

- Wide LCD screens, touch-operated buttons and new technology using interfaces including voice feedback,
- Aesthetical appearances suited to trends and brand characters.

Other innovative features for washing machine;

- Special washing programs tested by independent institutions providing hygiene and special textile care; Narin20, Hijyen20, Woolmark approved wool program,
- Washing capacities of 10 kg and 11 kg.

Other innovative features for tumble dryer;

- Innovative products that shine out with quiet product feature;
 - In 8 kg with condenser; variable speed brushless engine technology and 60dBA sound level that shines out with special isolation design,
 - 58 dBA sound level that will create competition in the market with "Quiet" program that has brushless engine technology,
- Special textile program with wool drying feature,
- Tank full, filter cleaning, child lock warning icons and easy use with "auto anti-crease" feature.



"Fritto" Built-in Multifunction Oven

- Fritto Arçelik Built-in oven requires up to "10 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.
- Having electronic remote control with 12 function, this state of the art oven has "Turbo cooking" function enables to cook 3 different meals at once without the tastes and odors mixed up.
- Electronic oven screen, booster function for quick pre-heating, special pizza function, and slow cooking function that enables to cook food with taste of stew.
- Minimum energy consumption with A-20% energy class.
- Easy to clean full glass inner door and catalytic back-wall cleaning system.
- Usable volume: 65 lt
- Nano Clean Zone full glass inner door ensuring easy cleaning.

Supply Chain

Today, continuously increasing ease of access to information triggered by the growth of internet, brought a customer profile who are conscious and well-informed about price, product quality, service level, and most importantly the alternatives. With the aim to meet the expectations of the customers to deliver the demanded product on demanded time to the demanded location with the most suitable price and in full amount, 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. We, as Arçelik A.Ş., in line with this understanding, with an integrated Supply Chain point of view, aim to create maximum value for our customers.

With Arçelik A.Ş. growing in the world, Supply Chain processes are managed globally in this direction. Within that scope, developments in foreign trade, advantages and new technologies are closely tracked. In 2013, with projects aiming to increase customer service level and reduce costs, enhancements have been made in logistics processes (storage, shipping etc.) of group companies and foreign manufacturing plants.

Arçelik A.Ş. is one of the 29 international business partners of FIspace (Future Internet Business Collaboration Networks) European Union project. In this project, establishment of cloud information technologies based solutions and systems aiming traceability in logistics processes and information flow and collaboration between companies are focused. Furthermore, common efforts with Europe's advanced solution-creating companies, institutes, research centers and researchers of university are carried out.

With the establishment of Dealer Shared Warehouse in Bursa, number of such warehouses increased to 8 in 2013. In Dealer Shared Warehouses; more rapid, more flexible and more qualified services are offered to consumers. In Dealer Shared Warehouses, besides avoidance of product damage risks, cost savings have been achieved.

With "Automatic Loading-Unloading" systems installed between plant and distribution warehouses, loading-unloading and shipment times were shortened, and cost saving was achieved. The project started in 2012 at the Eskişehir refrigerator warehouses, began to be applied in Çayırova Washing Machine warehouse in 2013, as well.

In transportations for export; through the establishment of new loading catalogue and loading configurations developed, vehicle fullness was increased and shipped vehicle number decreased. Through direct shipments to end customers, by shortening routes efficiency was increased.

In transportations for import; for increasing fullness of vehicles and load consolidation, consolidation center in Europe and milk run efforts were carried out and as a result; efficiency was increased due to shortening of routes and decreased vehicle numbers. In Europe deliveries where land transportation is preferred due to its geographical position; a sustainable and environmentally friendly logistics use was preferred by increasing sea transport usage and through those efforts, carbon emission was decreased. In foreign trade transactions; developments in world trade were closely tracked and with tax changes that provide efficiency in material costs, our unit costs were decreased.

On-time and demanded amount shipment rates used in measuring customer service levels continued to be at the "best" positions as regarded by the industry in 2013.

Global Purchasing

In parallel with rapid growth of Arçelik A.Ş. that has 14 different manufacturing locations, Arçelik A.Ş. Purchase has a global purchase organization that has purchase offices in 10 different cities in total with headquarters in Istanbul and 150 employees.

Mission of Arçelik A.Ş. Purchase is to manage Supply Resources taking risk management, environment, energy efficiency and business ethics into account; under market (customer)-oriented quality, cost, logistics and collaboration conditions and in a way that brings competitive advantage and provide value to Arçelik A.Ş.

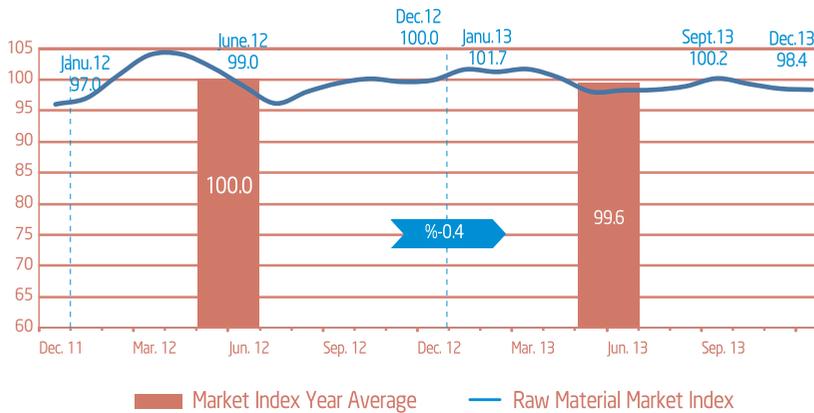
With our global purchase structure; developments in raw material markets, changes in parity values in locations where we supply material and manufacture affect our material costs and competitiveness of Arçelik A.Ş. considerably.

In world's rapidly developing conditions, interpreting impact area of purchase correctly and taking correct actions gain importance day by day.

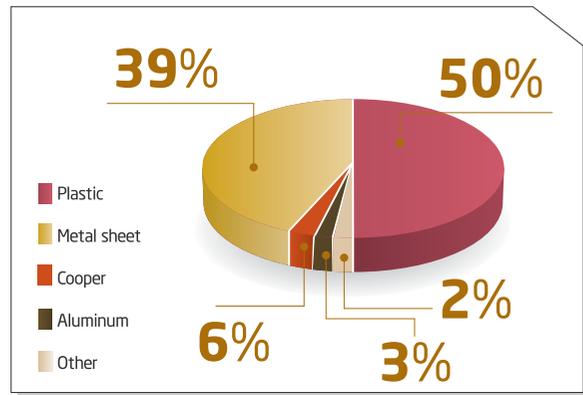
Raw Material

Metal raw material market prices that tended to decrease in the first half of 2013 were stable in the second half of the year. Purchase contract terms are dynamically managed to provide profitability stability against changes in price by tracking changes in commodity markets closely. Additionally, our competitive structure was maintained in our total purchasing cost as a result of increasing purchase from costly regions and additional consignee applications.

Raw Material Market Index



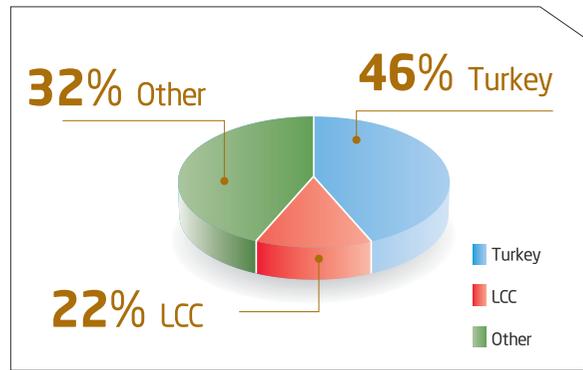
Raw Material Cost Breakdown



LCC Purchases

As in 2012; purchase from Low Cost Countries was focused on and LCC purchase rate of 19.4% increased to 21.7% in 2013.

Rate of Material Purchase from Low Cost Countries



Purchase that Respects Human and Environment

In line with "Respects the Globe, Respected Globally" vision, a sustainable Purchase that respects human and environment is carried out. Arçelik A.Ş. Purchase shares its determination on this subject in every platform with its suppliers.

In the first meeting of our suppliers with Arçelik A.Ş., namely as they are put into use from Supplier Portal (www.supplier.arcelik.com); our environmental and business ethics requirements are shared and self-assessment of our suppliers are carried out.

In our contracts with our suppliers, our expectations from our suppliers concerning business ethics and environment and sanctions in case of inappropriateness are emphasized. Furthermore; in "Purchase" section of Arçelik A.Ş.'s corporate website (www.arcelikas.com), supplier requirements concerning Business Ethics and Environment are emphasized and links of informing documents were added.

We take subjects of Business Ethics and Environment into account in audits of our suppliers and in 2013, 225 suppliers were audited in total.

Besides; Purchase employees were provided Business Ethics, Occupational Health and Safety trainings and our expectations from our suppliers on this subject were emphasized again.

Purchase Academy

Arçelik A.Ş. introduced another new concept to Turkey by establishing a Purchase Academy within the company in 2013 and drew a road map to be completed with certification process. Arçelik A.Ş. Purchase established a development plan to equip employees with information and skills they require for achieving working goals and to increase their level of awareness. In the program that covers domestic and foreign employees; trainings appropriate for working seniorities and according to medium and long term road map with the support of an accredited foreign institution expert in terms of purchase. Trainings will continue in 2014, as well.

E-purchase

Arçelik A.Ş. uses e-purchase tools with the aim of increasing transparency in purchase processes, to ensure standardization and to develop data collection and traceability. Time and cost advantage brought by e-purchase method was achieved with the technology and use of e-purchase increased in parallel with that.

Building Strong Relationships with Suppliers and Developing Shared Supplier Capacity

As every year; supplier development efforts continued increasingly and Supplier Development Department provide more support for enhancement of infrastructures of suppliers. Within this frame, 150 projects were realized with 84 suppliers in 2013.

Around 100 suppliers were provided with trainings on various subjects. Those trainings are time etude, government incentives, energy efficiency and efficiency in manufacturing.

Additionally, development is provided within the framework of win-win principle by carrying out productivity projects and it is aimed to improve the qualities of suppliers with "target based" supplier management method.



Supplier Day

Organized in different regions every year, Supplier Day was held in September, 2013 in China. All our suppliers from Far East were invited to Supplier Day. Over 300 supplier from 8 Far East countries participated in the organization. Our strategies and expectations were shared with our suppliers and our determination in terms of Business Ethics and Environment was emphasized.

Furthermore; with innovation days held with suppliers, information is provided to suppliers about innovative products and great contributions to catching technology punctually are made.



Consumer Services

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide a high level of service on a 24/7 basis to its customers, 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 that has established with its consumers. Arçelik responds to a majority of its consumer requests, which are received through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, and frequently find a solution by phone (First Line Support) instantly. 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 create an opportunity to improve its operations.

Since 1991, Arçelik Call Center has maintained a high level of dialogue with its domestic customers and has strived to achieve high levels of customer satisfaction. Arçelik Call Center has continued to expand its abroad call center services network since 2008 in order to achieve the 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 of its brands.

Conducting consumer satisfaction surveys are taken as a goal in both domestic and foreign markets for listening to the voice of customers and assessing their opinions and expectations.

By having the responsibility of the management of online sales and social media communication operations, Arçelik Call Center has continued to implement its strategy of being with its customers in all platforms.

One of most striking call center social responsibility projects of the previous year was the Home Agent Project. By implementing this project, Arçelik A.Ş. has offered employment opportunities to the disabled youth and current Arçelik employees who prefer working from their home.

Regarding to the Statements; No.69 and No.70 "Payment Recording Devices" of Law No.3100 of Ministry of Finance in 2013, Arçelik call-center started to provide technical assistance for cash register pos device, which entered into market as a new product that merges bank pos devices with cash register devices, and it was an important opportunity for management to expand its know-how in different industries.

In 2013, Consumer Services under the Consumer Services Directorate provided field service with 11,600 personnel, nearly 5,600 of them were technicians, and 5,600 vehicles at approx. 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 15 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.



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. 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, which are in effect in 2013, 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 Capital Markets Law, 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 2013 year. In our 2013 Ordinary General Assembly all amendments specified in the regulations 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 maintained their operations. Remuneration policy for Board of Directors and Top Managers has been determined and submitted to the 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 9.11 on a ten point scale (91.07%) which had been announced to public with our July 30, 2012 dated material disclosure and had been given by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA), it has been increased to 9.28 on a ten point scale (92.80%) after the revision performed by SAHA on July 29, 2013. 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

Shareholders

Public Disclosure and Transparency

Stakeholders

Board of Directors

Total

2012 Rating

2013 Rating

8.95

8.98

9.34

9.19

9.52

9.67

8.69

9.39

9.11

9.28

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 address. In the report dated July 29, 2013, SAHA has made the following assessment:

"Arçelik was graded with the score of 9.28 as a result of Corporate Governance Rating conducted by our company. Details of the rating are explained in following part of this report. It was seen that Arçelik has taken important steps in determining corporate management risks and managing those risks; however, some enhancements on specific subjects are required to achieve full compliance with "Corporate Governance Principles" of CMB."

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 2013, 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.

For consistency with the Turkish Commercial Code no 6102, Capital Market Law and the relevant regulations; within the Articles of Association; Amendments of Part 1 Principal Provisions; Article 2 - Title of the Company, Article 3 - Purpose and Subject, Article 4 – Disposition for Real Properties and Other Real Rights, Article 5 – Head Office and Branches, Article 6 – Period, Part 2 - Capital, Share Certificates and Bonds; Article 7 - Registered Capital, Article 8 - Increasing and Decreasing of Capital, Article 9 – Increasing Issued Capital, Article 10 - Issue of Bonds, Financing Bonds, Profit-Sharing Documents and Usufruct Certificate, Part 3 Board of Directors; Article 11 – Formation, Article 12 – Period and Election, Article 13 - Meetings, Article 14 – Management and Representation, Article 15 -

Other Provisions Related to Board of Directors, Article 16 - Remuneration, Part 4 - Auditors; Article 17 - Election, Article 18 -Duties and Powers, Article 19 - Responsibility of Auditors, Article 20 - Attending Meetings, Article 21 – Remuneration, and cancellation of the Part 5 General Assembly, Article 22 Establishment, Article 23 - Types of Meeting, Article 24 - Place of Meeting, Article 25 - Announcement and Notification, Article 26 - Quorum, Article 27 - Number of Votes, Article 28 – Representation by Proxy, Article 29 – Attendance Documents, Article 30 – List of Those Present, Article 31 - Transfer of Shares before the General Assembly Meeting, Article 32 - Presiding Board, Article 33 - Minutes of Meeting, Article 34 - Duties of General Assembly, Article 35 - Voting Method, Article 36 - Delivery of Minutes of Meeting to the Ministry and Capital Markets Board and its Announcements, Article 37 - Amendment of Articles of Association, Part 6 Accounts, Balance Sheet and Profit / Loss Statement Article 38 - Accounting Year, Article 39 - Distribution of Profit, Part 7 Termination and Liquidation of the Company; Article 40 - Reasons for Termination and Liquidation, Article 41 - Receivers, Part 8 - Miscellaneous Provisions; Article 42 - Authorized Court, Article 43 - Announcements, Article 44 - Printing the Articles of Association, Article 45 - Compliance with Corporate Governance Principles and the Provisional Clause have been approved at the Company Ordinary General Shareholders' Meeting dated 28.03.2013 based on the permissions given by the Capital Market Board and the Ministry of Customs and Trade.

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.

Arcelik A.Ş. Shareholders Relations Unit consists of:

Dr. Fatih Kemal Ebiçlioğlu		
Assistant General Manager - Finance and Accounting	0 212 314 31 00	fatih.ebiclioglu@arcelik.com
Doğan Korkmaz		
Finance Director	0 212 314 31 85	dogan.korkmaz@arcelik.com
Bülent Alagöz		
Capital Markets Regulation Compliance Manager	0 212 314 31 03	bulent.alagoz@arcelik.com
Turhan Sarı		
Capital Markets Regulation Compliance Specialist	0 212 314 31 15	turhan.sari@arcelik.com
Fulya Kirayoğlu		
Investor Relations Specialist	0 212 314 31 11	fulya.kirayoglu@arcelik.com

Fax: 90 212 314 34 90

e-mail: yatirimciliskileri@arcelik.com - investorrelations@arcelik.com



Information about activities carried out in 2013 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	280
• Number of teleconferences organized for the disclosure of 2012 year-end financial results and three quarters of 2013	4
• Number of press meetings organized in Turkey and abroad	8

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); 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 BIST 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) both in English and in Turkish.

During the 2013 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.

Under the PDP system, material event disclosures required to be submitted to the BIST 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. Our Articles of Association has been issued accordingly.

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 2013. During the Ordinary General Shareholders' Meeting, which was held on March 28, 2013, during which the Company's 2012 operations were discussed, 59,534,204,318 shares (88.10%) 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. During General Assembly Meetings, questions directed by shareholders were answered. 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 by Shareholder Relations Unit in writing.

- According to the Articles of Association, the General Shareholders' Meeting was 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 28, 2013, 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 28, 2013 at the following address: Divan Istanbul 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 BIST.

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, the company discloses its financial statements much earlier. The financial statements for 2013 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; 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.

The General Assembly are provided with information on processes, if any, based on the permission acquired by members of Board of Directors at the General Shareholders' Meeting to perform tasks within the Company's area of operation in line with articles 395 and 396 of Turkish Commercial Code.

As per clause 4 of the article 415 of the new Turkish Commercial Code no 6102 and the clause 1 of the article 30 of the Capital Market Law no 6362, it is no longer a requirement to store share certificates to acquire the right to participate in the general shareholders' meeting and the right to vote.

Therefore, shareholders who wish to participate in the General Shareholders' Meeting are not required to lock their shares before the Central Registry Agency. However, shareholders who wish to participate in the General Shareholders' Meeting but do not want their identity and the information on their account shares notified to the company and therefore whose such info cannot be seen by the company are required to apply to the intermediary organization that they hold their accounts in, and to remove the "restrictions" that prevent their identity and the information on their account shares from being notified to the company till 4:30 PM before the day of the General Shareholders' Meeting at the latest.

Our shareholders who meet this condition can participate in the General Shareholders Meeting, give their opinions concerning Company operations, ask questions to the Company management to request information and receive answers to their questions. 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 is conducted under the supervision of a Commissioner from the Ministry of Customs and Trade.

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 regular general shareholders' meeting held in 2013, information on the donations and aids in 2012 was provided with a separate agenda topic. The upper limit for donations in 2013 is determined to be 12,000,000 TL and there has been no change in the donation policy.

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

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 The Company, 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 2013, our company has not received any criticism or complaint concerning this issue.

6. Dividend Rights

Regarding 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 submitted for shareholders' information as 8th Agenda article in Ordinary General Assembly held on March 28, 2013 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 28, 2013 dated Ordinary General Assembly, it has been decided to distribute gross dividend rate at the rate of 52.536% (net 45.612%) based on 2012 financial results and as of April 1, 2013 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.

7. Transfer of Shares

The Articles of Association do not include any provisions which obstruct the free transfer of shares and restricting the transfer of shares. CMB regulations are applied in terms of takeover of Company's nominative shares treated in the stock market.

Section II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Disclosure Policy

Company's Information Disclosure Policy

The Information Disclosure Policy, which is prepared for

The designations and appointments, which were carried out in 2013 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)
Mehmet Barmanbek	Board Member (Independent)
K. Kaynak Küçükpınar	Board Member (Independent)

Members of Board of Directors have been elected with Ordinary General Assembly Decision of March 28, 2013.

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

Audit Committee	
Kutsan Çelebican	Chairman
K. Kaynak Küçükpınar	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 Bulgurlu	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 Accounting Specialist at the Ministry of Finance in 1988, Levent Çakıroğlu joined Koç Group in 1998 as an Accounting Group Coordinator. Çakıroğlu served as Koçtaş General Manager from 2002 to 2007 and Migros General Manager from 2007 to 2008. 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 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 at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, Tülin Karabük has served as Assistant General Manager, Marketing at Arçelik A.Ş. since September 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 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 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: II-14.1 and disclosed to the public after being audited by an independent audit firm. Following disclosure of financial statements, presentations in order to make it easier for analysts to conduct their own assessments of the results, are shared with the public as well through 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.

