(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

Arçelik Anonim Şirketi

Consolidated financial statements at December 31, 2012 together with independent auditors' report

ERNST & YOUNG

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(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

Independent auditors' report

To the Board of Directors of
Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheets of Arçelik A.Ş. (the Company or "Arçelik") and its Subsidiaries (together "the Group") as at December 31, 2012 and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the CMB. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

(Convenience Translation of Independent Auditor's Report Originally Issued in Turkish)

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2012 and of their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the final year of the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Group in accordance with IFRS.

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

Ertan Ayhan, SMMM
Engagement Partner

February 11, 2013
İstanbul, Turkey

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish-see Note 2.5)

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

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

	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current Assets:			
Cash and cash equivalents	5	1,740,789	1,173,889
Derivative financial instruments	8	2,176	2,932
Trade receivables	9	3,261,477	3,180,870
Inventories	11	1,599,658	1,530,141
Other current assets	21	124,007	138,996
Total current assets		**6,728,107**	**6,026,828**
Assets held for sale		8,571	7,021
Non-current assets			
Trade receivables	9	10,969	16,018
Financial investments	6	638,741	491,376
Associates	12	182,614	160,580
Investment properties	13	5,099	6,441
Property, plant and equipment	14	1,603,403	1,446,841
Intangible assets	15	787,601	783,094
Goodwill	16	177,080	196,167
Deferred tax assets	29	85,968	63,387
Total non-current assets		**3,491,475**	**3,163,904**
Total assets		**10,228,153**	**9,197,753**

The consolidated financial statements as at and for the year ended December 31, 2012 have been approved for issue by the Board of Directors on February 11, 2013 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

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

	Notes	December 31, 2012	December 31, 2011
LIABILITIES			
Current liabilities			
Financial liabilities	7	2,144,406	1,628,943
Financial liabilities due to related parties	31	7,030	7,077
Derivative financial instruments	8	3,680	195
Trade payables	9	1,168,774	1,242,454
Other payables	10	164,984	183,691
Current income tax liabilities	29	24,008	23,250
Provisions	19	233,377	232,390
Other current liabilities	21	203,503	212,620
Total current liabilities		**3,949,762**	**3,530,620**
Non-current liabilities			
Financial liabilities	7	1,859,103	1,528,237
Financial liabilities due to related parties	31	59,540	70,539
Provision for employment termination benefits	20	112,254	106,782
Deferred tax liabilities	29	236,406	226,142
Provisions	19	82,148	81,519
Other non-current liabilities		1,705	2,273
Total non-current liabilities		**2,351,156**	**2,015,492**
Total liabilities		**6,300,918**	**5,546,112**
EQUITY			
Paid-in capital	22	675,728	675,728
Adjustment to share capital	22	468,811	468,811
Share premium		889	889
Revaluation fund	22	470,285	341,505
Restricted reserves	22	216,687	190,066
Currency translation differences		86,790	145,922
Contribution to shareholders' equity related to merger	22	14,507	14,507
Retained earnings		1,383,191	1,201,658
Net income for the year attributable to equity holders of the parent		524,764	506,506
Attributable to:			
Equity holders of the parent		3,841,652	3,545,592
Non-controlling interest		85,583	106,049
Total equity		**3,927,235**	**3,651,641**
Total liabilities and equity		**10,228,153**	**9,197,753**

Commitments, contingent assets and liabilities

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2012	2011
Net Sales	23	10,556,861	8,437,239
Cost of sales	23	(7,503,024)	(5,897,009)
Gross profit		**3,053,837**	**2,540,230**
Marketing, selling and distribution expenses	24	(1,820,900)	(1,474,254)
General administrative expenses	24	(389,928)	(342,572)
Research and development expenses	24	(72,998)	(64,847)
Other income	26	69,706	60,194
Other expenses	26	(82,580)	(72,857)
Operating profit		**757,137**	**645,894**
Income from associates (net)	12	34,551	28,378
Financial income	27	336,798	415,558
Financial expenses	28	(499,114)	(474,421)
Income before tax		**629,372**	**615,409**
Income tax expense			
- Taxes on income	29	(85,824)	(71,996)
- Deferred tax expense	29	8,140	(2,326)
Net income		**551,688**	**541,087**
Attributable to:			
Non-controlling interest		26,924	34,581
Equity holders of the parent		**524,764**	**506,506**
Earnings per share (Kr)	30	**0.777**	**0.750**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012	2011
Net income for the year	**551,688**	**541,087**
Other comprehensive income:		
Fair value (decrease)/increase on financial assets	147,365	(167,280)
Tax effect	(7,368)	8,364
	139,997	(158,916)
Foreign currency hedge of net investments in foreign operations	159	(59,205)
Tax effect	(32)	11,841
	127	(47,364)
Cash flow hedges	-	(20,965)
Less: transfers to carrying amounts of hedged items (Note 3)	-	20,965
Share of other comprehensive income of associates	(1,708)	1,151
Tax effect of amortization calculated over intangible assets revaluation increases	420	423
Currency translation differences	(69,768)	169,351
Reclassification:		
Cash flow hedges (net)	-	(271)
Other comprehensive income/(loss) (net of tax)	**69,068**	**(35,626)**
Total comprehensive income	**620,756**	**505,461**
Attributable to:		
Non-controlling interest	24,696	51,421
Equity holders of the parent	**596,060**	**454,040**

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Paid in capital	Adjustment to share capital	Share premium	Revaluation funds	Restricted reserves	Currency translation differences	Contribution to shareholders' equity due to merger	Retained earnings	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity
As of January 1, 2011	675,728	468,811	889	511,969	168,445	29,585	14,507	954,525	517,093	3,341,552	66,182	3,407,734
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	506,506	506,506	34,581	541,087
Other comprehensive income												
Fair value gains on financial assets (net)	-	-	-	(158,916)	-	-	-	-	-	(158,916)	-	(158,916)
Cash flow hedges (net)	-	-	-	(271)	-	-	-	-	-	(271)	-	(271)
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	(47,364)	-	-	-	-	-	(47,364)	-	(47,364)
Share of other comprehensive income of associates	-	-	-	1,151	-	-	-	-	-	1,151	-	1,151
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	423	-	-	-	-	-	423	-	423
Currency translation differences	-	-	-	36,174	-	116,337	-	-	-	152,511	16,840	169,351
Total other comprehensive income	-	-	-	(168,803)	-	116,337	-	-	-	(52,466)	16,840	(35,626)
Total comprehensive income	-	-	-	(168,803)	-	116,337	-	-	506,506	454,040	51,421	505,461
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,661)	-	-	-	1,661	-	-	-	-
Dividends paid	-	-	-	-	21,621	-	-	(271,621)	-	(250,000)	(11,554)	(261,554)
As of December 31, 2011	675,728	468,811	889	341,505	190,066	145,922	14,507	1,201,658	506,506	3,545,592	106,049	3,651,641
As of January 1, 2012	675,728	468,811	889	341,505	190,066	145,922	14,507	1,201,658	506,506	3,545,592	106,049	3,651,641
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	524,764	524,764	26,924	551,668
Other comprehensive income:												
Fair value gains on financial assets (net)	-	-	-	139,997	-	-	-	-	-	139,997	-	139,997
Foreign currency hedge of net investment in foreign operations (net)	-	-	-	127	-	-	-	-	-	127	-	127
Share of other comprehensive income of associates	-	-	-	(1,708)	-	-	-	-	-	(1,708)	-	(1,708)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	420	-	-	-	-	-	420	-	420
Currency translation differences	-	-	-	(8,408)	-	(59,132)	-	-	-	(67,540)	(2,228)	(69,768)
Total other comprehensive income	-	-	-	130,428	-	(59,132)	-	-	-	71,296	(2,228)	69,068
Total comprehensive income	-	-	-	130,428	-	(59,132)	-	-	524,764	596,060	24,696	620,756
Transfers	-	-	-	-	-	-	-	506,506	(506,506)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,648)	-	-	-	1,648	-	-	-	-
Dividends paid	-	-	-	-	26,621	-	-	(326,621)	-	(300,000)	(45,162)	(345,162)
As of December 31, 2012	675,728	468,811	889	470,285	216,687	86,790	14,507	1,383,191	524,764	3,841,652	85,583	3,927,235

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	Notes	2012	2011
Operating activities:			
Income before tax		**629,372**	**615,409**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Depreciation and amortization	25	260,788	217,834
Interest expenses	28	187,745	103,530
Changes in provisions	34	81,438	107,749
Income from associates (net)	12	(34,551)	(28,378)
Interest income	27	(25,217)	(35,572)
Loss/(gain) from sales of tangible and intangible assets (net)	26	(536)	1,043
Loss from sale of financial assets		-	19
Net cash flow from operating activities before changes in operating assets and liabilities		**1,099,039**	**981,634**
Changes in operating assets and liabilities (net)	34	(316,556)	(996,691)
Corporate taxes paid		(82,433)	(70,613)
Cash flows from operating activities		**700,050**	**(85,670)**
Investing activities:			
Acquisition of subsidiary, net of cash acquired	3	-	(502,400)
Interest received		24,932	38,436
Dividends received	12	10,809	5,553
Cash provided from sales of tangible and intangible assets		3,700	7,477
Acquisition of tangible and intangible assets		(474,555)	(359,517)
Cash provided from sales of financial assets		-	4
Cash flows from investing activities		**(435,114)**	**(810,447)**
Financing activities:			
Proceeds from bank borrowings		2,059,964	1,746,970
Repayment of bank borrowings		(1,216,441)	(656,882)
Dividends paid		(345,162)	(261,554)
Interest paid		(184,938)	(93,730)
Cash flows from financing activities		**313,423**	**734,804**
Currency translation differences (net)		(11,744)	20,900
Net (decrease)/ increase in cash and cash equivalents		**566,615**	**(140,413)**
Cash and cash equivalents at January 1	5	**1,172,662**	**1,313,075**
Cash and cash equivalents at December 31	5	**1,739,277**	**1,172,662**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 22).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At December 31, 2012, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in 2012 is 22,839. (2011: 19,136).