The Company has made 28 material event disclosures during the period. There were no requests for additional explanations from the CMB and/or BIST regarding the material event disclosures made in 2013. The Company has not been required to make any material event disclosures in foreign stock markets. The company has made all of its material event disclosures in 2013 within the period of time required by law and therefore the Company has not been subject to any sanctions by the CMB.

9. Company's Corporate Website and its Content

The Company uses its corporate website (www.arcelikas.com) actively in order to communicate more effectively and rapidly and to be constantly in touch with its shareholders, in accordance with CMB's Principles. The information hereby 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 5 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. The Company 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 The Company. The fact that the Koç Family has been the ultimate real person controlling shareholders of the company is common knowledge. List of real and legal entities that has capital indirectly was put on our corporate website.

10. Annual Report

The Company 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 in other parts of 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. Disclosures are 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
Mehmet Barmanbek	Board Member - Independent
K. Kaynak Küçükpınar	Board Member - Independent
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 Senior Specialist
Erhan Yorulmaz	Senior Specialist - Reporting
Erdoğan Ayan	Senior Specialist - Reporting
Sevinç Tayfur	Responsible - Reporting
Gülten Güngör Serdaroğlu	Responsible - Accounting
Alparslan Görgülü	Accounting Manager
Özgür Ölmez	Financial Consolidation Manager
Enis Atasoy	Financial Consolidation Specialist
Hanife Sert	Financial Consolidation Associate
Gül Arslanoğlu	Budget Manager
Nilüfer Bayrak	Budget and Planning Senior Specialist
Hande Sarıdal	Treasury Manager
Levent Arasiler	Treasury Senior Specialist
Hümeysra Özener	Management Reporting Manager
Burcu Bekar	Budget and Planning Senior Specialist
Ayşe Beril Başlıgil	Reporting and Analysis Senior Specialist
Bülent Alagöz	Capital Markets Regulation Compliance Manager
Turhan Sarı	Capital Markets Regulation Compliance Senior Specialist
Fulya Kirayoğlu	Investor Relations Specialist
Ebru Baygöl	General Manager Assistant
Hande Güniçen	Business Analyst Specialist
Murat Kahrıman	Accounting Manager
Belma Topaloğlu Ünlüyıldız	Cash Management Manager
Ertan Ayhan	Independent Audit Firm Engagement Partner, Lead Auditor
Mehmet Can Altıntaş	Independent Audit Firm Staff Member
Fatih Eşki	Independent Audit Firm Staff Member
Merve Tokdemir	Independent Audit Firm Staff Member
Furkan Çavuşoğlu	Independent Audit Firm Staff Member
Zeynep Çelebi	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)
Erdem Ünal	Certified Public Accountant (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, The Company 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 3,000 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, we have various efforts to increase collaboration with our direct and indirect 4500 suppliers whom we consider a significant link of our supply chain and stakeholders. The primary ones among those efforts are Technology and Innovation collaboration days, supplier days, supplier trainings, audits, visits, Arçelik corporate website and our supplier portal. As part of these efforts, a general briefing about Arçelik's vision, strategy, business goals and future actions is made, and our expectations from our suppliers in terms of sustainability is communicated. In line with our general expectations, a supplier:

- Is respectful to people, society and the environment,
- Works in line with our sustainable supply chain approach,
- Highly collaborates with Arçelik on every stage, starting from design,
- Offers continuously improving, visionary, innovative technologies and products,
- Can keep up with Arçelik's growth rate and flexibility.

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.

The Collective Bargaining Agreement, which covers all Arçelik employees and is effective from September 1, 2012 through August 31, 2014, was signed in May 30, 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. The Company 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. The Company also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealers Meetings."

The Company 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. 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 to 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 the 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.

An important opportunity for management to expand its know-how in different industries was that Arçelik call-center started to provide technical assistance for cash register pos device that entered into market as a new product merging bank pos devices with cash register devices with Communiqué of Ministry of Finance in 2013.

In 2013, Consumer Services under the Consumer Services Directorate provided field service with 11,600 personnel, nearly 5,600 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 15 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 practice. As an international company, local laws, practices and requirements are respected. Local laws take precedence in situations where Human Resources Policies and Practices 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 4 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 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, 2012 through August 31, 2014, was signed in May 30, 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 zero accident rate and a zero occupational disease rate,

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 2013, the Accident Frequency Rate, which indicates the frequency of occurred occupational accident based on the total working time, has realized as 7.45 and the Accident Gravity Rate, which indicates the working day loss occurred due to occupational accidents based on the total working time, has realized as 0.093.

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 2013, totally 53,621 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 employees of Arçelik A.Ş. by 2013 year end is as follows:

Number of employees by 2013 year-end	Total
Turkey	15,358
Abroad	8,034
Arçelik Group	23,392

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 2013, Arçelik A.Ş. provided its employees with 314,042 hours of training, which corresponds to 20 hours on average per employee. This indicates an increase of 1.2% in the number of hours devoted to training when compared to previous year.

Arçelik A.Ş. believes that personal success as well as teamwork and collaboration are prerequisites 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.

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. For the wage management, the approach is to determine a fair employment policy in alignment with the laws and a competitive fashion.

Employee Engagement Survey has been renewed in 2013. In accordance with the survey results, the areas open for improvement has been determined and taken into project, continuing with the previous projects who has been initiated recently and achieved success. In 2013, prioritized activities across the Company are as follows: providing personal development seminars across the Company for our blue-collar employees, strengthening the internal communication, 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.

Code of Ethical Conduct booklet is given to Arçelik A.Ş. employees in exchange for their signatures, at the day of their employment. Also, Arçelik Code of Ethical Conduct is assigned to all our white collar and blue collar employees in the form of digital trainings, and in the course of their training, their rate of accomplishment is monitored regularly.

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 dealers, 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

It is under the responsibility of the management to display the required level of effort and leadership, to announce the Code of Conduct to all employees, to ensure that the employees put required level of importance on those policies, and to ensure that the all employees act in alignment with the Code of Conduct all the time.

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 the complement of its activities being performed in management, economy, society and environment fields, Arçelik A.Ş. publishes a separate annual report under the name of “Sustainability Report” as part of its sustainable development and regarding all its shareholders since 2008. Including the implementations regarding the sustainability priorities on the areas of “Management Approach”, “Talent Management”, “Environment and Energy Management”, “Combating Climate Change”, “Utilization of Natural Resources and Waste Management”, “Sustainability Management in the Value Chain”, “Social Development”, Arçelik A.Ş. has arranged its Sustainability Report since 2010, in alignment with the Global Reporting Initiative GRI G3 Principles on the level of GRI “B+”.

Arcelik A.Ş. shares its Annual Report and Sustainability Reports with the public through its corporate website at www.arcelikas.com 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. Arcelik 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 28, 2013 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.

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	28.03.2013	1 year	Chairman of the Board Chairman of Executive Committee
Mustafa V. Koç	Non-Executive	Not Independent	28.03.2013	1 year	Vice Chairman of the Board Member of Executive Committee
Semahat S. Arsel	Non-Executive	Not Independent	28.03.2013	1 year	Board Member Member of Executive Committee
Ömer M. Koç	Non-Executive	Not Independent	28.03.2013	1 year	Board Member Member of Executive Committee
Ali Y. Koç	Non-Executive	Not Independent	28.03.2013	1 year	Board Member Member of Executive Committee
O. Turgay Durak	Non-Executive	Not Independent	28.03.2013	1 year	Board Member Member of Executive Committee Member of Risk Management Committee
Robert Sonman	Non-Executive	Not Independent	28.03.2013	1 year	Board Member
Levent Çakıroğlu	General Manager	Not Independent	28.03.2013	1 year	Board Member
Kutsan Çelebican	Non-Executive	Independent	28.03.2013	1 year	Board Member Chairman of Audit Committee
Tunç Uluğ	Non-Executive	Independent	28.03.2013	1 year	Board Member Chairman of Corporate Governance Committee
Mehmet Barmanbek	Non-Executive	Independent	28.03.2013	1 year	Board Member Member of Corporate Governance Committee Chairman of Risk Management Committee
K. Kaynak Küçükpinar	Non-Executive	Independent	28.03.2013	1 year	Board Member Member of Audit Committee

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.

Within the scope of 395th and 396th 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 28, 2013 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 General Assembly on March 28, 2013 to Corporate Governance Committee was 5 and independency statements and personal backgrounds of these persons were evaluated at January 16, 2013 and March 05, 2013 dated meetings of Corporate Governance Committee and January 18, 2013 and March 06, 2013 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, Mehmet Barmanbek and Kadri Kaynak Küçükpınar) from among 5 candidates, the permit was obtained with February 15, 2013 and March 19, 2013 dated letters of Capital Markets Board and these 4 candidates were elected as independent members for 1 year at March 28, 2013 dated General Assembly. As of 2013 accounting year, no situation has occurred for violation of the independency.

Following the March 28, 2013 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 "2013 Board of Directors" section of 2013 Annual Report.

16. Principles of Activity of the Board of Directors

Board of Directors holds meeting only when it is required for the activities of the Company. In 2013, Board of Directors met 4 times and made decisions. 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 2013, no disclosures on this matter have been made to public since there was no such opposition or expressed different opinion.

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 to continue implementation of previously signed agreements, and that the changes in the conditions of above mentioned 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 2013, 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.

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 28, 2013 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 Çelebicin has been appointed as the Chairman and Kadri Kaynak Küçükpınar 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 5 meetings in 2013 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 6 meetings in 2013.

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 2013, the Risk Management Committee has held 7 meetings.

In order to offer efficient coordination between the Board of Directors and the management structure, an Executive Committee has been formed, tasked with increasing the efficiency of the Board of Directors, ensuring efficiency in the subjects of business development and investment in areas aligned with strategic aims, and to offer suggestions and recommendations in that respect. As the Board of Directors could not convene in a time and frequency required, the aim of this committee is to inform the Board of Directors by following up the Company as well as industrial improvements closely when required; to ensure coordination between the Company management structure and the Board of Directors; to develop proper strategies for the Company and make recommendations for the efficiency of the activities. 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 12 meetings during 2013.

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).

18. Risk Management and Internal Control Mechanism

Arçelik A.Ş. Board of Directors carries out its operations in a transparent, accountable, lawful and responsible way. Members of Board of Directors elect a president and a vice president among themselves. Besides, Chairman and Member elections for Board of Directors committees take place, as well. General Manager takes part in Board of Directors as executive member.

Board of Directors creates internal control systems involving risk management and information systems and processes that can minimize the effects of risks which may affect stakeholders of the company, especially stakeholders, considering the opinion of Board of Directors committees.

The Risk Management Committee, whose members were selected from among the members of the Board of Directors, has held 7 meetings in 2013. Risk Management Committee provides advices and suggestions to Board of Directors in terms of early diagnosis and assessment of strategical, financial, operational etc. risks; management and reporting of those risks in accordance with corporate risk taking

profile of the Company; application relevant actions concerning the risks identified; regarding the risks in decision-making mechanisms; creating effective internal control mechanisms and their integration in this direction.

Risk Management Committee has started Enterprise Risk Management Program with the aim of increase profitability and to create competitive advantages regarding strategy, process, human, technology and fund of knowledge factors throughout the institution that will help Arçelik A.Ş. with its growth targets and that will meet the demands of internal and external stakeholders.

Formed within the body of Assistant General Manager of Finance and Accounting, Internal Audit Management conveys information to Audit Committee about its meetings throughout the year in order to manage internal control mechanism in a proper way. Committee supervises operation and effectiveness of the system constantly and conveys problems concerning risk management and internal control mechanism and solution suggestions to Board of Directors as required.

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”. 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 and increasing our share in world white goods market
- Perpetuating the profitability level that will enable 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.
- 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 and March 28, 2013 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.

Rights that will be granted to the Board Members are concluded at General Assembly. At 28.03.2013 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 11,000. Furthermore, Executive Member General Manager is compensated with performance based salary system. Stock options or payment plans based on Company’s performance are not utilized for the compensation of Independent Board Members.



Manufacturing with people and environment in mind is one of Arçelik A.Ş.'s priorities. In order to minimize the environmental impact of processes and products, and to perform the required improvements, the performance in this area is constantly monitored. The efforts of Arçelik A.Ş. in this respect are held up as examples on a global scale.

All the way from the beginning of the process of manufacturing, Arçelik A.Ş. operates with an approach to produce more with fewer resources. Efficiency and sustainability are attached utmost importance while creating business processes. In line with its vision of "Respects the Globe, Respected Globally", Arçelik A.Ş. aims to protect the environment and natural resources and make them sustainable with its environment friendly operations and its more efficient products that consume less energy, water and resources.

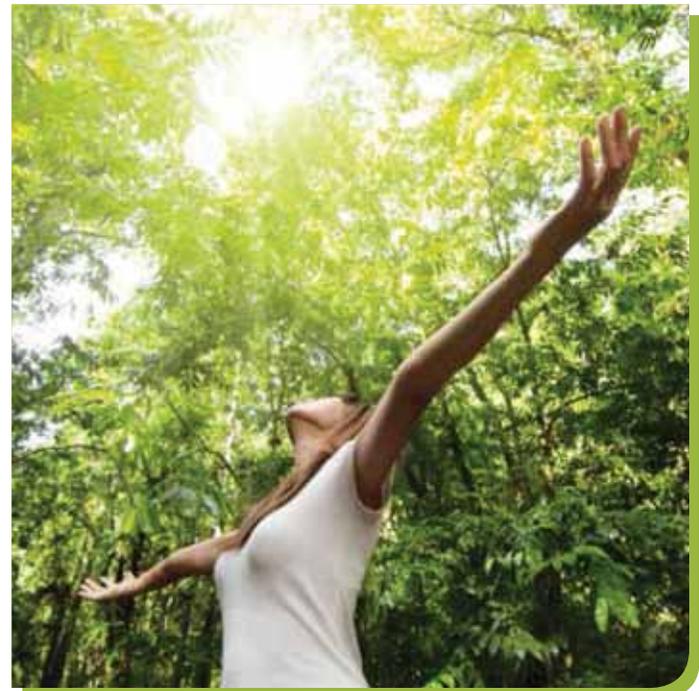
Arçelik A.Ş. practices the Environmental Management System in all its processes and establishes annual improvement goals based on its vision in order to decrease its environmental impact. Giving priority to efforts aimed at reducing emissions from its operations, reducing wastes at their sources and waste recycling, Arçelik A.Ş. constantly improves its processes through expenditures and investments towards protecting and improving the environment.

Predicating itself on the Total Quality principle, Arçelik A.Ş. fulfills all international product and management standards that it is subject to; primarily the ISO 14001 Environmental Management System which is integrated with the ISO 9001 Quality Management System. Arçelik A.Ş. initially received BS 7750 Environmental Management Systems Standard in 1994 for its Dishwasher Plant just two years after it was introduced as the first Environmental Management Standard

of the world. Afterwards, upon BS 7750 Standard's recognition as ISO 14001 in 1996, Arçelik A.Ş. has started to apply ISO 14001 Standard of Environmental Management Systems. As part of ISO 14001 Environmental Management System, Arçelik A.Ş. has ensured to control environmental impact, comply with legal and other conditions, improve continuously and prevent environmental pollution.

In 2012, as part of "ISO 50001 Energy Management System Standard", Arçelik A.Ş. founded the Energy Management System integrated into Arçelik Environmental Management System and became eligible to be certified through an audit performed by an independent, accredited body.

The efficiency and sustainability of Arçelik A.Ş. management systems have been taken under guarantee through Internal System Controls regularly conducted in addition to the controls initiated by the independent institutions which hold international accreditation.



In 2010, after winning the first prize in “Management” category in the “European Business Awards” for the Environment – Turkey Program”, which takes place biannually, 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. Arçelik also made it to the finals in the “European Business Awards for Environment – European Program” in the Management category, and became the first non-European company to achieve this success.

Furthermore, Arçelik has been monitoring its greenhouse gas emissions since 2006. Arçelik’s 2010 greenhouse gas emissions have been monitored by an independent accredited body within the framework of ISO 14064-1 Quantification and Reporting of Greenhouse Gas Emissions Standard. This audit continued in 2010 and 2012 as well, and 2011 green house gas emissions were confirmed at “reasonable assurance” level by an independent accredited body.

Arçelik’s eco-friendly approach was as adopted as a result of controlled environmental impacts which it took under control throughout the “product life cycle”, the technological superiority it achieved, and the management systems it implemented.

Environmental performance is regularly monitored by determining environmental aims and objectives intended to control the environmental impacts and decrease the resource usage to leave a clean and healthy environment for future generations. Environmental activities and performance results are reported to Arçelik’s senior management and shareholders.



Compliance with National and International Environmental Legislations

Arçelik A.Ş. continuously monitors its compliance with all the legislations it is obligated to comply throughout the product life cycle. “ISO 14001 Environmental Management System” is used as a basis for monitoring such compliance.

Within this framework, Arçelik A.Ş. fully complies with the following directives concerning the industry in Europe.

- 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 Ecodesign 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 was 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, 2014.

To comply with WEEE Directive in EU countries, Arçelik Group fulfils its legal obligations through the mechanisms of collection and recycling. Arçelik Group is a member of many collection systems which collect and dispose the products at the end of their economic lives. Arçelik Group encourages compliance with the WEEE Directive in the non-EU countries as well. In the meantime, necessary arrangements are being made for compliance with WEEE II (Recast) Directive.

Waste Electrical and Electronic Equipment Control (WEEE) Regulation was issued in the Official Gazette dated May 22, 2012 and No. 28300 in Turkey. Arçelik A.Ş. is making necessary arrangements in order to perform its obligations within the framework of the WEEE Regulation.

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

Put into effect 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 the directive by establishing the Compliance Management System to ensure that the suppliers are in compliance with this directive.

Furthermore, infrastructure works have been performed and Arçelik A.Ş. has been prepared for compliance with the 2011/65/EU RoHS Recast Directive which substituted the 2002/95/EC directive on January 2, 2013.

EuP – Directive on Eco-Design Requirements for Energy-Using Products

Energy-Using Products (EuP) Directive by European Commission aims to improve environmental performance of the products through 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 this EU Directive. The above-mentioned directive was issued and became effective in Turkey on September 23, 2011. Arçelik A.Ş. closely collaborated with the Ministry of Science, Industry and Technology during the issuance of this directive in Turkey.

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

One of the most extensive legal regulations of EU which is 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 their most important legal procedures to protect the environment and human health as the Regulation aims to ensure the flow of necessary chemical safety data of all chemical substances from their manufacturer to the user industry and the availability of this flow to the consumers.

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

All necessary preparations are coordinated by this unit and constant communication is maintained with the suppliers,

which ensure the development of a perfectionist process in compliance with the REACH Regulation. Detailed information about the operations of Arçelik A.Ş. concerning REACH, can be obtained from reachinfo@arcelik.com.

Arçelik A.Ş. has been the first company to comply with international directives on much earlier than they were integrated in Turkish legislation.

To ensure the protection of environment and human health, Arçelik A.Ş. has formed manifold procedures basing on the 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 long before these directives are 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.

CFC Usage Table

R134a Started to use	R600a Started to use	R600a Continued to be used	R600a Continued to be used	R600a Continued to be used
1995	1997	2011	2012	2013

Adopting the principle of “Environmental approach through the product’s life cycle”, Arçelik A.Ş. will continue to carry out its activities in full compliance with legal regulations concerning the protection of the environment, as it did in the past.