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

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

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

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

Associates	Country of incorporation	Core Business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı A.Ş. ("Koç Tüketici Finans")	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing and communication

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the financial reporting standards published by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué No. XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Authority (former Turkish Accounting Standards Board), IAS/IFRS issued by the IASB shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008 and 9 January 2009, including the compulsory disclosures.

Arçelik maintains its books of account and prepare its statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared under the historical cost convention except for the derivative financial instruments and financial investments presented at fair values, and the revaluations as the difference between carrying and fair values of tangible and intangible assets arisen in the business combinations.

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

New and amended standards and interpretations

The accounting policies, which are basis of presentation of consolidated financial statements for the financial period ending at December 31, 2012, are consistent with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations of the previous financial year except for the new standards and interpretation adopted in the periods beginning on January 1, 2012. The effects of these standards and interpretations on Group's financial position and performance are summarized in below related paragraphs.

The new standards and interpretation adopted in the periods beginning on January 1, 2012 summarized below:

IAS 12 "Deferred Taxes: Recovery of Underlying Assets (Amended)"

IAS 12,

i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale,

ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Amendments are to be retrospectively applied .This amendment did not have impact on the financial position or performance of the Group.

IFRS 7 "Financial instruments: Disclosures' on transfers of assets (Amended)"

These amendments arise from the IASB's review of off-balance-sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This amendment did not have impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements are summarized below The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become effective.

IAS 1 " Presentation of Financial Statements (Amended)" Presentation of other comprehensive income statement items

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendment will only affect the basis of presentation and this amendment will not have an impact on its financial position or performance.

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

IAS 19 " Employee Benefits (Amended)"

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Of these amendments, the most important ones are removal of the corridor mechanism, presentation of actuarial gains/losses related to defined benefit plans under other comprehensive income and the distinction made between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group accounts for the actuarial gains and losses under other comprehensive income statement beginning on financial year 2013.

IAS 27 " Separate Financial Statements (Amended)"

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 28 "Investments in Associates and Joint Ventures (Amended)"

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)"

The amendments clarify the meaning of "currently has a legally enforceable right to set-off' and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)"

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment only affects disclosure requirements.

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

IFRS 9 "Financial Instruments – Classification and measurement"

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 "Consolidated Financial Statements"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are early adopted simultaneously.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The new standard did not have a significant impact over the financial position or performance of the Group.

IFRS 11 "Joint Arrangements"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities are early adopted simultaneously.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The new standard did not have an impact over the financial position or performance of the Group

IFRS 12 " Disclosure of Interests in Other Entities"

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be early adopted, in case that IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements are early adopted simultaneously.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard, the Group will provide more comprehensive disclosures for interests in other entities.

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

UFRS 13 " Fair Value Measurement"

The new standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is mandatory for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The new standard did not have a significant impact over the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as "the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at the date of initial application rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/IFRS 12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The new standard did not have a significant impact over the financial position or performance of the Group

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs 2009-2011 cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Group does not expect that the project will have a significant impact on the financial statements of the Group.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment, which meet the definition of property, plant and equipment, should not be classified as inventory.

IAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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

Improvements to IFRSs (Continued)

IAS 34 Interim Financial Reporting:
Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity with CMB Financial Reporting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Arçelik has capability to control the financial and operating policies for the benefit of Arçelik, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

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

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2012 and 2011 (%) and their functional currencies:

	Functional Currency	December 31, 2012 Ownership interest	December 31, 2012 Effective shareholding	December 31, 2011 Ownership Interest	December 31, 2011 Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96,71	96,71	96,71	96,71
Ardutch	Euro	100,00	100,00	100,00	100,00
Ardutch Taiwan	Taiwanese Dollar	100,00	100,00	100,00	100,00
Beko Australia	Australian Dollar/New Zealand Dollar	100,00	100,00	100,00	100,00
Beko China	Chinese Yuan	100,00	100,00	100,00	100,00
Beko Czech	Czech Koruna	100,00	100,00	100,00	100,00
Beko Deutschland	Euro	100,00	100,00	100,00	100,00
Beko Espana	Euro	100,00	100,00	100,00	100,00
Beko Egypt ([1])	Egyptian Lira	100,00	100,00	-	-
Beko France	Euro	100,00	100,00	100,00	100,00
Beko Italy	Euro	100,00	100,00	100,00	100,00
Beko Polska	Polish Zloty	100,00	100,00	100,00	100,00
Beko Russia	Russian Ruble	100,00	100,00	100,00	100,00
Beko Slovakia	Euro	100,00	100,00	100,00	100,00
Beko Shanghai	Chinese Yuan	100,00	100,00	100,00	100,00
Beko UK ([2])	British Pound/Euro	50,00	50,00	50,00	50,00
Beko Ukraine ([1])	Ukrainian Hryvna	100,00	100,00	-	-
Defy	South African Rand	100,00	100,00	100,00	100,00
Defy Botswana	Botswana Pula	100,00	100,00	-	-
Defy Kindoc	South African Rand	100,00	100,00	100,00	100,00
Defy Namibia	Namibian Dollar	100,00	100,00	100,00	100,00
Defy Trust	South African Rand	100,00	100,00	100,00	100,00
Elektra Bregenz	Euro	100,00	100,00	100,00	100,00
Grundig Multimedia	Euro	100,00	100,00	100,00	100,00
Grundig Intermedia	Euro/Croatian Kuna	100,00	100,00	100,00	100,00
Grundig Norway	Norwegian Krone	100,00	100,00	100,00	100,00
Grundig Sweden	Swedish Krona	100,00	100,00	100,00	100,00
Raupach	Euro	100,00	100,00	100,00	100,00
Ceased operations as of balance sheet date:					
Archin	-	100,00	100,00	100,00	100,00
Arctic Pro	-	100,00	100,00	100,00	100,00
Beko Cesko	-	100,00	100,00	100,00	100,00
Beko Magyarorszag	-	100,00	100,00	100,00	100,00
Beko Hungary	-	100,00	100,00	100,00	100,00
Blomberg Werke	-	100,00	100,00	100,00	100,00
Blomberg Vertrieb ([3])	-	-	-	100,00	100,00
Defy Carron	-	100,00	100,00	100,00	100,00
Defy Ocean	-	100,00	100,00	100,00	100,00
Grundig Czech Republic	-	100,00	100,00	100,00	100,00
Grundig Austria	-	100,00	100,00	100,00	100,00
Grundig Italy ([4])	-	-	-	100,00	100,00
Grundig Hungary	-	100,00	100,00	100,00	100,00
Grundig Polska ([4])	-	-	-	100,00	100,00
Grundig Portugal	-	100,00	100,00	100,00	100,00
Grundig Slovakia	-	100,00	100,00	100,00	100,00

([1]) Established in 2012.
([2]) Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders' stating that the power to govern the financial and operating policies of the Subsidiary is exerted by Arçelik A.Ş.
([3]) Legally merged with Beko Deutschland in 2012.
([4]) Dissolved in 2012.

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

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2012 and 2011 (%)

	2012	**2011**
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Tanı Pazarlama	32,00	32,00

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income.

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

Comparatives and restatement of prior periods' financial statements(Continued)

In order to conform with changes in presentation in the current period consolidated balance sheet, assets obtained as loan/receivable collateral, which were accounted in other current assets in the previous period's consolidated balance sheet, are classified under asset held for sales in the current period; short-term portion of payables to related parties, which are associated with intangible assets (Note 31) and accounted in short-term trade payables in previous periods, are accounted as financial liabilities to related parties in the current period due to the fact that the account does not have a commercial nature. Additionally, a reclassification is made in the prior period's consolidated statement of cash flow between changes in provisions and net change in operating assets and liabilities As a result of these reclassifications, current assets decreased by amounting to TRY 7,021 which is classified under asset held for sale and trade payables under short term liabilities decreased by the amount of TRY 7,077 and same amount is accounted under financial liabilities to related parties as of December 31, 2011. The reclassification between changes in provision and net change of assets and liabilities amounts to TRY 3.927 in consolidated statement of cash flow for the period ended December 31, 2012.

2.2 Restatement and errors in the accounting policies and estimates

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

2.3 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 31).

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

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

Trade receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income (Note 26).

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

Classification (Continued)

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

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

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

Derivative financial instruments held for trading

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments provide effective economic hedges for the Group, as such derivatives do not meet the criteria for hedge accounting they have been accounted as derivative financial instruments held for trading in the consolidated financial statements. Any gains or losses arising from changes in fair value on these derivatives are taken directly to the consolidated income statement.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts accounted for under equity are transferred to the consolidated statement of income and classified as income or expense in the period in which the hedged item affects the statement of income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred to income statement on the disposal of the foreign operation (Note 32).

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

Cash and cash equivalents

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

Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 13).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of discounted net value of future cash flows from the use of the related investment property or fair value less cost to sell.

Property, plant and equipment and related depreciation

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

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

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

Gains or losses on disposals of property, plant and equipment are included in other income or expense accounts.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of income during the financial year in which they are incurred (Note 14).

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

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note15).

a) Brands

Internally generated brand are not recognized as intangible assets as their costs cannot be distinguished from the cost of improvement of operations as a whole. Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements.

The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount when the carrying amount of the brand exceeds its recoverable amount.

b) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

c) Computer software and rights

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

d) Trademark licenses and patents

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

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

Business combinations and goodwill

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

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 3, 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in retained earnings.

Fair value changes of contingent consideration that arise from business combinations occurred before January 1, 2010 are adjusted against goodwill.

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

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

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 29).

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

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

Current and deferred income tax (Continued)

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income and expenses in the consolidated statements of income, except for the effective portion of the foreign currency hedge of net investments in foreign operations. Non-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

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

Revenue recognition

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

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants are related with expense or capitalization realized in previous accounting periods, recognized in income statement when collectible.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 22).

Paid-in capital

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

Share premium

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

Provisions

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

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labour and material costs of authorised services'for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 19).

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

Assembly Provisions

As a result of forecasts that are based on past experience and future expectations, Assembly provisions expenses are recognized in the period, which the products are sold to dealers but not yet installed in the sites of the end customers, against the costs of future free of charge aforementioned installments (Note 19).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 18).

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

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

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

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

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

2.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in Note 2.1 (defined as CMB Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 to December 31, 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with IFRS.

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

NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31,2012.

On November 30,2011 the Group has acquired 100% of the shares of Defy company who owns 100% shares of Defy Namibia, Defy Trust, Defy Kindoc, Defy Ocean, Defy Carron (together be called as "Defy Group" hereinafter.) Defy Group is located in South Africa and its main activities are production of refrigerators, freezers, dryers, ovens, cooking appliances and selling and marketing of all kinds of durable home appliances.

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

Total sales consideration and the fair value of assets and liabilities acquired at the date of acquisition are summarized as follows:

Consideration in cash	351,854
Consideration paid against the payables to former shareholders	150,096
Contingent consideration	2,698
Total consideration transferred	**504,648**
The effect of cash flow hedges	20,965
Total consideration	**525,613**

The fair value amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	20,515
Derivative financial instruments	974
Trade receivables	131,493
Inventories	88,179
Other assets	971
Tangible assets	51,716
Intangible assets (brand)	230,046
Deferred tax assets	96
Trade payables and other payables	(71,074)
Tax provision and other provisions	(19,517)
Other liabilities	(18,832)
Provisions for employment termination benefits	(433)
Deferred tax liabilities	(67,916)
Total fair value of identifiable net assets	**346,218**
Goodwill	179,395
Total consideration	**525,613**

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

NOTE 3 - BUSINESS COMBINATIONS(Continued)

In 2011 consolidated income statement, contribution to consolidated sales by Defy Group after the date of acquisition is TRY 62,641. In the same period, excluding the effects of inter-company sales profitability, the contribution by Defy Group to consolidated net profit of Arçelik Group amounts to TRY 570.

Had the financial statements of Defy Group been consolidated since January 1, 2011, the 2011 consolidated sales of Arçelik Group would have been TRY 9,047,702.

In year 2011, the total amount of acquisition costs, included in the general and administrative expenses, is TRY 6,498.

The details of cash outflow due to acquisition as of December 31, 2012 are as follows:

Consideration – paid in cash in 2011	522,915
Contingent consideration –paid in cash in 2012	2,698
Cash and cash equivalents –acquired	(20,515)
Cash outflow due to acquisition of subsidiary (net)	**505,098**

NOTE 4 - SEGMENT REPORTING

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

Accounting policies applied by each operational segment of Arçelik are the same as those are applied in Arçelik's consolidated financial statements prepared in accordance with CMB Financial Reporting Standards.

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2012 are as follows:

	White Goods	**Consumer Electronics**	**Other**	**Total**
Total segment revenue	7,079,397	1,798,216	1,679,248	10,556,861
Gross profit	2,265,258	347,211	441,368	3,053,837
Depreciation and amortisation	210,612	46,169	9,939	266,720
Capital expenditures	424,892	46,396	9,199	480,487
Income from associates	-	-	34,551	34,551

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

NOTE 4 - SEGMENT REPORTING(Continued)

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	5,560,182	1,451,332	1,425,725	8,437,239
Gross profit	1,829,914	320,510	389,806	2,540,230
Depreciation and amortisation	172,483	41,004	8,856	222,343
Capital expenditures	316,749	37,275	10,002	364,026
Income from associates	-	-	28,378	28,378

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

2012	Turkey	Europe	Africa	Other	Total
Total segment revenue	4,453,607	4,100,719	925,862	1,076,673	10,556,861
Income from associates	34,551	-	-	-	34,551

2011	Turkey	Europe	Africa	Other	Total
Total segment revenue	3,976,915	3,336,787	225,421	898,116	8,437,239
Income from associates	28,378	-	-	-	28,378

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31,2011
Cash in hand	304	309
Cash at banks		
- demand deposits	98,558	90,986
- time deposits	1,578,386	1,040,416
Cheques and notes	58,500	38,044
Other	3,529	2,907
Cash and cash equivalents in cash flow statement	**1,739,277**	**1,172,662**
Interest income accruals	1,512	1,227
	1,740,789	**1,173,889**

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

Up to 30 days	1,362,729	839,628
30-90 days	378,060	334,261
	1,740,789	**1,173,889**

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

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2012		December 31, 2011	
	%	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	3.98	637,253	3.98	489,888
Other		1,488		1,488
		638,741		**491,376**

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

	2012	2011
As of January 1	**491,376**	**658,679**
Fair value gains/(losses)	147,365	(167,280)
Sale of financial asset	-	(23)
As of December 31	**638,741**	**491,376**

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 139,997 (December 31, 2011: unrealized loss amounting to TRY 158,916) net of deferred tax effect amounting to TRY 7,368 (December 31, 2011: TRY 8,364) have been recognized in consolidated shareholders' equity under the "revaluation reserves" in the year ended at December 31, 2012.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.80%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, Turkish Lira based discount rate of 12.9 % (2011: 15.4%) has been taken into consideration.