Arçelik A.Ş. makes necessary contributions for combating climate change. The Company is a member of the Climate Platform in Turkey and serves as the spokesperson and leader of this organization. Arçelik A.Ş. has signed the “2°C Challenge Communiqué” which draws attention to the 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 Doha in 2012 at the CEO level and shared information regarding its efforts for struggling with climate change in two different sessions. Arçelik A.Ş. also participated in the World Climate Conference held in Warsaw at the end of 2013 and followed developments concerning climate change.

Within the scope of the “CDP Turkey 100 Climate Change Report 2012”, which is an important step towards companies’ sharing strategies concerning greenhouse gas emissions and climate change with corporate investors, Arçelik A.Ş. won Turkey’s Carbon Disclosure (CDP) Leader award; in 2013, Arçelik furthered this success by receiving the Climate Performance Leaders in Turkey award, within the scope of CDP Turkey 100 Climate Change Report 2013.

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

***No-Frost Combi Refrigerator,
“The Most Energy-Efficient Product in the World”***



- Record holder in its category by consuming 20% less energy than the A+++ category
- White LED illumination

New No-Frost system;

- Faster cooling and freezing
- Prolonged storage of foods through higher level of humidity in cooling department,
- The smell of fridge and freezing compartments do not mix and the food in the cooling compartment are prevented from freezing.

Hygiene applications;

- Blue light technology keeps the green vegetables fresh and prolong their shelf life.
- Anti-bacterial odor filter system eliminates unwanted odors (Hygiene +)
- Ionizer system (ion +) which extends the shelf life of food by eliminating airborne bacteria and providing fresh air.
- Multiflow system blows air to every shelf
- 475 lt of Gross Volume

“Eco-Friendly” Television

39” A++ LED TV

- Consumes 45% less energy compared to other TVs in the same screen size
- Smart Inter@active TV feature allows viewers to access the news, weather forecast, traffic, video applications.





A dishwasher which is 10% more efficient than the A+++ energy category

- *A+++ -10% energy efficiency, the best in its category.*
- *Automatic door opening feature.*
- *Special aluminum insulation having also noise absorption feature which is only used by Arçelik for energy optimization.*
- *Closed fan drying system which is only used by Arçelik increases drying efficiency and lowers energy consumption.*
- *Smart filter system pushes the need to clean the filter as much as 1 year.*
- *Corrosion is prevented through the automatic glass protection system and the life of glasses is increase more than 20 times.*

“A+++ - 50% Energy-Efficient Washing Machine

- *“One of the Most Energy-Efficient Products in the World” which consumes 50% less energy than the A+++ energy category with 8 kg capacity.*
- *Weighs the amount of clothes put in it through smart algorithms.*
- *Takes just the necessary amount of water through its advanced sensors.*
- *Uses the detergent efficiently through the Aquafusion™ technology.*
- *Increases the movement of the clothes through the glass, wing and tumbler which has the Aquawave™ pattern and ensures better washing performance.*



"Most Energy- Efficient Tumble Dryer in the World"



- *"The Most Energy Efficient Heat Pump Drier in the World" in the 8 kg heat pump dryer category with its inverter compressor and variable speed brushless motor technology and A+++ -10% energy level.*
- *Drying time is increased with the "Quick" option in certain programs with its Inverter compressor.*
- *"Silent – Night Mode" in certain programs thanks to the brushless motor technology.*
- *The machine has Class A condensation efficiency thanks to its special insulation design and emits minimum amount of humidity to the environment it operates in.*
- *Offers solutions such as drying the woolen garments and fashion program thanks to its innovative special programs*
- *Its large LCD display allows you to watch the program cycles, program time and time left until the program ends, to delay the program, and offers a time adjustable anti-crease option with its large LCD interface*
- *Provides ease of use with tank full, filter cleaning, child safety warning indicators and auto anti-crease feature.*

"Most Energy Efficient Built-in Oven"

- *"World's most energy efficient built-in oven" which saves 45% more energy in comparison to A class and which consumes 580Wh energy in the eco-turbo cooking mode.*
- *"Quietest built-in oven in the world" with a noise level of 41 dBA.*
- *Minimized heat loss with detailed energy and flow analysis, thermal simulations, control algorithms, isolation optimization and special door design*
- *Stand by compatible electronic touch control system*
- *Large, animated electronic oven display*
- *Easily removable side wall wire racks with 5 positions*
- *Single "Telescopic Runner System" which provides ease of use*
- *Heat preservation function*
- *Non-staining inner door glass with "Oleophobic Nano Clean Zone"*
- *Usable volume: 65 lt.*



Supply Chain

Arçelik A.Ş. carries out comprehensive activities on the subject of the climate change which it sees as a fundamental risk for the sustainable future of the world and the Company within the scope of extended producer responsibility. In order to manage the risks and opportunities related to greenhouse gas emission, within the framework of product life cycle, greenhouse gas emission resulting from production processes is being measured since 2010. Extending its efforts within the scope of producer responsibility, Arçelik A.Ş. initiated a project aimed at measuring the greenhouse gas emissions originating also from product transportation activities this year.

By the effective use of “Dynamic Routing” application in Turkey and loading quantities catalogue in export as well as internal transportation route studies has increased vehicle utilization, and route planning is done at the optimum level. Within this scope, besides reducing costs, carbon emissions is also reduced. In addition, by dynamic routing, process efficiency is increased and labor force optimization is achieved.

Arçelik A.Ş. also started to use electric-powered vehicles instead of LPGs for transportation inside the warehouses. In this way CO₂ emission has been reduced. In 2013, by placing environmental motifs on canvas of some of the trucks carrying our products, the importance that Arçelik A.Ş. gives to environment is highlighted and contributed to raising the awareness of the consumers about the environment.

Acting in accordance with its “Sustainable Development” principle, across all of its supply chain activities Arçelik A.Ş. prefers eco-friendly sea and rail transportations, for all possible destinations. Accordingly, %78 of export shipments is done by sea transportation.

Purchasing

Arçelik A.Ş. Prohibited Materials Specifications which was prepared by considering national and international legal rules and by all customers prohibited material specification is published in our supplier portal (www.supplier.arcelik.com) and Arçelik A.Ş. corporate web site (www.arcelikas.com), and compliance with this specification is included in our supplier contracts. Moreover, environmental analysis reports and test results are taken from our suppliers and RoHS compliance confirmations are carried out with the analysis devices our production facilities.

Some environmental applications performed in 2013 are as follows:

- Supplier Development Department encourages the activities aimed at the consumption of energy in the supplier development plans, and the suppliers are provided training about energy efficiency.
- The Suppliers are encouraged to obtain ISO 14001 certificates, and their performance and awarding evaluations are also taken into consideration.
- A portfolio of suppliers which produce components that consume less energy is formed, which contributes greatly to the creation of a product range with high energy efficiency.
- Making the materials used in product packages more eco-friendly, reducing the number of pages on the product manuals and thus reducing the consumption of paper, using materials in our dye plants which reduce the consumption of chemicals and dyes, and decreasing the chimney emissions have been some of our environment-friendly practices.

Consumer Services

“Dynamic Routing” system, which we use during the transportation of the spare parts used in our services, improved the distance and reduced fuel consumption considerably.

Instead of collecting products from multiple points (dealers) during the delivery of the products, which our customers purchased, “Joint Dealer Warehouses” were introduced, and the delivery and installation services were provided together, which contributed to the reduction of fuel consumption.

“Ozone Generator” was introduced to the disinfection of water coolers, which completely eliminated the use of chemicals. In this way, 400,000 TL/year and the 4,000,000 litre water were saved in comparison to the classical chemical cleansing on customer side.

The commercial air conditioning services which we provide through 120 services around Turkey meet the special needs of chain stores and corporate customers related to exploration, installation, maintenance and supply services of air conditioners. Commercial Air Conditioning section, which provides the most energy-efficient products in the industry, plays an active role in energy efficiency through LED illumination applications and building Energy Efficiency Evaluation (EEE) services.

Expanding their field of activity in 2013, the Commercial Air Conditioning services launched sales and after sales services for the chiller group in which a single device (chiller) is able to meet air conditioning needs up to 3000 kW. Water cooling groups have been introduced as an alternative product range where the VRS systems cannot offer a practical solution to very large capacity needs such as shopping malls, sports facilities, and industrial plants.



We are aware of our responsibilities. We are working to leave a better world to future generations. Our corporate vision, culture, values and ethical principles guide us as we perform these responsibilities.

Arçelik A.Ş. not only creates value by increasing new employment opportunities and growth in 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.

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.

Volunteerism 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 composed of the large family of Arçelik A.Ş. as significant success criteria.

Standing United for Education with Arçelik Program - Turkey

“Standing United for Education Program” aims to improve the education and development standards of 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 was carried out between 2004 – 2012 with the cooperation of Ministry of National Education and with the participation of various NGOs (VKV, TEGV, AÇEV and ÖSGD). The Program has reached 200 thousand students who are studying at 300 Regional Boarding Schools spread across 60 provinces.

Within the framework of the program, students who graduated with distinction from their schools were offered “Scholarship”. Students who attended to boarding schools were offered “Our Rooms” in which they could receive education through entertainment and where they could find educational cds and dvds. “Teacher Education” was offered to teachers and administrator which contributed to their 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.





Electrical Household Appliances Technical Training Program - Arçelik Laboratories - Turkey

Believing that educational activities can create the greatest added value in the improvement of the society, Arçelik A.Ş. developed the “Electrical Household Appliances Technical Service Program” in order to reinforce the connection between manpower and employment and to raise manpower who has knowledge about the most recent developments and emerging technologies in electrical household appliance industry.

To this end, as of 2011 – 2012 academic year, Arçelik Laboratories which 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 4 schools, 3 of which are located in İstanbul (Kartal, Beykoz and Zeytinburnu) and one of which is in Diyarbakır. With the addition of 4 laboratories opened in Trabzon, İzmir, Ankara and Bursa provinces in 2013, the number of laboratories increased to 8.

The curriculum used in these laboratories was redesigned with the Ministry of National Education and the teachers were educated in Arçelik Academy. As of 2013, 331 students and 57 teachers are being trained within the scope of Arçelik Electrical Household Appliances Technical Education Program which was established within the Electrical – Electronic Technologies Field – Electrical Household Technical Service Department. The aim here is to educate these students to be able to serve as technicians within home appliances and air conditioner product groups with the knowledge they obtained in Arçelik Laboratories.



Within the scope of the program, the students are offered internship opportunities in Arçelik A.Ş. authorized services. Students who accomplish certain stages and desire to work in Arçelik A.Ş. Authorized Services or within the Company are employed upon certification. As of 2013, the first students graduated from schools in İstanbul and Diyarbakır and 18 of them were employed in Arçelik Authorized Services.

Thus Arçelik A.Ş. has brought a sector-specific practice into the industry for establishing and maintaining education and employment relationship and blazed a trail in the field of Electrical Household Appliances Technical Service Personnel in Turkey.

Vocational High School Coaches - Turkey

Within the scope of Koç Holding’s “Vocational Education: A Crucial Matter for the Nation” project, Arçelik A.Ş. assumed the responsibility of 26 schools and provided scholarship to 1,283 students in these schools. A 28-person team consisting of company employees, authorized dealers and services, volunteered to act as “Vocational High School Coaches” and worked hard to support the students’ personal development, and to prepare them to professional life.



“No Barriers For My Country” - Turkey

Arçelik A.Ş. Family supports the “No Barriers For My Country” project which is carried out by Koç Holding and UNDP (United Nations Development Program) and AYDER (Alternative Life Association) and carries out various projects aimed at improving the life quality of disabled people.



Seminars for Accurate Approach to Disabled Persons

Arçelik A.Ş. employees completed the “Voluntary Trainer” education with the support of AYDER. In 2013, 27 Arçelik employees gave “Accurate Approach to Disabled Persons” seminars to increase the awareness of other employees about the project and to inform them about the subject matter. As of the end of 2013, 12,596 employees were reached with 196 trainings.

During 2013, within the scope of this project, many activities were performed for our Arçelik A.Ş. offices and dealers to make them more disabled friendly. An idea pool was created for disabled friendly product portfolio. Arçelik continued to support projects like disabled employment and disabled employees working from home.



We Read Books for You

Arçelik A.Ş. employees carry out the “We Read Books for You” project in cooperation with Boğaziçi University Technology and Education Laboratory for the Visually Impaired (GETEM). Arçelik supports this activity by reading books to “Audio Library” created for the visually impaired persons. The volunteers read the books which are requested by the visually impaired. They record the books by using special software installed on their computers and a headphone with a microphone. A promotional video has been prepared to motivate the employees to support the “We Read Books for You” project which was shared with the employees via the Internet. Training seminars were organized in all campuses with the support of GETEM. 253 employees received training for how to read and record audio books.

By the end of 2013, 20 books have been read in relation to the project, and recording of another 28 is underway.

The promotional video which was prepared to inform Arçelik A.Ş. Authorized Dealers about this project was broadcast on Dealer TV. Volunteer Trainers and Arçelik A.Ş. employees who read books within the scope of this project were awarded at the “Pyramid Climbers Awards” platform for their contribution.



“No Barriers for For My Country”

Supporting Awareness Projects to Protect the Environment - Turkey

“Soil and Leaf” Painting Contest and “Young Hands Recycling the Waste” Project Contest

Cooking Appliances Plant of Arçelik A.Ş. in Bolu supported “Earth and Leaf” Painting Contest and “Young Hands Recycling the Waste” Project Contest as a part of its long lasting cooperation with TEMA Foundation and Environment Association.

Organized for the fifth time in 2013, the painting contest with “Soil and Leaf” being the concept aims at creating awareness about protecting the soil and the environment for students and making them think about what can be done about the subject. Participating the contest, 123 students from 12 schools expressed their awareness about world ecosystem, importance of the nature and erosion in their paintings made with water color and pastel techniques.

45 students from 6 schools participated to the “Young Hands Recycling the Waste” project contest, organized for the second time and aiming at creating awareness in students about being a part of the recycling circle of the waste and recyclable materials. In the project contest, students combined their creativity with materials seen as waste and useless to show that waste can also be used and can be brought back to life by recycling. 168 students from 18 schools were participated the contest and the successful ones were awarded with LCD TVs, DVD players, notebooks and blue ray players.



Ankara Dishwasher Plant “Memorial Forest”

Ankara Dishwasher Plant of Arçelik A.Ş. created a memorial forest with 2000 trees on Ankara main highway to leave a precious legacy to the next generations. Created with the contribution of the employees, “Arçelik Memorial Forest” was kept irrigated and maintained in 2013 as well.



Arçelik A.Ş. Search and Rescue Team - Turkey

Turkey is situated on earthquake lines and it is very important for a country like that to have well experienced post-earthquake search and rescue teams. Created with the aim to help society with experienced and trained teams in case of natural disasters, catastrophes and emergencies, Arçelik A.Ş. Search and Rescue Team kept working in 2013 as well. A very important member of Koç Holding Search and Rescue Team, Arçelik Team is listed up in the nongovernmental organizations list from which Disaster and Emergency Management Presidency (AFAD) will officially request support in case of a disaster.

In regular meetings coordinated by Koç Holding, search and rescue team members enhanced their knowledge and experience concerning earthquakes and other emergencies, and they also started cooperative works for the emergency materials and trainings. They prepared an “Emergency Equipment Catalogue” and submitted to the group companies, which updated “Koç Holding Emergency Handbook”.

In 2013 search and rescue team members from Arçelik A.Ş. Bolu, Çerkezköy and Eskişehir campuses participated in emergency trainings and practices organized by their local Civil Defense Unit, Fire Authority and NGOs taking part in disasters, and shared their experiences concerning the topic. Necessary planning works have been started to update the trainings of the existing search and rescue teams from other campuses. Search and Rescue Team of Arçelik A.Ş. Beylikdüzü Campus was created with the participation of new volunteers. Team members successfully completed their trainings given by the trainers from Koç Search and Rescue Team and Sakarya Civil Defence Unit. A fully equipped search and rescue vehicle was bought to enable Arçelik A.Ş. Search and Rescue Teams reach the disaster area as soon as possible.



White Fish Play Rooms - Turkey

“White Fish Play Rooms” project aims at establishing special play rooms to uplift and motivate children with cancer getting treated in the oncology services of hospitals. The project is named after the white blood cells described as white fish and effective in immune system.

The first room of the project was opened in 2011 for little patients in Pediatric Department of Marmara University Training and Research Hospital. In 2012 a library is created for child patients hospitalized for long time apart from the play room in Pediatric Department of Süreyya Paşa Hospital, and Painting Team from Çayırova Washing Machine Plant of Arçelik A.Ş. colored all the walls in pediatric clinics with cartoon characters. Arçelik A.Ş. employees buy the old product stocks and provide the financial recourse for the rooms to be opened. In 2013, the hospitals were visited and toys and books collected in different times for 2 play rooms and 1 library were handed over.

International Social Support Activities

Besides creating new job opportunities, production facilities, sales and marketing offices of Arçelik A.Ş. operating in different countries of the world also carry out social responsibility projects and support activities ranging from education to health, environment and sport, to contribute to the social development of the subject region.

Elektrabregenz- Austria

One of the most well known brands of Austria, Elektrabregenz supported the organization called Projuventute aiming at protecting homeless and needy children, during the last three years in line with the social responsibility approach. Besides donating different products to the orphanages renovated by Projuventute, Elektrabregenz also gave support in creating social awareness and more support by contributing to the programs carried out by the same organization.

Defy - South Africa AmaZulu Community Trust



AmaZulu Community Trust was founded in 2009 in order to improve communities in South Africa by using the power of football. Football can be used as a mean to start life skills programs, HIV/AIDS trainings and incentives. Defy cooperates with AmaZulu Community Trust in carrying out the development projects in Ezakheni, Durban and Easy London areas, with the aim of creating improvement in these regions. Between all these works, the most important one is to be able to start with life skills program which will support individuals with financial impossibilities. Children distinguished with their skills are presented with a scholarship program provided by Defy. Children selected as a part of this scholarship take a training in one of the best schools in the region without paying anything. In 2013, 2680 scholarship students participated in the program and 23 couches participated in the life skills training sessions.



Ethelbert Children’s Home

Ethelbert Children's Home is a house and a shelter for 65 children separated from their family due to physical and/or sexual abuse, negligence or divorce and left orphan due to HIV/AIDS. Ethelbert is not an orphanage. Most of the children brought here have families. 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 houses, each with two residing Child Care Workers and a maximum of twelve children. Boys and girls are placed in separate houses, with children under five finding a home in a separate one. 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 domestic appliances and electronic appliances in line with the needs of Ethelbert Children's Home, Defy financially contributed to covering the surrounding of the houses with wires for safer accommodation in 2013.



Beko - Russia

With the approach to support social development in the activity area apart from creating economic activity, Beko keeps on conducting social work to boost social development in Kirzhach Vladimir Region where the production facility is situated. As a part of this, throughout 2013, Beko donated 50 refrigerators, 50 washing machines and 50 heaters to the needy in the region. These presents are handed over with a ceremony in Governmental building in the presence of Vladimir Regional Governor and Beko LLC executives.

Cooking for Solidarity Marathon Beko - Spain

In 2013, Beko Spain organized the first “Cooking for Solidarity Marathon” (with a nongovernmental organization) for soup kitchens in Madrid serving for the needy. In the leadership of the brand representative Martin Berasategui, 300 chefs participated to the marathon and created 2000 menus in a period of 12 hours. Mayor of Madrid Ana Botella, famous and important chefs from TV shows, Association for Supporting the Needy (FACIAM), Caritas, Ucalasa, Rotary Club and many other volunteers supported the project. In order to expand the campaign in Spain, 240 food collection points were created. The campaign “We Give More Life to Your Clothes” undertaken by Beko in Spain has been honored with a Gold Award at Spain European Excellence Awards and a “Bronze Award” at EventoPlus Awards in the category of “Best Corporate Social Responsibility Projects” in 2011 and 2012.





Beko Poland - Support for The Noble Box Project

Beko have support to the “SZLACHETNA PACZKA / The Noble Box Project” created to support the needy families and give hope especially during the new year period with direct help. In Poland, “SZLACHETNA PACZKA / The Noble Box Project” is carried out by SPRING Association, a nonprofit organization founded almost 10 years ago and working to give presents to the financially needy families during new year period. Project brings the needy families and the donators and volunteers together.