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2012	December 31, 2011
Short-term bank borrowings	785,039	1,078,206
Short-term portion of long-term bank borrowings	1,359,235	550,554
Other	132	183
	2,144,406	**1,628,943**

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	0.0	-	12,175
EUR	1.1	240,788,355	566,262
USD	1.1	73,639,937	131,271
RUB	8.6	1,027,529,633	59,679
CNY	5.6	55,102,667	15,632
RON	7.8	38,968	20
			785,039

As of December 31, 2011, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.0	-	26,710
EUR	2.1	388,022,169	948,245
RUB	7.3	1,564,499,204	90,976
CNY	6.0	35,056,933	10,570
USD	0.4	887,118	1,676
RON	6.3	52,422	29
			1,078,206

b) Long-term financial liabilities

	December 31, 2012	December 31, 2011
Long-term bank borrowings	1,858,992	1,528,130
Other	111	107
	1,859,103	**1,528,237**

(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
EUR	2.5	652,765,392	1,535,109
USD	2.5	177,442,071	316,309
ZAR	6.7	684,001,830	143,947
GBP	2.6	50,172,417	144,035
RUB	8.1	300,000,000	17,424
			3,218,227
Less: Short-term portion			(1,359,235)
			1,858,992

As of December 31, 2011, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	11.6	-	505,254
EUR	3.7	419,908,838	1,026,175
USD	2.2	127,356,398	240,563
ZAR	7.2	684,257,945	160,246
GBP	3.2	50,204,425	146,446
			2,078,684
Less: Short-term portion			(550,554)
			1,528,130

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

	December 31, 2012	December 31, 2011
2013	-	1,039,370
2014	743,590	488,760
2015	812,294	-
2016	99,294	-
2017	99,294	-
2018 and after	104,520	-
	1,858,992	**1,528,130**

The analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

Up to 6 months	3,514,922	2,660,751
6 - 12 months	176,840	306,685
1-5 years	311,504	189,454
	4,003,266	**3,156,890**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012			December 31, 2011		
	Contract Amount	Fair value Assets	/(Liabilities)	Contract amount	Fair Value Assets	/(Liabilities)
Held for trading:						
Forward transactions	436,522	325	(2,415)	400,607	2,364	(134)
Foreign currency swap contracts	553,781	1,851	(1,265)	294,270	568	(61)
	990,303	**2,176**	**(3,680)**	**694,877**	**2,932**	**(195)**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2012	December 31, 2011
Short-term trade receivables:		
Trade receivables	1,906,489	1,864,092
Notes receivables	1,248,940	1,241,891
Cheques receivables	193,523	165,888
Due from related parties (Note 31)	22,586	23,402
Short-term trade receivables (gross)	**3,371,538**	**3,295,273**
Less: Provision for doubtful receivables	(93,229)	(93,579)
Less: Unearned credit finance income	(16,832)	(20,824)
Short-term trade receivables (net)	**3,261,477**	**3,180,870**

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

	2012	2011
As of January 1	**93,579**	**110,611**
Current year additions (Note 26)	27,756	23,326
Provisions no longer required (Note 26)	(2,700)	(1,808)
Write-offs (*)	(23,699)	(46,328)
Acquisition of subsidiary (Note 3)	-	241
Currency translation differences	(1,707)	7,537
As of December 31	**93,229**	**93,579**

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2012	December 31, 2011
Long-term trade receivables		
Trade receivables	10,969	16,018
	10,969	**16,018**

Short-term trade payables		
Trade payables	1,001,156	1,120,739
Due to related parties (Note 31)	173,032	133,283
Unearned credit finance charges	(5,414)	(11,568)
	1,168,774	**1,242,454**

NOTE 10 - OTHER PAYABLES

	December 31, 2012	December 31, 2011
Other payables		
Taxes and duties payable	92,878	122,096
Payables to personnel	55,331	51,655
Deposits and guarantees received	9,876	6,243
Other	6,899	3,697
	164,984	**183,691**

NOTE 11 - INVENTORIES

	December 31, 2012	December 31, 2011
Raw materials and supplies	807,397	783,785
Work in progress	61,216	49,382
Finished goods	648,538	576,128
Trade goods	142,292	184,157
Inventories (gross)	**1,659,443**	**1,593,452**
Less: Provision for impairment on inventories	(59,785)	(63,311)
Inventories (net)	**1,599,658**	**1,530,141**

There are no inventories pledged as security for liabilities (December 31, 2011:None).