Beko employees selected a family and presented them washing machine, toys for the kids, computer and clothes for them to meet their daily needs.

Beko New Zealand - The Rising Foundation Donation Event Support

In line with the support principle for social development, Beko gave support to the works of The Rising Foundation conducting mentorship programs in order to bring out the potential of children in New Zealand. Beko was the main sponsor of the “Dinner with Famous Chef Gordon Ramsey” donation collecting event realized in the name of The Rising Foundation. Gordon Ramsay prepared a special menu for this event.



Beko - China

Beko produced its one millionth washing machine in the Changzhou Washing Machine Plant in China. Beko has adopted celebrating its success with “humanitarian social help” as a principle. In this respect, it donated products to support the education of the children in order to contribute to the development in Changzhou Region.





Beko Basketball League - Turkey

Beko started its basketball sponsorship in 2006 by giving its name to 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. As a result the league was named as Beko Basketball League. Moreover All-Star games are organized in the league each year with Beko All-Star title.

Global Basketball Sponsorships

Having started its support to basketball in Turkey by sponsoring Turkish Basketball League, Beko brand continued its investments in the field without stopping. 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. Then it became the "Presenting Sponsor" of the FIBA European Championships organized in Slovenia in 2011 and in Lithuania in 2013.

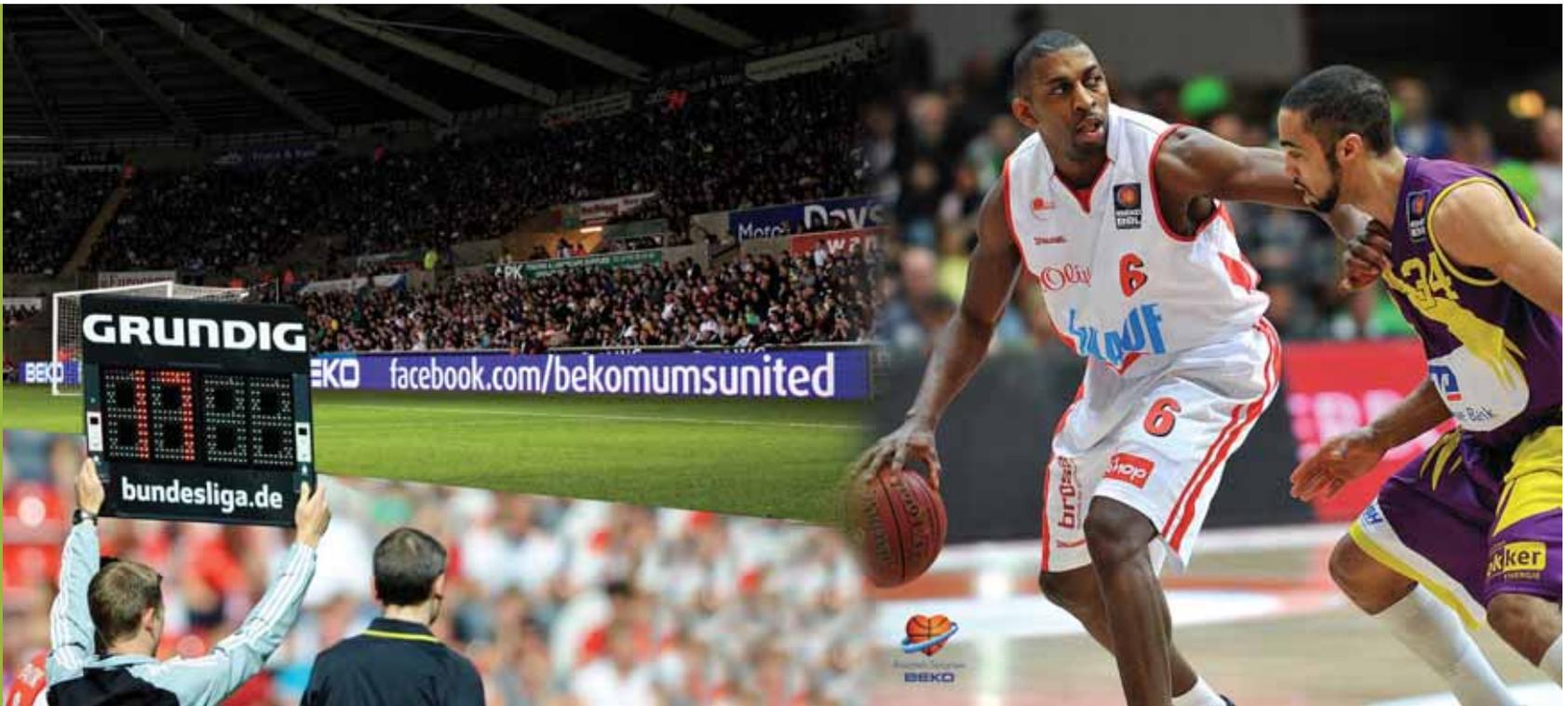
Beko has been the "Presenting Sponsor" of FIBA European Basketball Championship that will be performed between August 30 and September 14, 2014 in Spain.

Lastly Beko continues its investments in basketball by being the Global Partner of 2014 Women World Championship to be held in Turkey between 27 September and 5 October.

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, in 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

During the years of 2010-2013, Russia basketball league has been introduced under the title of “Beko Professional League”. During the sponsorship, Beko organized various BTL events at basketball courts during the in-season before the games start.

In addition to its contribution to the professional basketball league, Beko has supported the 3x3 basketball tournament “Moscow Open Cup”, which has taken place at the Luzhnik Stadium in September, 2012 within the scope of Moscow City Day festivities. 411 streetball 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. The name sponsorship of Beko ended with the uniting of Russian Professional League with VTB Combined League before 2013-14 season.

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 Italian Basketball League, after the Germany, Russia and Lithuania league sponsorships. Since 2012-2013 basketball season when the sponsorship started, Italian Premier Basketball League is named as “Beko Lega Basket Serie A”.

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 2012/2013 season. This will also continue throughout the 2014/2015 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 significantly increased the brand awareness of Grundig in Germany and worldwide.

Environmental Awards - Achievements

- Arçelik A.Ş.'s electric motors with class IE3 energy efficiency were ranked first in the “Most Efficient Product” (EVÜ) at the Project Contest for Enhancing Energy Efficiency in the Industry (SENVER) organized by the Ministry of Energy and Natural Resources / Directorate General of Renewable Energy. BESTOVEN Built-in Oven Project by Arçelik, featuring A-40% efficiency (9658 ETI, OIM, 25603 X) was also awarded the Jury Special Award.
- Arçelik A.Ş. Dishwasher, Tumble Dryer, Electric Motors and Arctic Cooling Appliances Plants were awarded with “Platinum” certificate in “Energy Efficient Green Factories” grading.
- Arçelik A.Ş. was awarded with grand prize in “Innovative and Environment Friendly Product” category of ISO Environment Awards with “Arçelik 9658 ETI” oven.
- Beylikdüzü Electronics Plant was awarded with “Environmentally Friendly Plant” prize by Turkish Healthy Cities Association.
- Arçelik A.Ş. became “CDP Performance Leader”.

Corporate Awards - Achievements

- Beko brand became “Presenting Sponsor” of 2013 FIBA European Basketball Championship to be held in Slovenia and 2014 FIBA World Basketball Championship to be held in Spain.
- Arçelik A.Ş. has been granted an award for being “The First Company to Submit an Electronic Declaration” in the “Firsts” category by the Ministry of Customs.
- 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. won 2 awards with its Arçelik In Love Washing Machine and Grundig refrigerator at the IF Design Awards.
- Arçelik A.Ş. was granted White Goods Export Champion Award at the “Electrical-Electronic sector 2012 Export Performance Awards” ceremony held by TET (Istanbul Association of Electrical-Electronic, Machinery and Informatic Exporters).
- ElektraBregenz brand was ranked as second in home appliances category of “2012 Golden Plug” awards.
- 3-Door Combi Refrigerator Project was awarded with “Technology Development Award”, and “4-Door Refrigerator Project” was awarded with “Product Development Award” in Eskişehir Chamber of Industry (ESO) Technology Awards.
- Arçelik A.Ş., was granted with 6 rewards in total, including three first prize, three second prize for İMMİB, “2012 Stars of Export” awards.
- Grundig GKN 16830 X Combi Refrigerator, Grundig GEZM 47000 B and Grundig GEBM 46000 B Build-in Ovens, Beko WKY 61031 C Washing Machine, Grundig TR1200 Wooden Table Radio, Grundig Vision 9 Air Design TV and Grundig Toaster won “High Quality Design” prize while Grundig GWN 58472 C washing machine and GTN 48271 GC dryers won “Superior Design Details Red Dot Mention Prize”.
- Arçelik A.Ş. won Sponsorship “Platin Award” and “Golden Award” in TSE Quality Award Ceremony.
- Arçelik Çelik Relaunch Campaign “Unique Match of Technology and Design” won Silver Effie Award while Beko Family Campaign won Golden Effie Award in “Beyond Border” category and Bronze Effie Award in “Durable Goods” category.
- The Survey of Turkey's Most Reputable Sectors and Companies" conducted by RepMan Reputation Research Center and GfK Turkey determined Arçelik A.Ş. as the most prestigious company of 2012.
- Arçelik A.Ş.'s Refrigerator Plant in Eskişehir was awarded “TPM Advanced Special Award” by JIPM (Japanese Planned Maintenance Institute).

- Arçelik A.Ş. obtained international “ISO 10002 Certificate” providing guideline information for increasing customer satisfaction in terms of product and service.
- Arçelik A.Ş. was awarded 6 different plates by Social Security Institution for paying regularly the highest premiums in İstanbul, Ankara, Eskişehir, Tekirdağ and Bolu.
- Arçelik A.Ş. became a member of Smart TV Alliance which is a joint platform for applications developed internet-connected smart televisions.
- Arçelik A.Ş. was awarded two prizes, including the “Golden Prize”, in durable goods sector with its 2012 Annual Report in the competition of League of American Communication Professionals (LACP) while it was awarded four prizes, including “Golden Prize”, again in durable goods sector with its 2011 Sustainability Report.
- Arçelik A.Ş. has updated its corporate governance rating note as 9.28.
- Arçelik A.Ş. Dryer Plant Employees were awarded in “Workers Creating Customer Happiness” category in the “Most Successful Koç Employees Awards”.
- The commercial of the Fashionline Hair Styler won the grand prize in the category of “Best Durable Goods Commercial” in “A Awards Open Air Commercials Competition” organized by Open Air Advertisers Foundation (ARVAK).
- Arçelik A.Ş. 2012 Annual Report won “Golden Award” in written text category and “Bronze Award” in publishing and production category while Arçelik A.Ş. 2011 Sustainability Report won “Silver Award” in written text category and “Bronze Award” in cover/design category in ARC Awards.
- Arçelik Fashionline Hair Styler commercial was awarded the 25th Crystal Apple Award.
- Arçelik was awarded the grand prize in “The Best University Festival” category in Winterfest Ace of M.I.C.E Awards.
- Beko Dolphin series washing machine was awarded “Innovative Product” award given by CHEARI (China Electrical Household Appliance Research Institute).
- Arçelik A.Ş. was awarded “Innovation Leadership” prize.
- Arçelik was chosen “The Most Loved and Preferred Brand” in the category of Electronics Producer Retailer according to a research conducted among Shopping Center consumers.
- Arçelik was chosen “Turkey's Most Loved Brand” in the category of domestic appliance and household electronics according to the research of “Turkey's Lovemarks”.
- Arçelik A.Ş. was awarded in the category of Red Dot “Concept Design” with its “Cyclone Cooking System” in the competition organized in Singapore.
- Beko WMB 71443 LE washing machine was assessed to be “TEST GUT” in Stiftung Warentest tests in Germany.
- Arçelik Winterfest was awarded in three different categories, best guerilla marketing, viral marketing and on-site marketing in the 6th Direct Marketing Awards.
- In Bosnia, Beko become the first brand to be awarded “Best Buy Award” in 5 different categories.
- Grundig TV 47 VLE 9372 BL was awarded “GUT” prize in Stiftung Warentest (StiWa) assessment test.
- Blomberg brand was awarded “Euronics Supporter of the Independent” prize 2nd time.
- Germany's most respected, independent test institute Stiftung Warentest awarded Beko DIN6831 FX dish washer, Beko DPU7340X dryer and Beko CN 148241 X as “TEST GUT”.
- Beko OIM 25901 X built-in oven was awarded Kitchen Innovation of the Year prize in the categories of product use, innovation, ease of use, design and ecology in the competition of Kitchen Innovation.
- ECO CHAMPS product family consisting of Grundig built-in oven, dish washer, refrigerator, washing machine and dryer was awarded “Plus X” Prizes in “High Quality”, “Design”, “Ease of Use” and “Environment” categories, and with Vision 7 Venus (BMS) design, in High Quality”, “Design” and “Ease of Use” categories.



Arçelik A.Ş. extends its goals year by year thanks to the power it obtains from its employees. Its qualified employees supported by innovative human resources applications provide the global competitive capacity that it has.



Integrated Human Resources System and Tools

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

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.

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. 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 Departments 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 2013, 5% 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 other 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. 95 people participated in 2013.

Management Skills Development Program: This is a program developed for providing rapid adaptation to new roles 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 2013, the program was performed with the participation of 65 employees.

Top Level Leadership Program/Leadership Impact: Program is prepared for top level managers in "function managing or upper level" roles. The aims of the program are to increase awareness about the new perspectives, new behaviors and new values required by the roles, to create a common climate and culture and infuse Arçelik Leadership Competencies and necessary, critical leadership styles. Program is supported by inventory studies, trainer interviews and group training. 10 top level manager (Director/Country Manager) participated to the program in 2013.

Leader and Strategy / Leader and People: This is a program developed for supporting the development of potential managers for senior management positions. Our 7 workers participated in these programs during 2013.

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 A.Ş. managers. Our 45 workers entered into this process in 2013.

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.

Competency Trainings and Functional Development Programs: Competency trainings consists of development solutions for making our managers and workers reach the expected title about the respective competency based on the corporate competency that we expect from all our workers and managers across the organization.

Accordingly, competency trainings are defined and planned, as based on the powerful and explicit behavioral indications open to development, shown in the performance interviews of the employee with the executive, concerning the work goals waited from them depending on the annual work performance of the employee.

Functional development programs are packaged development solutions lists providing necessary trainings as a whole for helping workers accomplish the expected works with desired quality. Market Oriented Product Development Program, including Purchasing, Marketing Academy and Supply Product, is a development program designed like that and is realized in the entire world. Within 2014, similar projects are planned for Sales, Financial Affairs and Financing, Project Managers and Human Resources.

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.

Company Orientation Programs: Arçelik A.Ş. orientation program is a 5-days program to which all white-collar workers participate within the first 6 months after they begin working. In total, 250 white collar workers of us make us of this orientation program which is organized 5 times in a year. Starting with the presentations of our functions in our Sütlüce General Directorate, the program continues with visits to plants and concept stores as well as classroom trainings. "Arçelik A.Ş. Ethical Conduct Codes" and "BT Electronic Orientation" are appointed to all our new white collar workers in the orientation program through Koç Academy and their rate of completing the training is followed on a regular basis.

In order to accelerate the adaptation period, we launched "Warm Up" process in 2013. The aims are supporting new friends joining us, accelerating their adaptation time, create bonds and increase their motivation. In this scope, human resources sharing meetings and worker-manager interviews are organized to allow a candid and warm interaction atmosphere. Another part of "Warm Up" is "Co-mate" which is a mentorship practice, critical for Y-generation needing orientation and constant feedback.

In line with the our goals and values, in order to attract skillful people and communicate the employer brand values and human resources practices, we opened Arçelik Career Facebook and LinkedIn pages in 2013. In these platforms, in order to strengthen our corporate prestige, we share content reflecting our values, successes, practices and work environment.

Management System of Arçelik A.Ş. 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. With the aim of constantly seeking the better by increasing effectiveness, efficiency and continuity, a composite management approach based on the following model as well as management systems and methodologies:

- 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
- ISO 10002 Customer Satisfaction Management System
- ISO 27001 Information Security Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 17025 Laboratory Management System
- 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.

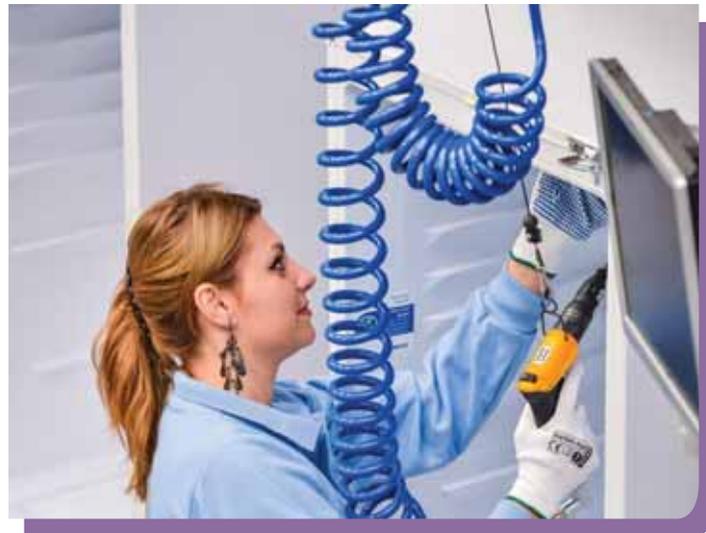
All of the Management Systems defined with international standards (ISO 9001 Quality, ISO 14001 Environment, ISO 50001 Energy, ISO 14064-1 Greenhouse Gas Reporting, OHSAS 18001 Occupational Health and Safety - Electronic Plant, ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories - Central Calibration and Washing Machine EMC Laboratories, ISO 10002 Customer Satisfaction, ISO 27001 Information Securities) 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 A.Ş. 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.



We provide products and services beyond customer expectations in the global market and certificate these according to the following standards.

System Standard Compliance Certificates:

TS EN ISO 9001:2008, TSE
ISO 14001:2004, SGS
ISO 50001:2011, BSI
ISO 14064-1:2006, BSI
ISO 10002:2004, SGS
ISO/IEC 27001:2005, BSI
OHSAS 18001:2007, SGS
TS EN ISO/IEC 17025:2010, TURKAK

Product Standard Compliance Certificates:

TSE - Turkey
IEC, ISO - All Regions
CE, HAR, UPC (TV), CEN, CENELEC - EU
UL, ETL, AHAM - USA
TUV, VDE, GS, DIN - Germany
IRAM - Argentina
AGA, AS, CBA, Energy Safe Victoria, JAS-ANZ, AS/NZS - Australia
ORS (TV) - Austria
CCC, GB - 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) - Holland
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) - Italia
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 Johns Hopkins University's Industrial Management Department and started his professional life in 1958 at the Otokoç Company of the Koç Group. Throughout his career, he has held senior positions at Koç Holding. In 1980, he was appointed President of the Executive Committee and then Chairman of the Board of Directors at Koç Holding. Since 2003, he has served as the Honorary Chairman of Koç Holding. Koç is also the Deputy 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 Culture Foundation, Chairman of the Board of Directors at VKV American Hospital, Founder and Honorary Chairman of TURMEPA (Turkish Marine Environment Protection Association), Honorary Chairman of the High Advisory Council of the Turkish Industrialists' and Businessmen's Association (TÜSİAD), Member of the Advisory Council of the Turkish Confederation of Employers' Unions (TİSK), Member of Foreign Policy Association, Honorary Member of New York Metropolitan Arts Museum Board of Trustees and Founding Member of Global Relations Forum Association.