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

Raw materials and supplies	51,939	55,059
Finished goods	5,034	5,698
Trade goods	2,812	2,554
	59,785	**63,311**

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

NOTE 11 – INVENTORIES (Continued)

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

	2012	2011
As of January 1	**63,311**	**72,578**
Current year additions (Note 26)	3,891	2,182
Realised due to sales of inventory	(6,861)	(13,822)
Acquisition of subsidiary	-	802
Currency translation differences	(556)	1,571
As of December 31	**59,785**	**63,311**

NOTE 12 - ASSOCIATES

	December 31, 2012		December 31, 2011	
	%	**TRY**	**%**	**TRY**
Koç Tüketici Finans	47.0	80,119	47.0	74,287
Arçelik - LG	45.0	80,625	45.0	67,296
Ram Dış Ticaret	33.5	15,478	33.5	13,026
Tanı Pazarlama	32.0	6,392	32.0	5,971
		182,614		**160,580**

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

	2012	2011
As of January 1	**160,580**	**136,604**
Share of income/(loss)	34,551	28,378
Share of other comprehensive income/expense	(1,708)	1,151
Dividends received	(10,809)	(5,553)
As of December 31	**182,614**	**160,580**

Share of income/(loss) of associates

	2012	2011
Koç Tüketici Finans	16,942	15,048
Arçelik - LG	13,329	8,518
Ram Dış Ticaret	3,859	3,522
Tanı Pazarlama	421	1,290
	34,551	**28,378**

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

NOTE 12 – ASSOCIATES (Continued)

Aggregated summary figures of the financial statements of associates

	December 31, 2012	December 31, 2011
Total assets	2,111,607	1,996,446
Total liabilities	1,692,604	1,631,776

	2012	2011
Sales revenues	1,791,362	1,694,374
Net income/(loss) for the year	78,502	65,490

NOTE 13 - INVESTMENT PROPERTIES

	2012	2011
As of January 31		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net book value	**6,441**	**5,480**
Net book value at the beginning of the year	**6,441**	**5,480**
Currency translation differences	(258)	1,105
Current year depreciation	(143)	(144)
Impairment provision	(941)	-
Net book value at the end of the year	**5,099**	**6,441**
As of December 31		
Cost	12,268	13,754
Accumulated depreciation	(7,169)	(7,313)
Net book value	**5,099**	**6,441**

As of December 31, 2012, impairment provision writing down investment property to its recoverable amount is accounted for in the financial statements. Fair value which provide the basis for the valuation was calculated by an independent valuation firm at January 24, 2013 (2011: January 18, 2012).

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

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

There is no mortgage on property, plant and equipment as of December 31, 2012 (December 31, 2011: None).

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Transfers	Currency translation differences	December 31, 2011
Cost							
Land	15,628	-	698	(2,464)	532	646	15,040
Land improvements	29,903	-	471	-	2,530	-	32,904
Buildings	505,318	24,352	3,942	(1,837)	1,791	27,761	561,327
Machinery, equipment and moulds	2,589,939	20,675	48,270	(72,097)	170,697	47,383	2,804,867
Motor vehicles and fixtures	225,687	4,152	19,743	(4,644)	21,814	6,317	273,069
Leasehold improvements	37,123	47	2,438	-	-	882	40,490
Construction in progress	6,942	2,490	203,139	-	(197,364)	759	15,966
	3,410,540	**51,716**	**278,701**	**(81,042)**	**-**	**83,748**	**3,743,663**
Accumulated depreciation							
Land improvements	(16,471)	-	(1,447)	-	-	-	(17,918)
Buildings	(160,584)	-	(11,559)	335	-	(5,345)	(177,153)
Machinery, equipment and moulds	(1,782,550)	-	(141,197)	68,273	-	(25,050)	(1,880,524)
Motor vehicles and fixtures	(166,169)	-	(19,968)	3,917	-	(4,284)	(186,504)
Leasehold improvements	(32,521)	-	(1,832)	-	-	(370)	(34,723)
	(2,158,295)	**-**	**(176,003)**	**72,525**	**-**	**(35,049)**	**(2,296,822)**
Net book value	**1,252,245**						**1,446,841**

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

NOTE 15 - INTANGIBLE ASSETS

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

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Currency translation differences	December 31, 2011
Cost						
Brands	268,489	230,046	-	-	49,915	548,450
Development costs	222,802	-	73,115	-	-	295,917
Computer software and rights	83,475	-	12,210	(16)	2,471	98,140
Trademark licenses and patents	14,923	-	-	(159)	2,856	17,620
	589,689	**230,046**	**85,325**	**(175)**	**55,242**	**960,127**
Accumulated amortization						
Development costs	(61,190)	-	(35,844)	-	-	(97,034)
Computer software and rights	(58,850)	-	(7,010)	13	(978)	(66,825)
Trademark licenses and patents	(8,232)	-	(3,342)	159	(1,759)	(13,174)
	(128,272)	-	**(46,196)**	**172**	**(2,737)**	**(177,033)**
Net book value	**461,417**					**783,094**

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

	December 31, 2012	December 31, 2011
Defy(*)	219,332	244,074
Grundig(*)	202,393	210,322
Beko	81,040	81,040
Other brands(*)	12,542	13,014
	515,307	**548,450**

(*) Values of brands in their original currencies are same as of December 31, 2012 and 2011 and the difference arises from foreign currency translation.

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

NOTE 15 - INTANGIBLE ASSETS (Continued)

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2012. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with rates between 1% and 3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 7.4% to 9.7% discount rates.