**Mustafa V. Koç**

Vice Chairman

Mustafa V. Koç graduated from the Department of Business Administration at George Washington University in 1984. Having started his professional career in 1984 at Tofaş as Consultant, Koç served as Sales Manager and Vice General Sales Manager in Ram Dış Ticaret. He joined Koç Holding in 1992 and served as Vice President, President, Member of Board of Directors and Vice President of Board of Directors. He has been the President of Board of Directors of Koç Holding since 2003. Honorary President of High Advisory Board of Turkish Industry and Business Association, Koç is İstanbul Honorary Consul of Finland. He is a member of Rolls-Royce International Advisory Board and takes part in JP Morgan International Council and Council of Foreign Affairs International Council. He is a Member of Executive Board of Bilderberg Meetings. He was awarded with Cavaliere D'Industria medal of Italian government in 2005 and International Leonardo Prize in 2012. Mustafa V. Koç is Member of Board of Directors of Vehbi Koç Foundation that realizes contributions of Koç Family that gives importance to economical and social development and awarded by prestigious institutions such as World Monuments Fund Carnegie Foundation and BNP Paribas to social and cultural life and Member of Education Volunteers Foundation of Turkey Board of Trustee.

**Semahat S. Arsel**

Member

Having participated in German language courses in Goethe Institute after graduation from American Collegiate Institute, Semahat Arsel can speak English and German. Started her career as Member of Koç Holding Board of Directors in 1964, Semahat Arsel is also President of Vehbi Koç Foundation Board of Directors, President of Divan Group Board of Directors, President of Semahat Arsel Nursery Training and Research Hospital and Secondary President of Florence Nightingale Foundation. She is also the founder of Koç University Health Academy.

**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

He graduated from Rice University (U.S.) Department of Business and took master degree from Harvard University (U.S.). He participated in Administrator Educating Program of American Express Bank between 1990-1991 and worked as Analyst in Morgan Stanley Investment Bank between 1992-1994. He held senior positions such as New Jobs Development Coordinator and President of Information Group in Koç Holding between 1997-2006. Between 2006-2010, he was President of Koç Holding Corporate Communication and Information Group. He has been Member of 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 completed his undergraduate study in Ankara University Faculty of Political Sciences Business Department and took master degree from University of Illinois. He started his career as Account Expert in Ministry of Finance in 1988. He was a part-time instructor in Bilkent University and Vice President of Financial Crimes Investigation Board of Ministry of Finance between 1997-1998. He joined Koç Holding as Financial Group Coordinator in 1998, and he was General Manager of Koçtaş between 2002-2007 and General Manager of Migros in 2007-2008. He was appointed as Arçelik A.Ş. General Manager in 2008. In addition, he has been President of Koç Holding Durable Consumer Goods Group since April 2010.



Kutsan Çelebican

Member

Kutsan Çelebican 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.



Mehmet Barmanbek

Member

He graduated from Ankara University Faculty of Political Sciences from 1963. He was Head Account Expert in Ministry of Finance in between 1963-1977. He was Ford Otomotiv Sanayi A.Ş. Financial Affairs Manager in 1977 and Vice General Manager between 1986-2002 and retired in 2002 from that position. He has been independent member of Arçelik A.Ş. Board of Directors since March 29th, 2012.



K. Kaynak Küçükpınar

Member

He graduated from Napoli Technical University, Italia, Faculty of Shipbuilding Mechanical Engineering in 1968. He started his career in 1970 in Tofaş Turkish Automobile Factory. He was Purchase Director of Tofaş Factory in 1975 and Vice General Manager (Vice Manager of Factory) between 1986-1993. He was Mako Elektrik Sanayii A.Ş. General Manager between 1994 -2000. He retired in 2001 on his own request and he was Member of Mako A.Ş. Board of Directors until the end of 2002. He has been independent member of Arçelik A.Ş. Board of Directors since March 28, 2013.



Levent Çakiroğlu

General Manager

He completed his undergraduate study in Ankara University Faculty of Political Sciences Business Department and took master degree from University of Illinois. He started his career as Account Expert in Ministry of Finance in 1988. He was a part-time instructor in Bilkent University and Vice President of Financial Crimes Investigation Board of Ministry of Finance between 1997-1998. He joined Koç Holding as Financial Group Coordinator in 1998, and he was General Manager of Koçtaş between 2002-2007 and General Manager of Migros in 2007-2008. He was appointed as Arçelik A.Ş. General Manager in 2008. In addition, he has been President of Koç Holding Durable Consumer Goods 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 SAS. 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
Haldun Dingaç	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 Director. 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.

Giulio Ambrosi	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 S.A. - 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 Coadby	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
Hakan Kozan	Country Manager South Africa - Defy Appliances Pty Ltd. General Manager
R.C. Oğuzkan Şatıroğlu	Sales Director - Europe Direct Sales
Salih Arslantaş	Product Director - Washing Machine
İsmail Kürşat Coşkun	Country Manager Austria - Elektra Bregenz AG. 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 of Ordinary General Assembly
- Profit Distribution Proposal
- Amendments to the Articles of Association
- Independency Statements of Candidates for Independent Members of Board of Directors
- Dependent Company Report
- Independent Auditors' Report and Consolidated Financial Statements

AGENDA OF ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY DATED MARCH 27, 2014

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2013 Annual Report prepared by the Company Board of Directors,
3. Reading the Summary of Independent Audit Report for 2013 accounting period,
4. Reading, discussing and approving the Financial Statements related to the 2013 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2013,
6. In accordance with the Capital Markets Board regulations, approving the " Profit Distribution Policy" of the Company regarding the year 2013 and the following years,
7. Acceptance, acceptance after amendment or refusal of the offer of the Board of Directors regarding the distribution of the profits of 2013 and the date of the distribution of profits,
8. Acceptance, acceptance after amendment or refusal of the Board of Directors' offer for amending Article 3 entitled "Purpose and Subject" of the Company Articles of Association, provided that necessary permissions are obtained from Capital Markets Board and T.R. Ministry of Customs and Trade,
9. Determining the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,
10. Informing and approval of the Shareholders about the Remuneration Policy for the Members of the Board of Directors and Top Managers and the payments made within the scope of the policy in accordance with the Corporate Governance Principles,
11. Determining monthly gross salaries of the members of the Board of Directors,
12. Approval of the Independent Auditing Institution selected by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
13. Informing the shareholders about the donations made by the company in 2013 and determining an upper limit for donations to be made in 2014,
14. Authorising the shareholders holding management capacity, the Members of the Board of Directors, top managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2013 as per the Corporate Governance Communiqué of Capital Markets Board,
15. Wishes and opinions.

Esteemed Shareholders,

According to the financial statements for the accounting period 01.01.2013 and 31.12.2013, prepared by our Company within the framework of the Communiqué of the Capital Markets Board (CMB), numbered Series: II-14.1, and in compliance with the International Financial Reporting Standards, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited); a "(Consolidated) Net Profit" of TL 622,695,598.21 has been provided of which TL 597,845,675.11 is net profit belonging to equity holders of the parent. Prepared on basis of the market expectation, long-term corporate strategy, 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, 2014 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 597,845,675.11 has been obtained, the sum of TL 606,257,621.97, which includes the addition of TL 8,411,946.86 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 499,011,760.36, including TL 304,935,503.24 as net profit after tax.

Following decisions have been made: From the consolidated profit calculated in accordance with CMB Regulations,

TL 300,000,000.00		Gross Dividend to be distributed to the shareholders;
TL 26,621,358.97	10%	2 nd group reserves and

on the basis of our legal records;

The distributable cash dividend TL 300,000,000.00 shall be funded from

TL 280,285,585.69	current year profits and
TL 19,714,414.31	contingency reserves,

The 2nd group legal reserve TL 26,621,358.97 shall be funded from

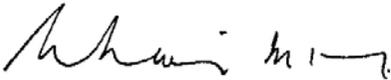
TL 24,649,917.54	current year profits and
TL 1,971,441.43	contingency reserves

- To our shareholders which are full taxpayer institutions or limited taxpayer institutions obtaining dividend through a workplace or permanent representatives in Turkey; dividend to be paid at the rate of 44.4% and TL 0.44396 gross= net cash for shares at the nominal value of TL 1.00 ;
- And gross cash dividend of TL 0.44396 and net cash dividend of TL 0.37737 for shares with a nominal value of TL 1.00 at the rate of 37.7% to be paid to our other shareholders,

and to begin the payment of dividend on April 1, 2014 are submitted to approval of General Assembly,

May 2014 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>Article 3 - PURPOSE AND SUBJECT</p> <p>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, deep-freezers, washing machines, dishwashers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorder s 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.</p> <p>B) Establish marketing, transportation, commitment, warehousing and entrepot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly.</p> <p>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.</p> <p>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.</p> <p>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>Article 3 - PURPOSE AND SUBJECT</p> <p>The Company has been established with the intent of carrying out all commercial and industrial activities related to the establishment and operation of recycling facilities, manufacturing, sales and marketing including also virtual platform, leasing, importing and exporting of refrigerators, deep-freezers, washing machines, dishwashers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, radios, televisions, audio and video recorder s 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.</p> <p>B) Establish marketing, transportation, commitment, warehousing and entrepot organizations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly.</p> <p>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.</p> <p>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. 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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>

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.

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.

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.

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.

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.

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.

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.

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.

N) The Company may establish and/or have established every kind of laboratories and research centers required for R&D activities.

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) 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.

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.

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.

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.

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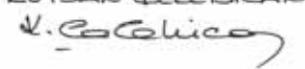
P) The Company may provide energy manager training, may prepare and implement energy study and efficiency increasing projects (VAP), may provide consultancy and energy manager services for buildings.

17th January 2014

Statement of Independency

In accordance with the criteria defined in the regulation, articles of association and the Corporate Governance Communique of the Capital Markets Board (CMB), I hereby declare my candidacy in the category of "independent member" in Arçelik A.Ş. (Corporation) Board of Directors, stating that;

- a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,
- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- ç) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193,
- e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- g) Not to have conducted membership of board of directors more than a term of six years in the last ten years,
- ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- h) Not to be registered and announced as a board member representing a legal entity.

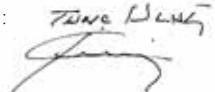
NAME and SURNAME: KUTSAN GELEBİCAN
SIGNATURE: 

17th January 2014

Statement of Independency

In accordance with the criteria defined in the regulation, articles of association and the Corporate Governance Communique of the Capital Markets Board (CMB), I hereby declare my candidacy in the category of "independent member" in Arçelik A.Ş. (Corporation) Board of Directors, stating that;

- a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,
- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- ç) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193,
- e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- g) Not to have conducted membership of board of directors more than a term of six years in the last ten years,
- ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- h) Not to be registered and announced as a board member representing a legal entity.

NAME and SURNAME: Tunc Duman
SIGNATURE: 

17th January 2014

Statement of Independency

In accordance with the criteria defined in the regulation, articles of association and the Corporate Governance Communique of the Capital Markets Board (CMB), I hereby declare my candidacy in the category of "independent member" in Arçelik A.Ş. (Corporation) Board of Directors, stating that;

- a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,
- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- ç) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
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- e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
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- ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
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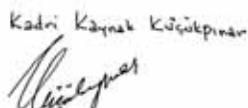
NAME and SURNAME: Mehmet Barınçak
SIGNATURE: 

17th January 2014

Statement of Independency

In accordance with the criteria defined in the regulation, articles of association and the Corporate Governance Communique of the Capital Markets Board (CMB), I hereby declare my candidacy in the category of "independent member" in Arçelik A.Ş. (Corporation) Board of Directors, stating that;

- a) Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree,
- b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- ç) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- d) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193,
- e) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interests between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- f) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- g) Not to have conducted membership of board of directors more than a term of six years in the last ten years,
- ğ) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- h) Not to be registered and announced as a board member representing a legal entity.

NAME and SURNAME: Kadri Karınak Küçükpınar
SIGNATURE: 



DEPENDENT COMPANY REPORT PREPARED WITHIN THE SCOPE OF 199TH ARTICLE OF TURKISH COMMERCIAL CODE

As per the 199th 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 35 numbered financial report footnote.

In February 28, 2014 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 2013 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."



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated statement of financial position of Arçelik A.Ş. ("the Company") and its subsidiaries (hereinafter referred to as "the Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other 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 financial statements

The Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

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 Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Our 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 consolidated financial statements, whether due to error and/or fraud. In making those risk assessment; the Group's internal control system is taken into consideration. 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 Group 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 Group's management, as well as evaluating the overall presentation of the 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 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the date of our auditor's report, POA has not announced the principles of this report yet, accordingly, no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on July 16, 2010 and it comprised of two members. The committee met seven times in 2013 for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of Ernst & Young Global Limited

Ertan Ayhan, SMMM
Partner

February 7, 2014
İstanbul, Turkey

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012

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

	Notes	December 31, 2013	Audited December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	5	1,266,575	1,740,789
Trade receivables			
- Due from related parties	35	27,219	22,586
- Trade receivables, third parties	9	4,154,921	3,238,891
Derivative financial instruments	8	6,651	2,176
Inventories	11	1,988,373	1,599,658
Prepaid expenses	21	46,932	28,235
Current income tax assets	22	34,337	26,318
Other current assets	24	125,274	69,454
Subtotal		7,650,282	6,728,107
Assets held for sale		8,836	8,571
Total current assets		7,659,118	6,736,678
Non-current assets:			
Financial investments	6	539,170	638,741
Trade receivables			
- Trade receivables, third parties	9	27,456	10,969
Associates	12	192,404	182,614
Investment properties	13	6,346	5,099
Property, plant and equipment	14	1,836,789	1,603,403
Intangible assets			
- Goodwill	16	172,706	177,080
- Other intangible assets	15	886,268	787,601
Deferred tax assets	33	90,659	85,968
Total non-current assets		3,751,798	3,491,475
Total assets		11,410,916	10,228,153

The consolidated financial statements as at and for the year ended December 31, 2013 have been approved for issue by the Board of Directors on February 7, 2014 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012

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

	Notes	December 31, 2013	Audited December 31, 2012
LIABILITIES			
Current liabilities:			
Financial Liabilities	7	612,048	785,171
Short term portion of long term financial liabilities	7	1,061,331	1,359,235
Trade payables			
- Due to related parties	35	437,457	173,032
- Trade payables, third parties	9	1,207,443	1,043,098
Derivative instruments	8	14,497	3,680
Employee benefit obligations	23	135,599	88,081
Other payables			
- Due to related parties	35	8,860	7,030
- Other payables, third parties	10	96,526	83,829
Current income tax liabilities	33	19,648	24,008
Provisions			
- Other provisions	19	258,548	224,639
Other current liabilities	24	239,186	149,221
Total current liabilities		4,091,143	3,941,024
Non-current liabilities			
Financial Liabilities	7	2,581,159	1,859,103
Other payables			
- Due to related parties	35	62,427	59,540
Derivative instruments	8	51,180	-
Provisions			
- Provision for employee benefits	20	127,161	120,992
- Other provisions	19	93,707	82,148
Deferred tax liabilities	33	245,515	236,406
Other non-current liabilities		19,868	1,705
Total non-current liabilities		3,181,017	2,359,894
Total liabilities		7,272,160	6,300,918
Equity			
Paid-in capital	25	675,728	675,728
Adjustment to share capital	25	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
- Actuarial gain/loss arising from defined benefit plans		(6,891)	247
Other comprehensive income/loss to be reclassified to profit or loss			
- Financial assets revaluation fund		374,201	468,793
- Non-current assets revaluation fund		70,002	59,023
- Foreign currency hedge of net investments in foreign operations		(210,776)	(56,974)
- Cash flow hedges		421	(557)
- Currency translation differences		308,266	86,790
Contribution to shareholders' equity related to merger	25	14,507	14,507
Restricted reserves	25	248,809	216,687
Retained earnings		1,521,038	1,387,994
Net income for the period		597,845	519,714
Atributable to:			
Equity holders of the parent		4,062,850	3,841,652
Non-controlling interest		75,906	85,583
Total equity		4,138,756	3,927,235
Total liabilities and equity		11,410,916	10,228,153

Commitments, contingent assets and liabilities

18

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

	Notes	2013	Audited Restated 2012
Net sales	26	11,097,711	10,556,861
Cost of sales	26	(7,709,326)	(7,507,505)
Gross profit		3,388,385	3,049,356
General administrative expenses	27	(430,998)	(390,782)
Marketing, selling and distribution expenses	27	(2,013,033)	(1,821,410)
Research and development expenses	27	(83,207)	(73,464)
Other operating income	29	461,614	175,589
Other operating expenses	29	(186,415)	(216,485)
Operating profit		1,136,346	722,804
Income from investment activities	30	11,381	1,973
Expenses from investment activities	30	(2,857)	(1,437)
Income from associates	12	25,345	34,551
Operating income before financial income/(expense)		1,170,215	757,891
Financial income	31	429,376	228,941
Financial expenses	32	854,811	363,772
Profit before tax from continued operations		744,780	623,060
Tax income/expense of continued operations			
- Taxes on income	33	(120,939)	(85,824)
- Deferred tax income/(expense)	33	(1,146)	9,402
Net income from continued operations		622,695	546,638
Attributable to:			
Non-controlling interest		24,850	26,924
Equity holders of the parent		597,845	519,714
Earnings per share (Kr)	34	0.885	0.769

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



CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

	Audited 2013	Restated 2012
Net income for the period	622,695	546,638
Other comprehensive income /(expense):		
Items not to be reclassified to profit or loss in subsequent periods	(7,138)	5,049
Actuarial gain/(loss) arising from defined benefit plans	8,922	6,311
Tax effect other comprehensive income/ (loss) not to be reclassified to profit or loss	1,784	1,262
Items to be reclassified to profit or loss	(481)	69,068
Foreign currency hedge of net investments in foreign operations	(192,253)	159
Share of other comprehensive income of associates	978	(1,708)
Fair value increase/(decrease) on financial assets	(99,571)	147,365
Currency translation differences	246,820	(69,768)
Tax effect of other comprehensive income/ (loss) to be reclassified to profit or loss	43,545	(6,980)
Other comprehensive income / (loss) (net of tax)	(7,619)	74,117
Total comprehensive income	615,076	620,755
Attributable to:		
Non-controlling interest	38,878	24,696
Equity holders of the parent	576,198	596,059

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, 2013 AND 2012

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

	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss		Retained earnings			Non-controlling interest	Total equity	
					Actuarial gain/ losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period			Equity holders of the parent
Balance at December 31, 2012 - previously reported	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	247	-	-	-	-	4,802	(5,049)	-	-	-
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235
Comprehensive income	-	-	-	-	-	-	-	-	-	-	597,845	597,845	24,850	622,695
Net income for the period	-	-	-	-	-	-	-	-	-	-	597,845	597,845	24,850	622,695
Other comprehensive income:	-	-	-	-	-	-	(94,592)	-	-	-	-	(94,592)	-	(94,592)
Fair value increase in financial assets (net)	-	-	-	-	-	-	(94,592)	-	-	-	-	(94,592)	-	(94,592)
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(153,802)	-	-	-	-	-	(153,802)	-	(153,802)
Share of other comprehensive income of associates	-	-	-	-	-	978	-	-	-	-	-	978	-	978
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	115	-	-	-	-	115	-	115
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(7,138)	-	-	-	-	-	-	(7,138)	-	(7,138)
Currency translation differences	-	-	-	-	(7,138)	(152,824)	(83,161)	221,476	-	-	-	232,792	14,028	246,820
Total other comprehensive income	-	-	-	-	(7,138)	(152,824)	(83,161)	221,476	-	-	-	(21,647)	14,028	(7,619)
Total comprehensive income	-	-	-	-	(7,138)	(152,824)	(83,161)	221,476	-	519,714	597,845	576,198	38,878	615,076
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(452)	-	32,122	452	-	(355,000)	(48,555)	(403,555)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of December 31, 2013	675,728	468,811	889	14,507	(6,891)	(210,355)	444,203	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756

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, 2013 AND 2012

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

	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings		Equity holders of the parent	Non-controlling interest	Total equity
					Actuarial gain/losses arising from defined benefit plans	Other comprehensive income / (expense) to be reclassified to profit or loss	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit			
Balance at December 31, 2011 - previously reported	675,728	468,811	889	14,507	-	(55,950)	397,455	145,922	190,066	1,201,659	506,506	3,545,593	106,049	3,651,642
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	(4,802)	-	-	-	-	-	4,802	-	-	-
Balance at January 1, 2012 - as restated	675,728	468,811	889	14,507	(4,802)	(55,950)	397,455	145,922	190,066	1,201,659	511,308	3,545,593	106,049	3,651,642
Comprehensive income	-	-	-	-	-	-	-	-	-	-	519,714	519,714	26,924	546,638
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-	-	139,997	-	-	-	-	139,997	-	139,997
Fair value increase in financial assets (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency hedge of net investments 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
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	-	5,049	-	-	-	-	-	5,049	-	5,049
Currency translation differences	-	-	-	-	-	(8,408)	(59,132)	-	-	-	-	(67,540)	(2,228)	(69,768)
Total other comprehensive income	-	-	-	-	-	5,049	132,009	(59,132)	-	-	-	76,345	(2,228)	74,117
Total comprehensive income	-	-	-	-	-	5,049	132,009	(59,132)	-	-	519,714	596,059	24,696	620,755
Transfers	-	-	-	-	-	-	-	-	511,308	-	(511,308)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(1,648)	-	-	1,648	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	26,621	(326,621)	-	-	(300,000)	(45,162)	(345,162)
As of December 31, 2012 - as restated	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

		Audited	Restated
	Notes	2013	2012
Operating activities:			
Income before tax		622,695	546,638
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes</i>			
Taxes expense	33	122,085	76,422
Depreciation and amortization		302,181	260,788
Changes in provisions	39	125,649	77,692
Interest expenses	32	209,243	187,745
Interest income	31	(35,954)	(25,217)
Income from associates (net)	12	(25,345)	(34,551)
Loss from derivative instruments (net)	31, 32	52,826	(27,234)
Incentive income	29	(34,075)	(42,206)
Dividend income from financial investments	30	(9,559)	-
Gain/(loss) from sales of tangible and intangible assets (net)	30	1,035	(536)
Net cash flow from operating activities before changes in operating assets and liabilities		1,330,781	1,074,009
Changes in operating assets and liabilities (net)			
Trade payables and due to related parties		428,770	48,303
Other non-current liabilities		72,489	(489)
Other current assets and liabilities		(46,673)	(187,748)
Inventories		(409,540)	(73,408)
Trade receivables and due from related parties		(952,414)	(103,314)
Corporate and income taxes paid		(67,456)	(82,433)
Cash flows from operating activities		355,957	674,920
Investing activities:			
Acquisition of tangible and intangible assets		(511,773)	(474,555)
Cash provided from sales of tangible and intangible assets		4,058	3,700
Dividends received	12	22,475	10,809
Cash provided from incentives		27,928	50,345
Dividends received from financial investments	30	9,559	-
Cash flows from investing activities		(447,753)	409,701
Financing activities:			
Proceeds from bank borrowings		1,224,459	2,059,963
Repayment of bank borrowings		(2,045,075)	(1,216,441)
Dividends paid		(403,555)	(345,162)
Interest paid		(195,927)	(184,938)
Interest received		36,617	24,932
Bonds issued		889,269	-
Derivative instruments		(6,120)	(26,478)
Cash flows from financing activities		(500,332)	311,876
Net increase/(decrease) in cash and cash equivalents before currency translation differences		(592,128)	577,095
Currency translation differences (net)		118,577	(10,480)
Net increase/(decrease) in cash and cash equivalents		(473,551)	566,615
Cash and cash equivalents at January 1	5	1,739,277	1,172,662
Cash and cash equivalents at December 31	5	1,265,726	1,739,277

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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 25).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1986. At December 31, 2013, the publicly quoted shares are 25.19% of the total shares.

The average number of personnel employed by categories in the Group in 2013 is 4,049 white - collar (2012: 3,896) and 19,976 (2012: 18,943) blue - collar totaling to 24,025 (2012: 22,839).

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

(*) 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, 2013 AND 2012

(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 Finansman A.Ş. ("Koç Finansman") ⁽¹⁾	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign trade
Tanı Pazarlama İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing and communication

⁽¹⁾ Previously known as Koç Tüketici Finansmanı A.Ş.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2013 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2013 has no impact on the consolidated financial statements of the Group except for TFRS 12 "Disclosures of Interest in Other Entities", amendments in TAS 19 "Employee Benefits", resolution promulgated by POA "2013-1 Illustrative Financial Statement and User Guide" and improvements in IAS 16 "Property, Plant and Equipment". Disclosure requirements of TFRS 12 "Disclosures of Interest in Other Entities" have been presented in Disclosure of Interest in Other Entities note (Note 36), amendments in TAS 19 "Employee Benefits" and improvements in TAS 16 "Property, Plant and Equipment" have been presented in Note 2.3 and the impacts of resolutions of POA "2013-1 Illustrative Financial Statement and User Guide" have been presented in Note 2.1.

Standards issued but not yet effective and not early adopted

Standards, revisions and interpretations in issue but not effective and yet adopted on consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

TAS 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.

TFRS 9 "Financial Instruments – Classification and measurement"

The new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of TFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment will not have any impact on the financial position or performance of the Group.

International Financial Reporting Interpretation Committee ("IFRIC") Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. This amendment only affects disclosures and will not have any impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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

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

Improvements to IFRSs

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

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

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

IFRS 13 Fair Value Measurement

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

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

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

IAS 24 Related Party Disclosures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

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

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

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "Illustrative financial statement and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Illustrative Financial Statement and User Guide

The POA promulgated "illustrative financial statement and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group made reclassifications stated in Note 2.3 in order to comply with the requirements of this regulation

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions did not have an impact on the financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Group.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

- (a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.
- (b) Subsidiaries are the Companies controlled by Arçelik when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- (c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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, 2013 and 2012 (%) and their functional currencies:

	Functional currency	December 31, 2013		December 31, 2012	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96.71	96.71	96.71	96.71
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/New Zealand Dollar	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Czech	Czech Koruna	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Hong Kong (1)	Hong Kong Dollar	100.00	100.00	-	-
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko UK (2)	British Pound/Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland (3)	Swiss Franc	100.00	100.00	-	-
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Arctic Pro	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Magyarorszag K.F.T. (4)	-	-	-	100.00	100.00
Beko Hungary	-	100.00	100.00	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron	-	100.00	100.00	100.00	100.00
Defy Ocean	-	100.00	100.00	100.00	100.00
Defy Swaziland (5)	-	100.00	100.00	-	-
Grundig Czech Republic	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

Ceased operations as of balance sheet date:

Archin	-	100.00	100.00	100.00	100.00
Arctic Pro	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Magyarorszag K.F.T. (4)	-	-	-	100.00	100.00
Beko Hungary	-	100.00	100.00	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron	-	100.00	100.00	100.00	100.00
Defy Ocean	-	100.00	100.00	100.00	100.00
Defy Swaziland (5)	-	100.00	100.00	-	-
Grundig Czech Republic	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00
Raupach	-	100.00	100.00	100.00	100.00

(1) Established in 2013.

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

(3) Continuing the operations as an individual entity since 2013. Subsidiary was previously performing as a branch of Grundig Multimedia.

(4) Dissolved in 2013.

(5) Founded as an individual entity in year 2013. Subsidiary was previously performing as a branch of Defy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

Consolidation principles (Continued)

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. 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, 2013 and 2012 (%)

	2013	2012
Arçelik - LG	45.00	45.00
Koç Finansman	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

- (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 statements of financial position and consolidated statements of profit or loss.

Going concern

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

Offsetting

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after March 31, 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes were made at the Group's consolidated financial statements. The reclassifications made at the Group's consolidated statement of financial position as at December 31, 2012 are as follows:

- Prepaid expenses amounting TRY 28,235 including TRY 6,255 inventory and fixed asset advances which were disclosed under other current assets in previous periods are disclosed separately
- Current income tax assets amounting TRY 26,318 which were disclosed under other current assets in previous periods are disclosed separately
- Short term portion of long term financial liabilities amounting TRY 1,359,235 which were disclosed under short term financial liabilities in previous periods are disclosed separately
- Employee benefit obligations amounting TRY 88,081, which includes payables to personnel amounting TRY 81,155 previously disclosed under other payables and accruals for bonuses and premiums amounting TRY 6,926 previously disclosed under other current liabilities, are disclosed in a separate line.
- Other payables due to related parties amounting TRY 7,030 which are disclosed under financial liabilities due to related parties in previous periods are disclosed separately
- Employment termination benefits amounting TRY 112,254, which was disclosed separately in previous periods are reclassified to long term provisions for employee benefits under long term provisions.
- Provisions amounting TRY 82,148 which were disclosed under provisions in previous periods are disclosed under other long term provisions.
- Accruals for sales and marketing expenses, accruals for license fee expenses and accruals for advertising expenses amounting TRY 17,165, TRY 22,121 and TRY 8,070 respectively which were disclosed under other current liabilities in previous periods are disclosed under trade payables due to third parties.

The reclassifications made at the Group's statement of profit or loss for the period ended December 31, 2012 are as follows:

- Income from sales of property, plant and equipment amounting TRY 1,973 which were disclosed under other operating income in previous periods are reclassified to income from investment activities
- Loss from sales of property, plant and equipment amounting TRY 1,437 which were disclosed under other operating expense in previous periods are reclassified to expenses from investment activities
- Foreign exchange gains from trading activities amounting TRY 88,030 and credit finance income amounting TRY 19,827 which were disclosed under financial income in previous periods are reclassified to other operating income
- Foreign exchange losses from trading activities amounting TRY 131,182 and credit finance charges amounting TRY 4,160 which were disclosed under financial expenses in previous periods are reclassified to other operating expenses.

The reclassifications made at the Group's December 31, 2012 statement of cash flows are as follows:

- Reclassifications are made at the statement of cash flows between cash flows from operating activities, investing activities and cash flow from financing activities retrospectively. For the period ended December 31, 2012; cash inflow from incentives amounting TRY 42,206 are disclosed under cash flow from investing activities and cash outflow arising from derivative amounting TRY 27,234 are disclosed under cash flows from financing activities. These reclassifications are presented under adjustments to reconcile net cash provided from operating activities to income before taxes.
- For the period ended December 31, 2012, the Group has reclassified selling and marketing expenses accruals amounting to TRY 5,931; accruals for licenses amounting to TRY 3,000 and accrual for advertisement expenses amounting to TRY 1,905 are reclassified to trade payables and due to related parties from changes in provisions in its consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Changes in accounting policies and restatement of previous periods' financial statements

TAS 19, Employee Benefits, effective from January 1, 2013, requires the recognition of actuarial gain / loss related to the employment termination benefits in the statement of other comprehensive income. The standard also makes the distinction of current and non-current employee benefits based on expected timing of settlement rather than employee entitlement.

Until December 31, 2012, the Group accounted actuarial gain/losses arising from provisions for employment termination benefits in the statement of profit or loss. The group applied the change in accounting policy retrospectively and actuarial gain/losses reported in previous periods' consolidated profit or loss statements were restated in actuarial gain and losses arising from defined benefit plans under shareholders' equity. In addition, in accordance with the change in disclosure of current-non current employee benefits, provision for vacation pay liability which was previously reported in current provisions are reclassified under non-current provisions retrospectively.

- Actuarial gain and losses arising from defined benefit plans which were reported under cost of sales amounting TRY 4,481, under research and development expenses amounting TRY 466, under marketing, selling and distribution expenses amounting TRY 510, under general and administrative expenses amounting TRY 854 and under deferred tax effect amounting TRY 1,262 in consolidated profit or loss statements for the period ended December 31, 2012 are reclassified to statement of other comprehensive income.
- Actuarial losses amounting TRY 5,049 which were reported under profit before tax in consolidated statement of cash flows for the period ended December 31, 2012 are reclassified to change in provisions line with the content of provision for employment termination benefits.
- Actuarial gain amounting TRY 5,049 and actuarial losses amounting TRY 4,802 netted off deferred tax (net effect is TRY 247) which were disclosed under shareholders' equity in net income for the period in the statements of financial position as of December 31, 2012 are reclassified to actuarial gain/ loss arising from defined benefit plans line under shareholders' equity.
- Provision for vacation pay liability of the Group amounting to TRY 8,738 which were previously reported in short - term provisions in the statements of financial position as of December 31, 2012 is reclassified to provision for employee benefits under long - term provisions group.
- Change in provision of vacation pay liability of the Group amounting to TRY 2,042 which were previously reported under other assets and liabilities in the consolidated statements of cash flows as of December 31, 2012 is reclassified to changes in provisions.

In accordance with the annual TFRS improvement about the requirement of reclassification of spare parts and servicing equipment which is effective for annual periods beginning on or after 1 January 2013, the Group has reclassified spare parts and servicing equipment amounting to TRY 11,015 which met the definition of property, plant and equipment and were previously reported in inventory (Note 14).

2.4 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 35).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

Trade receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income (Note 29).

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, labor 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 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 statement of financial position.

(b) Available-for-sale financial assets

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

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

Derivative instruments are initially recognized at the transaction cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are recognized in the consolidated statement of profit or loss, except for the effective portion of cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

Derivative instruments held for trading

The Group uses derivatives such as forward contracts and 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 instruments held for trading in the consolidated financial statements. Any gains or losses arising from changes in fair value on these derivatives are recognized in the consolidated statements of profit or loss.

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 statements of profit or loss and classified as income or expense in the period in which the hedged item affects the statements of profit or loss.

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 statements of profit or loss. 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 consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 37).

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, 2013 AND 2012

(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	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

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

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

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of profit or loss 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 amortization 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 capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

c) Computer software and rights

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

d) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (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 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, 2013 AND 2012

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

Operational leases

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

(2) *The Group as the lessor*

Operational leases

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

Financial liabilities

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs (Note 15).

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 33).

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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

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

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

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

- the parent 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 amortized cost using the effective interest method.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 20).

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 profit or loss, 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 statements of profit or loss 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 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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 labor and material costs of authorized services' for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 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 statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(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.

2.5 Critical accounting estimates, judgments, and assumptions

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.4, 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).

Waste Electrical and Electronic Equipment Control

The principal environmental protection regulation specific to domestic appliances market, the Group complies with, is the European Union WEEE ("Waste Electrical and Electronic Equipment") Directive, which makes manufacturers responsible at a European level for the financing of treatment, recovery and disposal of waste electrical and electronic products. Under this framework, countries have their own legal regulations in line with the Directive cited above, and responsibilities of the producers are implemented accordingly. In these European Union countries where the Group operates, the Group meets its responsibilities for financing and organizing the handling of waste electrical and electronic appliances through national compliance schemes. In Turkey, the implementation of the regulation is not yet in practice. The Group concluded that WEEE regulation in Turkey will not have a significant impact on the financial statements of the Group as of December 31, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 3 - BUSINESS COMBINATIONS

None (December 31, 2012: None)

NOTE 4 - SEGMENT REPORTING

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2013 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	7,818,195	1,606,998	1,672,518	11,097,711
Gross profit	2,564,162	346,322	477,901	3,388,385
Depreciation and amortization	248,102	49,265	10,808	308,175
Capital expenditures	451,365	58,288	11,980	521,633
Income from associates (net)	-	-	25,345	25,345

b) 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	2,262,253	346,448	440,655	3,049,356
Depreciation and amortization	210,612	46,169	9,939	266,720
Capital expenditures	424,892	46,396	9,199	480,487
Income from associates (net)	-	-	34,551	34,551

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

	Turkey	Europe	Africa	Other	Total
2013					
Total segment revenue	4,617,088	4,381,200	978,641	1,120,782	11,097,711
Income from associates (net)	25,345	-	-	-	25,345
2012					
Total segment revenue	4,453,607	4,100,719	925,862	1,076,673	10,556,861
Income from associates (net)	34,551	-	-	-	34,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash in hand	315	304
Cash at banks		
- demand deposits	125,062	98,558
- time deposits	1,067,005	1,578,386
Cheques and notes	69,075	58,500
Other	4,269	3,529
Cash and cash equivalents in cash flow statement	1,265,726	1,739,277
Interest income accruals	849	1,512
	1,266,575	1,740,789

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

	December 31, 2013	December 31, 2012
Up to 30 days	1,262,977	1,362,729
30-90 days	3,598	378,060
	1,266,575	1,740,789

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2013		December 31, 2012	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	537,682	3.98	637,253
Other		1,488		1,488
		539,170		638,741

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

	2013	2012
As of January 1	638,741	491,376
Fair value gains/(losses)	(99,571)	147,365
As of December 31	539,170	638,741

The unrealized loss (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 94,592 (December 31, 2012: unrealized gain amounting to TRY 139,997) net of deferred tax effect amounting to TRY 4,979 (December 31, 2012: TRY 7,368) have been recognized in consolidated shareholders' equity under the "revaluation funds" in the year ended at December 31, 2013.

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 Borsa İstanbul, 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 16.3 % (2012: 12.9%) has been taken into consideration. Average of maximum and minimum values calculated with these methods cited above are recorded as fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2013	December 31, 2012
Short-term bank borrowings	611,625	785,039
Other	423	132
Total short-term financial liabilities	612,048	785,171
Short term portion of long term borrowings and interest accruals	1,048,288	1,359,235
Interest accruals of long-term bond issued (*)	13,043	-
Total short-term portion of long-term financial liabilities	1,061,331	1,359,235

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

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

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

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	12,175,451	12,175
EUR	1.1	240,788,355	566,262
USD	1.1	73,639,937	131,271
RUB	8.6	1,027,529,633	59,679
CNY	5.6	55,102,667	15,632
RON	7.8	38,968	20
			785,039

b) Long-term financial liabilities

	December 31, 2013	December 31, 2012
Long-term bank borrowings	1,526,555	1,858,992
Long-term bond issued	1,054,461	-
Other	143	111
	2,581,159	1,859,103

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2012, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	7.9	1,061,403,013	1,061,403
EUR	2.5	652,765,392	1,535,109
USD	2.5	177,442,071	316,309
GBP	2.6	50,172,417	144,035
ZAR	6.7	684,001,830	143,947
RUB	8.1	300,000,000	17,424
			3,218,227
Less: Short-term portion and interest accruals			(1,359,235)
			1,858,992

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

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

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

	December 31, 2013	December 31, 2012
2014	-	743,590
2015	1,148,071	812,294
2016	123,986	99,294
2017	123,986	99,294
2018	65,256	52,260
2019	65,256	52,260
2023	1,054,461	-
	2,581,016	1,858,992

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

Up to 6 months	2,892,754	3,514,922
6 - 12 months	-	176,840
1-5 years	293,714	259,244
Over 5 years	1,067,504	52,260
	4,253,972	4,003,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

	December 31, 2013		December 31, 2012	
	Contract amount	Fair value Assets /(Liabilities)	Contract amount	Fair value Assets /(Liabilities)
<i>Held for trading:</i>				
<i>Short-term derivative instruments</i>				
Forward transactions	1,233,804	817 (8,822)	436,522	325 (2,415)
Foreign currency swap contracts	857,585	5,834 (5,675)	553,781	1,851 (1,265)
	2,091,389	6,651 (14,497)	990,303	2,176 (3,680)
<i>Long-term derivative instruments</i>				
Cross-currency fixed interest rate swap (*)	1,583,318	- (51,180)	-	-

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2013	December 31, 2012
<i>Short-term trade receivables:</i>		
Trade receivables	2,404,779	1,906,489
Notes receivables	1,651,986	1,248,940
Cheques receivables	227,891	193,523
Short-term trade receivables (gross)	4,284,656	3,348,952
Less: Provision for doubtful receivables	(113,281)	(93,229)
Less: Unearned credit finance income	(16,454)	(16,832)
Short-term trade receivables (net)	4,154,921	3,238,891

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

	2013	2012
As of January 1	93,229	93,579
Current year additions (Note 29)	15,264	27,756
Provisions no longer required (Note 29)	(1,369)	(2,700)
Write-offs (*)	(2,674)	(23,699)
Currency translation differences	8,831	(1,707)
As of December 31	113,281	93,229

(*) 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, 2013	December 31, 2012
<i>Long-term trade receivables</i>		
Trade receivables	27,456	10,969
<i>Short-term trade payables</i>		
Trade payables	1,165,156	1,001,156
Debt accruals	51,536	47,356
Unearned credit finance charges	(9,249)	(5,414)
	1,207,443	1,043,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 10 - OTHER PAYABLES

	December 31, 2013	December 31, 2012
Taxes and duties payable	82,444	67,053
Deposits and guarantees received	4,811	9,876
Dividend payables to shareholders	4,370	3,832
Other	4,901	3,068
	96,526	83,829

NOTE 11 - INVENTORIES

	December 31, 2013	December 31, 2012
Raw materials and supplies	899,869	807,397
Work in progress	60,299	61,216
Finished goods	792,747	648,538
Trade goods	295,645	142,292
Inventories (gross)	2,048,560	1,659,443
Less: Provision for impairment on inventories	(60,187)	(59,785)
Inventories (net)	1,988,373	1,599,658

There are no inventories pledged as security for liabilities (December 31, 2012: None).

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

Raw materials and supplies	49,778	51,939
Finished goods	7,560	5,034
Trade goods	2,849	2,812
	60,187	59,785

The movements of provision for impairment on inventories for the years ended December 31, are as follows:

	2013	2012
As of January 1	59,785	63,311
Current year additions (Note 29)	3,868	3,891
Realized due to sales of inventory	(4,670)	(6,861)
Currency translation differences	1,204	(556)
As of December 31	60,187	59,785

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

NOTE 12 - ASSOCIATES

	December 31, 2013		December 31, 2012	
	%	TRY	%	TRY
Koç Finansman	47.0	82,015	47.0	80,119
Arçelik - LG	45.0	94,202	45.0	80,625
Ram Dış Ticaret	33.5	9,654	33.5	15,478
Tanı Pazarlama	32.0	6,533	32.0	6,392
		192,404		182,614

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

	2013	2012
As of January 1	182,614	160,580
Share of income/(loss)	25,345	34,551
Share of other comprehensive income/(expense)	978	(1,708)
Gross profit elimination of inventory	5,942	-
Dividends received	(22,475)	(10,809)
As of December 31	192,404	182,614

Share of income/(loss) of associates

	2013	2012
Koç Finansman	15,018	16,942
Arçelik - LG	7,635	13,329
Ram Dış Ticaret	2,551	3,859
Tanı Pazarlama	141	421
	25,345	34,551

Aggregated summary figures of the financial statements of associates

	December 31, 2013	December 31, 2012
Total assets	2,574,343	2,111,607
Total liabilities	2,141,268	1,692,604
Net sales	1,802,444	1,791,362
Net profit/(loss) for the year	70,180	78,502

NOTE 13 - INVESTMENT PROPERTIES

	2013	2012
As of January 1		
Cost	12,268	13,754
Accumulated depreciation	(7,169)	(7,313)
Net book value	5,099	6,441
Net book value at the beginning of the year	5,099	6,441
Currency translation differences	1,404	(258)
Current year depreciation	(157)	(143)
Impairment provision	-	(941)
Net book value at the end of the year	6,346	5,099
As of December 31		
Cost	15,651	12,268
Accumulated depreciation	(9,305)	(7,169)
Net book value	6,346	5,099

As of December 31, 2013, the carrying value of investment property represents its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2013	Additions	Disposals	Transfers	Currency translation differences	December 31, 2013
Cost						
Land	14,940	372	(372)	-	996	15,936
Land improvements	33,482	1,410	-	-	-	34,892
Buildings	563,465	20,439	(1,903)	11,261	31,568	624,830
Machinery, equipment and moulds	2,993,114	167,005	(59,617)	158,441	70,665	3,329,608
Motor vehicles and fixtures	321,234	22,801	(10,597)	30,802	6,860	371,100
Leasehold improvements	41,680	2,179	(4,271)	106	1,136	40,830
Construction in progress	49,841	183,738	-	(189,595)	5,056	49,040
	4,017,756	397,944	(76,760)	11,015	116,281	4,466,236
Accumulated depreciation						
Land improvements	(19,437)	(1,539)	-	-	-	(20,976)
Buildings	(187,768)	(12,742)	575	-	(7,863)	(207,798)
Machinery, equipment and moulds	(1,960,851)	(185,741)	56,786	-	(38,254)	(2,128,060)
Motor vehicles and fixtures	(209,582)	(33,877)	10,035	-	(3,741)	(237,165)
Leasehold improvements	(36,715)	(2,182)	4,271	-	(822)	(35,448)
	(2,414,353)	(236,081)	71,667	-	(50,680)	(2,629,447)
Net book value	1,603,403					1,836,789

There is no mortgage on property, plant and equipment as of December 31, 2013 (December 31, 2012: None).

	January 1, 2012	Additions	Disposals	Transfers	Currency translation differences	December 31, 2012
Cost						
Land	15,040	304	(304)	127	(227)	14,940
Land improvements	32,904	568	-	10	-	33,482
Buildings	561,327	8,247	(844)	917	(6,182)	563,465
Machinery, equipment and moulds	2,804,867	186,482	(77,086)	92,559	(13,708)	2,993,114
Motor vehicles and fixtures	273,069	28,576	(5,182)	26,692	(1,921)	321,234
Leasehold improvements	40,490	1,338	(79)	35	(104)	41,680
Construction in progress	15,966	156,724	(7)	(120,340)	(2,502)	49,841
	3,743,663	382,239	(83,502)	-	(24,644)	4,017,756
Accumulated depreciation						
Land improvements	(17,918)	(1,519)	-	-	-	(19,437)
Buildings	(177,153)	(12,067)	46	-	1,406	(187,768)
Machinery, equipment and moulds	(1,880,524)	(162,365)	75,439	-	6,599	(1,960,851)
Motor vehicles and fixtures	(186,504)	(28,644)	4,855	-	711	(209,582)
Leasehold improvements	(34,723)	(2,063)	21	-	50	(36,715)
	(2,296,822)	(206,658)	80,361	-	8,766	(2,414,353)
Net book value	1,446,841					1,603,403



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 15 - INTANGIBLE ASSETS

	January 1, 2013	Additions	Disposals	Currency translation differences	December 31, 2013
Cost					
Brands	515,307	-	-	46,291	561,598
Development costs	386,832	103,872	-	-	490,704
Computer software and rights	104,091	19,817	(1,016)	3,130	126,022
Trademark licenses and patents	16,890	-	-	4,181	21,071
	1,023,120	123,689	(1,016)	53,602	1,199,395
Accumulated amortization					
Development costs	(144,970)	(60,497)	-	-	(205,467)
Computer software and rights	(74,577)	(10,536)	1,016	(2,566)	(86,663)
Trademark licenses and patents	(15,972)	(904)	-	(4,121)	(20,997)
	(235,519)	(71,937)	1,016	(6,687)	(313,127)
Net book value	787,601				886,268

As of December 31, 2013 total amount of borrowing costs capitalized is TRY 3,868 (December 31, 2012: None)

	January 1, 2012	Additions	Disposals	Currency translation differences	December 31, 2012
Cost					
Brands	548,450	-	-	(33,143)	515,307
Development costs	295,917	90,915	-	-	386,832
Computer software and rights	98,140	7,333	(930)	(452)	104,091
Trademark licenses and patents	17,620	-	(69)	(661)	16,890
	960,127	98,248	(999)	(34,256)	1,023,120
Accumulated amortization					
Development costs	(97,034)	(47,936)	-	-	(144,970)
Computer software and rights	(66,825)	(8,688)	907	29	(74,577)
Trademark licenses and patents	(13,174)	(3,295)	69	428	(15,972)
	(177,033)	(59,919)	976	457	(235,519)
Net book value	783,094				787,601

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

	December 31, 2013	December 31, 2012
Grundig (*)	252,467	202,393
Defy (*)	212,829	219,332
Beko	81,040	81,040
Other brands (*)	15,262	12,542
	561,598	515,307

(*) Values of brands in their original currencies are same as of December 31, 2013 and 2012 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, 2013. 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 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 9.2% to 10.9% discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 16 – GOODWILL

	2013	2012
As of January 1	177,080	196,167
Currency translation differences	(4,374)	(19,087)
As of December 31	172,706	177,080

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, 2013, Goodwill over Defy acquisition and other acquisitions are TRY 166,154 (December 31, 2012: TRY 171,160) and TRY 6,552 (December 31, 2012: TRY 5,920) 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, 2013:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2014 and December 31, 2018.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 9% - 10.9% 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 175% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

In original assumption, five year compound average growth rate of EBITDA is 30%. Had the compound average growth rate been assumed to be 17%, the recoverable amount would have been calculated as 8.2% above the goodwill included book value of cash generating unit and resulting no impairment provision.

Long term growth rate

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 0%, the recoverable amount would have been 101% 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 9.2%. Had the rate been assumed to be 11.2%, the recoverable amount would have been 103% 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, 2013 AND 2012

(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, 2013 are as follows:

- Research and development incentive premiums taken or certain to be taken amounts to TRY 4,101 (2012: TRY 1,985),
- Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 28,004 (2012: TRY 35,906),
- Other incentives TRY 288 (2012: TRY 274).

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2013, within inward processing permission certificate, export commitments from Turkey under the scope of export incentives amounts to USD 341,723,301 (December 31, 2012: 743,192,570 USD). In case the related tax benefit is not used, it is possible to dissolve the export commitment without sanction.

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

	December 31, 2013	December 31, 2012
Up to 1 year	20,014	14,147
1-5 years	43,036	27,211
Over 5 years	16,001	15,202
Operating lease commitments	79,051	56,560

Derivative instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2013 and December 31, 2012 are as follows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

December 31, 2012	Foreign exchange purchase commitments	Foreign exchange sales commitments
TRY	24,519	50,965
USD	320,581	17,241
EUR	104,514	37,983
AUD	657	18,477
ZAR	-	41,535
GBP	-	196,650
SEK	5,088	21,775
PLN	8,336	23,174
RON	23,371	-
RUB	8,317	87,120
	495,383	494,920

	December 31, 2013	December 31, 2012
Collaterals obtained	2,536,469	2,205,854

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2013 and 2012 are as follows:

CPM's given by the company	December 31, 2013	December 31, 2012
A. CPM's given on behalf of own corporate entities	611,665	323,043
B. CPM's given on behalf of fully consolidated subsidiaries	37,678	31,195
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	649,343	354,238

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2013 and 2012:

CPM's given	December 31, 2013	December 31, 2012
USD	577,306	311,784
TRY	51,639	26,059
EUR	15,002	12,714
Other	5,396	3,681
	649,343	354,238

NOTE 19 - PROVISIONS

	December 31, 2013	December 31, 2012
Short-term provisions:		
Warranty provision	147,835	136,967
Assembly provision	53,712	39,300
Provision for transportation cost	9,748	9,686
Provision for returns	9,423	7,461
Provision for lawsuit risks	6,653	6,284
Other	31,177	24,941
	258,548	224,639
Long-term provisions:		
Warranty provision	93,256	80,311
Other	451	1,837
	93,707	82,148



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 19 - PROVISIONS (Continued)

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

2013	Warranty provision	Assembly provision
As of January 1	217,278	39,300
Additions	261,967	212,898
Disposals	(261,648)	(198,486)
Currency translation differences	23,494	-
As of December 31	241,091	53,712
2012	Warranty provision	Assembly provision
As of January 1	208,757	44,605
Additions	236,029	197,897
Disposals	(224,187)	(203,202)
Currency translation differences	(3,321)	-
As of December 31	217,278	39,300

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

	31 Aralık 2013	31 Aralık 2012
Provision for employment termination benefits	117,328	112,254
Provision for vacation pay liability	9,833	8,738
	127,161	120,992

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 3,254.44 (December 31, 2012: full TRY 3,033.98) for each period of service at December 31, 2013.

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

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

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

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

	2013	2012
Net discount rate (%)	4.78	3.86
Turnover rate related the probability of retirement (%)	96	96

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 3,438.22 (January 1, 2013: full TRY 3,129.25) which is effective from January 1, 2014 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, 2013 AND 2012

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

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

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

	2013	2012
As of January 1	112,254	106,782
Interest expense	7,964	4,937
Actuarial (gains)/losses	8,922	(6,311)
Service cost	8,872	30,592
Payments during the year	(20,962)	(23,506)
Currency translation differences	278	(240)
As of December 31	117,328	112,254

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:

	2013	2012
Turkey	115,749	110,470
Non - Turkey	1,579	1,784
	117,328	112,254

NOTE 21 - PREPAID EXPENSES

	December 31, 2013	December 31, 2012
Prepaid expenses	31,299	21,980
Advances given for fixed assets	14,640	3,429
Advances given for inventories	993	2,826
	46,932	28,235

NOTE 22 - CURRENT INCOME TAX ASSETS

	December 31, 2013	December 31, 2012
Prepaid taxes and funds	34,337	26,318

NOTE 23 - EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2013	December 31, 2012
Payables to personnel	72,108	55,331
Social security liabilities	56,322	25,824
Accruals for bonuses and premiums	7,169	6,926
	135,599	88,081

NOTE 24 - OTHER ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Other current assets:		
Taxes and funds deductible	92,616	39,597
Value added tax and private consumption tax receivables	18,586	12,210
Income accruals	4,681	8,489
Other	9,391	9,158
	125,274	69,454
Other current liabilities		
Accruals for customer premiums	212,085	145,459
Advances received	24,558	617
Other	2,543	3,145
	239,186	149,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 25 - 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, 2013	December 31, 2012
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.

The shareholding structure of the Company is as follows:

	December 31, 2013		December 31, 2012	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S. Arsel	2.72	18,397	2.72	18,397
Suna Kırac	2.60	17,542	2.60	17,542
Rahmi M. Koç	2.44	16,474	2.44	16,474
Mustafa V. Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

Contribution to shareholders' equity related to the merger

It is related to merger with Grundig Elektronik A.Ş. dated June 30, 2009.

Restricted reserves

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 25 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	December 31, 2013	December 31, 2012
General legal reserves	83,690	83,690
Other legal reserves	165,119	132,997
	248,809	216,687

As agreed in the ordinary general meeting dated March 28, 2013, the decision to pay dividend as cash has been taken and the payment was made in April 2013 (previous year in April 2012). The dividend details are as follows: 52.5% (2012: 44.4%) corresponding to gross TRY 0.52536 (full) (2012: TRY 0.44397 (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; 45.6% (2012: 40.1%) corresponding to gross TRY 0.52536 (full) (2012: TRY 0.44397 (full)) and net TRY 0.45612 (full) (2012: TRY 0.40056 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

Retained earnings

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

Dividend distribution

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

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

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

Total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 474,265 (December 31, 2012: 581,179 TRY).

NOTE 26 - SALES AND COST OF SALES

	2013	2012
Domestic sales	4,908,672	4,628,429
Foreign sales	7,286,525	6,788,210
Gross sales	12,195,197	11,416,639
Less: Discounts	(1,097,486)	(859,778)
Net sales	11,097,711	10,556,861
Cost of sales	(7,709,326)	(7,507,505)
Gross profit	3,388,385	3,049,356



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 27 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2013	2012
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	608,354	530,989
Warranty and assembly expenses	474,865	433,926
Advertising and promotion expenses	336,647	328,454
Personnel expenses	306,193	271,534
License expenses	38,445	42,828
Depreciation and amortization expenses	22,781	17,694
Energy expenses	6,896	6,510
Other	218,852	189,475
	2,013,033	1,821,410
General administrative expenses:		
Personnel expenses	213,486	189,588
Insurance expenses	32,619	30,048
Depreciation and amortization expenses	26,602	26,162
Information technology expenses	26,278	26,738
Legal consultancy and audit expenses	23,308	22,485
Rent expenses	15,180	12,039
Duties, taxes and levies	13,774	6,136
Donations	8,761	7,177
Energy expenses	4,936	4,798
Repair and maintenance expense	3,599	4,419
Other	62,455	61,192
	430,998	390,782
Research and development expenses (*) :		
Depreciation and amortization expenses	61,326	54,170
Personnel expenses	14,154	12,007
Other	7,727	7,287
	83,207	73,464

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 122,714 in 2013 (2012: TRY 115,976).

NOTE 28 - EXPENSES BY NATURE

	2013	2012
Raw materials, supplies and trade goods	6,957,787	6,633,810
Changes in finished goods, work in process and trade goods	(296,645)	(42,379)
Personnel expenses	1,136,086	1,001,498
Transportation, distribution and storage expenses	664,703	582,910
Warranty and assembly expenses	474,865	433,926
Advertising and promotion expenses	336,647	328,454
Depreciation and amortization expenses	302,181	260,788
Energy expenses	96,760	90,202
Repair and maintenance expenses	65,692	61,693
License expenses	38,445	42,828
Provision expense for doubtful receivables	15,264	27,756
Product recall expenses	19,194	14,734
Foreign exchange loss arising from trading activities	95,979	131,182
Credit finance loss arising from trading activities	753	4,160
Other	515,268	438,084
	10,422,979	10,009,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 29 - OTHER OPERATING INCOME AND EXPENSES

	2013	2012
Other operating income:		
Foreign exchange gains arising from trading activities	345,562	88,030
Income from claims and grants	34,075	42,206
Credit finance income arising from trading activities	33,249	19,827
Reversals of provisions	19,293	4,107
Reversal of provisions for doubtful receivables	1,369	2,700
Insurance income	1,212	842
Other	26,854	17,877
	461,614	175,589
Other operating expenses:		
Foreign exchange losses arising from trading activities	(95,979)	(131,182)
Provision expense for doubtful receivables	(15,264)	(27,756)
Provision expense for impairment on inventories	(3,868)	(3,891)
Credit finance charges arising from trading activities	(753)	(4,160)
Product recall expenses	(19,194)	(14,734)
Other	(51,357)	(34,762)
	(186,415)	(216,485)

NOTE 30 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2013	2012
Income from investment activities:		
Dividends received from financial investments	9,559	-
Income from sales of property plant and equipment	1,822	1,973
	11,381	1,973
Expenses from investment activities:		
Loss from sales of property plant and equipment	(2,857)	(1,437)
	(2,857)	(1,437)

NOTE 31- FINANCIAL INCOME

	2013	2012
Foreign exchange gains (*)	333,918	174,925
Gains on derivative instruments	59,434	28,682
Interest income	35,954	25,217
Other	70	117
	429,376	228,941

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 32 - FINANCIAL EXPENSES

	2013	2012
Foreign exchange losses (*)	(509,721)	(95,078)
Interest expenses	(209,243)	(187,745)
Losses on derivative instruments	(112,260)	(55,916)
Cash discounts expenses	(13,820)	(14,270)
Other	(9,767)	(10,763)
	(854,811)	(363,772)

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

NOTE 33 - TAX ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Corporation and income taxes	82,107	86,591
Less: prepaid tax	(62,459)	(62,583)
Tax liabilities (net)	19,648	24,008
Deferred tax assets	90,659	85,968
Deferred tax liabilities	(245,515)	(236,406)
Deferred tax liabilities, (net)	(154,856)	(150,438)

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, 2012: 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.

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

	2013	2012
Tax expenses		
- Current period tax expense	(120,939)	(85,824)
- Deferred tax expense	(1,146)	9,402
Tax expenses (net)	(122,085)	(76,422)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Property, plant and equipment and intangible assets	1,362,408	1,213,884	(289,422)	(261,202)
Available-for-sale investments	393,896	493,467	(19,694)	(24,672)
Unearned credit finance income/expense (net)	58,473	27,427	(11,695)	(5,485)
Unused tax credits	(255,047)	(276,205)	53,051	57,116
Provision for warranty and assembly expense	(194,471)	(163,698)	40,659	33,066
Provision for employment termination benefits	(116,017)	(110,790)	23,225	22,184
Derivative instruments	(63,199)	(1,504)	12,604	201
Provision for impairment on inventories	(49,761)	(51,695)	10,017	10,417
Provision for doubtful receivables	(17,228)	(12,976)	3,426	2,514
Accrual for licenses	(6,008)	(1,815)	1,202	363
Other	(87,992)	(63,717)	21,771	15,060
Deferred tax liabilities (net)			(154,856)	(150,438)

	2013	2012
Balance as of January 1	(150,438)	(162,755)
Tax expense recognized in statement of profit or loss	(1,146)	9,402
Tax recognized directly in the shareholders' equity	6,878	(8,210)
Currency translation differences	(10,150)	11,125
Balance as of December 31	(154,856)	(150,438)

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 315,834. Maturity analysis of this amount is as follows:

	December 31, 2013
2014	14,020
2015	13,264
2016	14,329
2017	21,418
2018 and after	252,803
	315,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

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, 2013, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 617,721 (December 31, 2012: TRY 433,533).

Reconciliation between tax expenses for the years ended December 31, 2013 and 2012 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2013	2012
Profit before tax	743,921	623,060
Tax expense calculated using 20% local tax rate	(148,784)	(124,612)
Exemptions	31,206	29,949
Effect of unused tax losses for which no deferred tax asset was recognized	(4,070)	(5,209)
Expenses not deductible for tax purposes	(9,664)	(15,694)
Impact of different tax rates in other countries	(6,513)	(5,195)
Adjustments with no tax effects	13,594	17,490
Utilization of previously unrecognized tax losses	2,491	24,479
Other	(345)	2,370
Taxation expense recognized in statement of profit or loss	(122,085)	(76,422)
Effective tax rate	16.4%	12.3%

NOTE 34 - EARNINGS PER SHARE

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

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

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

	December 31, 2013	December 31, 2012
Net income attributable to the equity holders of the parent	597,845	519,714
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	0.885	0.769
Dividends distributed to the equity holders of the parent	355,000	300,000
Gross dividend distributed per share (*)	0.525	0.444

(*) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 35 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2013	December 31, 2012
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1)	22,114	19,441
Yapı Kredi Bankası A.Ş.	3,242	301
Koçtaş Yapı Markeleri Ticaret A.Ş. (1)	1,052	2,104
Other	811	740
	27,219	22,586

(b) Due to related parties:

Current:		
Arçelik-LG (2)	270,661	64,162
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	107,972	83,719
Ram Dış Ticaret (2)	36,030	15,855
Other	22,794	9,296
	437,457	173,032

	December 31, 2013	December 31, 2012
Other liabilities – Current		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	8,860	7,030
Other liabilities – Non Current		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	62,427	59,540

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2013. (December 31, 2012: TRY 81,040).

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

	December 31, 2013	December 31, 2012
Other liabilities to related parties (gross)		
Up to 1 year	12,379	11,221
1 to 5 years	48,663	40,823
Over 5 years	24,331	30,482
	85,373	82,526
Less: future finance charges on other liabilities	(14,086)	(15,956)
Present value of other liabilities to related parties (net)	71,287	66,570

(1) Koç Holding group companies

(2) Associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

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

	December 31, 2013	December 31, 2012
Up to 1 year	8,860	7,030
1 to 5 years	39,449	31,466
Over 5 years	22,978	28,074
	71,287	66,570

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	294,694	590,068
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	108,144	370,755
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(e) Derivative instruments

	Contract amount	Fair value Assets/(liabilities)
December 31, 2013		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484 -
December 31, 2012		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	352,538	- (284)

(ii) Transactions with related parties

	2013	2012
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	75,806	77,333
Koçtaş Yapı Marketleri Ticaret A.Ş.	21,241	23,510
Yapı ve Kredi Bankası A.Ş.	6,238	7,064
Arçelik-LG	3,399	4,096
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,571	57,092
Other	5,804	17,254
	115,059	186,349

(b) Purchases of goods and services:

Zer Merkezi Hizmetler ve Ticaret A.Ş.	653,868	628,428
Arçelik-LG	546,273	443,271
Ram Dış Ticaret	120,243	70,098
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	30,792	25,563
Setur Servis Turistik A.Ş. (1)	24,227	20,541
Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*)	22,025	23,070
Other	62,539	49,722
	1,459,967	1,260,693

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

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

(1) Koç Holding group companies

(*) The amount is composed of accrued premiums in the period ending December 31, 2013 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2013 amounts to TRY 42,184 (December 31, 2012: TRY 34,300). Compensation includes only short-term benefits.

(d) Other transactions

	2013	2012
Interest income		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	21,644	10,458
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,435	13,030

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Beko UK is operating in marketing, sales and after sales services areas for consumer durables and consumer electronics in England and Republic of Ireland. The share of non-controlling interest in Beko UK is %50 (December 31, 2012: %50).

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. As Arçelik has the full control over the activities of Beko UK, Beko UK is considered as a subsidiary and consolidated.

The summary of statements of financial position of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	December 31, 2013	December 31, 2012
Current assets	599,161	575,571
Non-current assets	29,587	11,053
Total assets	628,748	586,624
Current liabilities	500,112	429,557
Non-current liabilities	2,218	2,183
Equity	126,418	154,884
Total liabilities and equity	628,748	586,624

The summary of statements of profit or loss of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	2013	2012
Net sales	1,043,643	983,141
Profit from continued operations before taxation	59,807	66,986
Net Income from continued operations	45,914	50,812
Total other comprehensive income	68,644	52,207
Non-controlling interests	22,957	25,406
Dividends paid to non-controlling interests	48,555	45,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

The summary of statements of cash flows of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	2013	2012
Cash flow from operating activities	24,018	53,455
Cash flow from investing activities	(14,558)	(264)
Cash flow from financing activities (excluding dividend)	386	632
Dividends paid	(97,110)	(90,324)
Foreign currency translation differences (net)	17,670	1,570
Net decrease in cash and cash equivalents	(69,594)	(34,931)

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2013 is as follows:

Total liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	4,254,538	4,931,843	671,816	1,154,261	1,864,554	1,241,212
Trade payables	1,644,900	1,654,149	1,387,904	266,245	-	-
Other payables, related parties	71,287	85,373	3,095	9,284	48,663	24,331
Other payables, third parties	96,526	96,526	74,796	21,730	-	-
Other liabilities	259,054	259,054	237,282	1,904	19,868	-
	6,326,305	7,026,945	2,374,893	1,453,424	1,933,085	1,265,543
Derivative instruments	Carrying value	Contractual Cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows		1,950,198	1,042,549	-	-	907,649
Derivative cash outflows		(2,009,224)	(1,050,395)	-	-	(958,829)
Derivative instruments (net)	(59,026)	(59,026)	(7,846)	-	-	(51,180)

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

Total liabilities (non-derivative):	Carrying value	Contractual Cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Financial liabilities	4,003,509	4,380,242	683,480	1,588,440	2,055,032	53,290
Trade payables	1,216,130	1,221,544	1,182,473	39,071	-	-
Other payables, related parties	66,570	82,526	2,606	8,616	40,822	30,482
Other payables, third parties	83,829	83,829	76,197	7,632	-	-
Other liabilities	150,926	150,926	146,517	2,704	1,705	-
	5,520,964	5,919,067	2,091,273	1,646,463	2,097,559	83,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Derivative instruments	Carrying value	Contractual Cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative cash inflows		495,583	495,583	-	-	-
Derivative cash outflows		(497,087)	(497,087)	-	-	-
Derivative instruments (net)	(1,504)	(1,504)	(1,504)	-	-	-

Interest Rate Risk

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

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

Average effective annual interest rates of statement of financial position accounts as of December 31, 2013 and 2012 are as follows:

December 31, 2013 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	7.00	1.63	1.59	0.25	3.20	-	2.70	4.50	2.30	4.01	0.55
Trade receivable	2.52	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Financial liabilities	7.99	1.30	-	-	-	7.86	5.60	-	-	-	-
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Financial liabilities	9.61	2.59	3.09	-	-	7.65	-	6.79	-	-	-
December 31, 2012 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	8.39	1.71	2.76	0.25	5.25	-	2.22	4.50	4.30	6.50	1.77
Trade receivable	4.08	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Financial liabilities	0.00	1.09	1.12	-	7.80	8.57	5.60	-	-	-	-
Trade payables	6.06	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Financial liabilities	7.85	2.49	2.50	2.59	-	8.10	-	6.73	-	-	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2013	2012
Financial instruments with fixed interest rates		
Time deposits	548,940	960,460
Borrowings and bonds issued	1,732,551	946,659
Financial instruments with variable interest rates		
Time deposits	518,914	619,438
Borrowings and bonds issued	2,521,420	3,056,607

At December 31, 2013, 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 20,025 (2012: TRY 24,372) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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, 2013 and 2012 are as follows:

December 31, 2013	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	27,219	4,182,377	1,192,916	6,651
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾		(3,250,611)		
A. Net book value of financial asset either are not due or not impaired	27,219	3,900,410	1,192,916	6,651
-Secured portion by guarantees, etc.		(3,017,459)		
B. Financial assets with renegotiated conditions		28,379		
- Secured portion by guarantees, etc.		(23,919)		
C. Net book value of overdue but not impaired financial assets		203,105		
- Secured portion by guarantees, etc.		(158,750)		
D. Net book value of the impaired assets		50,483		
- Overdue (Gross book value)		163,764		
- Impairment (-)		(113,281)		
- Secured portion of the net value by guarantees, etc.		(50,483)		
December 31, 2012				
Maximum exposed credit risk as of reporting date ⁽¹⁾	22,586	3,249,860	1,678,456	2,176
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾		(2,712,636)		
A. Net book value of financial asset either are not due or not impaired	22,586	3,004,198	1,678,456	2,176
-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)		

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

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

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

	December 31, 2013	December 31, 2012
Group 1	11,281	24,004
Group 2	3,808,259	2,968,205
Group 3	136,468	61,131
	3,956,008	3,053,340

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2013	December 31, 2012
0-1 month	139,078	116,741
1-3 months	33,547	31,983
3-12 months	22,735	14,606
1-5 years	7,745	5,054
	203,105	168,384

c) Geographical concentration of the trade receivables

	December 31, 2013	December 31, 2012
Turkey	2,270,071	1,732,102
Europe	1,372,718	1,102,820
Other	566,807	437,524
	4,209,596	3,272,446

Foreign exchange risk

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

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

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

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

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

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro 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, 2013, 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, 2012: EUR 328,750,000).

Foreign currency position

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

	December 31, 2013	December 31, 2012
Assets	2,808,426	2,368,713
Liabilities	(3,190,616)	(2,874,892)
Statement of financial position (net)	(382,190)	(506,179)
Net position of derivative instruments	491,604	617,836
Foreign currency position (net)	109,414	111,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - 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, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY equivalents
Current assets															
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
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	793,130	-	-	-	-	-	166,914
Total assets	521,349	200,993	116,596	1,714,476	45,479	93,253	-	154,373	820,101	671	131,669	14,515	2,754	-	2,368,713
Current liabilities															
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
Non-Current liabilities															
Trade payables	-	33,400	-	-	-	-	-	-	-	-	-	-	-	-	59,539
Financial liabilities	405,048	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1,041,681
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	796,918	393,475	51,604	964	-	-	742	23,050	684,002	-	-	-	460	1,736	2,874,892
Statement of financial position (net)	(275,569)	(192,482)	64,992	1,713,512	45,479	93,253	(742)	131,323	136,099	671	131,669	14,515	2,294	(1,736)	(506,179)
Off-balance sheet derivative assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	1,043,406
Off-balance sheet derivative 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
Foreign currency position (net)	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657
Net asset/(liability) position of foreign currency monetary items	(297,139)	(235,788)	64,940	1,713,511	45,479	93,253	(742)	131,323	136,099	671	-	14,515	1,524	(1,736)	(704,643)
Fair value of financial instruments used for foreign exchange hedge															(1,504)
Hedged amount of foreign currency assets	16,151	9,672	68,500	1,500,000	40,000	-	-	80,000	110,000	-	-	10,000	-	-	425,569
Hedged amount of foreign currency liabilities	34,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	424,909

(*) 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, 2013 AND 2012

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

NOTE 37 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2012	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY equivalents
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)
	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2013, sensitivity analysis of foreign exchange rate tables is presented below, Secured portions include impact of derivative 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	(108,282)	108,282	(108,282)	108,282
Secured portion from USD risk	108,752	(108,752)	108,752	(108,752)
USD Net effect	470	(470)	470	(470)
EUR net asset/liability	79,285	(79,285)	42,694	(42,694)
Secured portion from EUR risk	(68,622)	68,622	8,608	(8,608)
EUR Net effect	10,663	(10,663)	51,302	(51,302)
GBP net asset/liability	35,908	(35,908)	48,550	(48,550)
Secured portion from GBP risk	(35,620)	35,620	(35,620)	35,620
GBP Net effect	288	(288)	12,930	(12,930)
RUB net asset/liability	9,605	(9,605)	28,638	(28,638)
Secured portion from RUB risk	(9,960)	9,960	(9,960)	9,960
RUB Net effect	(355)	355	18,678	(18,678)
RON net asset/liability	-	-	36,583	(36,583)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	36,583	(36,583)
PLN net asset/liability	3,904	(3,904)	11,689	(11,689)
Secured portion from PLN risk	(3,903)	3,903	(3,903)	3,903
PLN Net effect	1	(1)	7,786	(7,786)
CZK net asset/liability	1,348	(1,348)	2,936	(2,936)
Secured portion from CZK risk	(1,073)	1,073	(1,073)	1,073
CZK Net effect	275	(275)	1,863	(1,863)
NOK net asset/liability	341	(341)	1,665	(1,665)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	341	(341)	1,665	(1,665)
SEK net asset/liability	1,796	(1,796)	3,012	(3,012)
Secured portion from SEK risk	(3,278)	3,278	(3,278)	3,278
SEK Net effect	(1,482)	1,482	(266)	266
NZD net asset/liability	14	(14)	14	(14)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	14	(14)	14	(14)
ZAR net asset/liability	10,927	(10,927)	49,662	(49,662)
Secured portion from ZAR risk	(10,211)	10,211	(10,211)	10,211
ZAR Net effect	716	(716)	39,451	(39,451)
AUD net asset/liability	3,758	(3,758)	3,494	(3,494)
Secured portion from AUD risk	(4,155)	4,155	(4,155)	4,155
AUD Net effect	(397)	397	(661)	661
DKK net asset/liability	479	(479)	479	(479)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	479	(479)	479	(479)
EGP net asset/liability	-	-	(511)	511
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(511)	511
UAH net asset/liability	-	-	177	(177)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	177	(177)
JPY net asset/liability	(131)	131	(131)	131
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(131)	131	(131)	131
CAD net asset/liability	59	(59)	59	(59)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	59	(59)	59	(59)
	10,941	(10,941)	169,888	(169,888)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - 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 instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(34,312)	34,312	(34,312)	34,312
Secured portion from USD risk	30,334	(30,334)	30,334	(30,334)
USD Net effect	(3,978)	3,978	(3,978)	3,978
EUR net asset/liability	(2,954)	2,954	(27,414)	27,414
Secured portion from EUR risk	4,394	(4,394)	66,244	(66,244)
EUR Net effect	1,440	(1,440)	38,830	(38,830)
GBP net asset/liability	18,658	(18,658)	34,146	(34,146)
Secured portion from GBP risk	(19,665)	19,665	(19,665)	19,665
GBP Net effect	(1,007)	1,007	14,481	(14,481)
RUB net asset/liability	9,952	(9,952)	25,681	(25,681)
Secured portion from RUB risk	(7,880)	7,880	(7,880)	7,880
RUB Net effect	2,072	(2,072)	17,801	(17,801)
RON net asset/liability	6,926	(6,926)	31,006	(31,006)
Secured portion from RON risk	-	-	-	-
RON Net effect	6,926	(6,926)	31,006	(31,006)
PLN net asset/liability	2,635	(2,635)	6,927	(6,927)
Secured portion from PLN risk	(1,484)	1,484	(1,484)	1,484
PLN Net effect	1,151	(1,151)	5,443	(5,443)
CZK net asset/liability	877	(877)	1,770	(1,770)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	877	(877)	1,770	(1,770)
NOK net asset/liability	(24)	24	973	(973)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(24)	24	973	(973)
SEK net asset/liability	3,574	(3,574)	4,365	(4,365)
Secured portion from SEK risk	(1,669)	1,669	(1,669)	1,669
SEK Net effect	1,905	(1,905)	2,696	(2,696)
NZD net asset/liability	338	(338)	338	(338)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	338	(338)	338	(338)
ZAR net asset/liability	2,864	(2,864)	41,806	(41,806)
Secured portion from ZAR risk	(2,315)	2,315	(2,315)	2,315
ZAR Net effect	549	(549)	39,491	(39,491)
AUD net asset/liability	2,682	(2,682)	2,684	(2,684)
Secured portion from AUD risk	(1,782)	1,782	(1,782)	1,782
AUD Net effect	900	(900)	902	(902)
DKK net asset/liability	21	(21)	21	(21)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	21	(21)	21	(21)
EGP net asset/liability	-	-	90	(90)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	90	(90)
UAH net asset/liability	-	-	194	(194)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	194	(194)
JPY net asset/liability	(4)	4	(4)	4
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(4)	4	(4)	4
	11,166	(11,166)	150,054	(150,054)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	955,133,332	2,435,872	1,058,816,343	2,440,091
USD	328,709,376	621,436	275,566,286	493,105
GBP	265,142,594	798,179	258,135,976	733,652
Other		455,120		455,776
Total exports		4,310,607		4,122,624
EUR	429,856,529	1,077,984	455,054,620	1,046,470
USD	882,562,636	1,687,036	1,019,116,675	1,828,107
GBP	745,860	2,254	978,674	2,781
Other		5,187		4,087
Total imports		2,772,461		2,881,445

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, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Total financial liabilities (Note 7)	4,254,538	4,003,509
Less: Cash and cash equivalents (Note 5)	(1,266,575)	(1,740,789)
Net financial liabilities	2,987,963	2,262,720
Equity	4,138,756	3,927,235
Total capital invested	7,126,719	6,189,955
Gearing ratio	42%	37%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 38 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

As of December 31, 2013 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,642,347 (December 31, 2012: TRY 3,218,227) (Note 7), and TRY 3,650,310 (December 31, 2012: TRY 3,215,608) 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, 2013 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Derivative assets (Note 8)	-	6,651	-
Financial investments (Note 6)	-	537,682	-

Financial liabilities at fair value through profit or loss:

Derivative liabilities (Note 8)	-	65,677	-
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Fair value hierarchy table as at December 31, 2012 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Derivative assets (Note 8)	-	2,176	-
Financial investments (Note 6)	-	637,253	-

Financial liabilities at fair value through profit or loss:

Derivative liabilities (Note 8)	-	3,680	-
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 39 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements, "Changes in provisions" presented in the consolidated statements of cash flows are as follows:

	December 31, 2013	December 31, 2012
Changes in provisions:		
Accrual for customer premiums	66,626	30,053
Warranty provision	23,813	8,521
Provision for doubtful receivables	15,264	27,756
Assembly and transportation provision	14,474	(4,869)
Provision for impairment on inventories	3,868	3,891
Return provisions	1,962	704
Provision for vacation pay liability	1,095	2,042
Provision for legal claims	369	(1,737)
Accrual for bonuses and premiums	243	(131)
Provisions for impairment on investment property	-	941
Provision for employment termination benefits	(2,065)	10,521
	125,649	77,692

NOTE 40- EVENTS AFTER BALANCE SHEET DATE

Indicative exchange rates of USD and EURO are set by Central Bank of Turkey as 2.2249 and 3.0078 respectively on February 6, 2014 at 15:30. As of December 31, 2013, exchange rates of USD and EURO are 2.1343 and 2.9365, respectively.

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