NOTE 16 – GOODWILL

	2012	2011
As of January 1	**196,167**	**7,190**
Acquisition of subsidiary (Note 3)	-	179,395
Effect of the change in contingent liabilities arising from acquisition of subsidiary (*)	-	(1,596)
Currency translation differences	(19,087)	11,178
As of December 31	**177,080**	**196,167**

(*) Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

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

As of December 31, 2012, Goodwill over Defy acquisition and other acquisitions are TRY 171,160 (December 31, 2011: TRY 190,148) and TRY 5,920 (December 31, 2011: TRY 6,019) respectively.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2012:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2013 and December 31, 2017.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3.0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 9% - 9.5% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

NOTE 16 – GOODWILL (Continued)

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

Recoverable value of cash generating unit is 70% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortisation ("EBITDA"), long term growth rate and discount rates are taken into account.

EBITDA growth expectations

Originally, average EBITDA of the future five years is assumed to be 68% greater than the value of the year 2012. Had average EBITDA of the future five years been assumed to be 38% above the value, the recoverable amount would have been calculated as 15% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Long term growth rate

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 0%, the recoverable amount would have been 27% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 9.5%. Had the rate been assumed to be 11.5%, the recoverable amount would have been 28% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 17 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Exemption of taxes and funds,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive
ı) Brand support incentive (known as "Turquality") given by Republic of Turkey Ministry of Economy.

Grants which are accounted for under other income for year ended December 31, 2012 are as follows:

i) Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 1,985 (2011: TRY 2,065),
ii) Brand support incentive (known as "Turquality") received from Republic of Turkey Ministry of Economy amounts to TRY 35,906 (2011: TRY 15,657),
iii) Donation received related to European Union 7th Framework Program amounts to TRY 274 (2011: TRY 825).

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2012, export commitments from Turkey under the scope of export incentives amounts to full USD 968,510,365 (December 31, 2011: 1,244,265,732 USD).

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

	December 31, 2012	December 31, 2011
Up to 1 year	14,147	14,330
1-5 years	27,211	25,651
Over 5 years	15,202	19,076
Operating lease commitments	**56,560**	**59,057**

Derivative financial instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2012 and December 31, 2011 are as follows.

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

December 31, 2011	Foreign exchange purchase commitments	Foreign exchange sales commitments
TRY	-	38,916
USD	250,916	5,899
EUR	79,772	19,550
ZAR	-	17,715
GBP	-	102,096
SEK	-	39,470
PLN	-	26,507
RON	12,273	-
RUB	5,815	95,948
	348,776	**346,101**

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

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

	December 31, 2012	December 31, 2011
Collaterals obtained	2,205,854	1,989,719

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2012 and 2011 are as follows:

CPM's given by the company	December 31, 2012	December 31, 2011
A. CPM's given on behalf of own corporate entities	323,043	177,329
B. CPM's given on behalf of fully consolidated subsidiaries	31,195	14,167
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**354,238**	**191,496**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2012 and 2011:

CPM's given	December 31, 2012	December 31, 2011
USD	311,784	130,297
TRY	26,059	32,248
EUR	12,714	26,857
Other	3,681	2,094
	354,238	**191,496**

NOTE 19 - PROVISIONS

	December 31, 2012	December 31, 2011
Short-term provisions:		
Warranty provision	136,967	128,996
Assembly provision	39,300	44,605
Provision for transportation cost	9,686	9,250
Provision for returns	7,461	6,756
Provision for lawsuit risks	6,284	8,021
Other	33,679	34,762
	233,377	**232,390**
Long-term provisions:		
Warranty provision	80,311	79,761
Other	1,837	1,758
	82,148	**81,519**

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

NOTE 19 – PROVISIONS (Continued)

The movements of warranty and assembly provisions for the year ended December 31, 2012 are as follows:

2012	Warranty provision	Assembly provision
As of January 1	**208,757**	**44,605**
Additions	236,029	197,897
Disposals	(224,187)	(203,202)
Currency translation differences	(3,321)	-
As of December 31	**217,278**	**39,300**

2011	Warranty provision	Assembly provision
As of January 1	**168,572**	**38,774**
Additions	218,049	168,117
Disposals	(200,717)	(162,286)
Acquisition of subsidiary	8,175	-
Currency translation differences	14,678	-
As of December 31	**208,757**	**44,605**

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY 3,033.98 (December 31, 2011: full TRY 2,731.85) for each period of service at December 31, 2012.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2012	2011
Net discount rate (%)	3.86	4.63
Turnover rate related the probability of retirement (%)	96	97

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 3,129.25 (January 1, 2012: full TRY 2,917.27) which is effective from January 1, 2013 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits are as follows:

	2012	2011
As of January 1	**106,782**	**99,700**
Interest expense	4,937	4,645
Actuarial (gains)/ losses	(6,311)	6,002
Acquisition of subsidiary (Note 3)	-	433
Increase during the year	30,592	11,180
Payments during the year	(23,506)	(15,757)
Currency translation differences	(240)	579
As of December 31	**112,254**	**106,782**

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

Turkey	110,470	103,161
Non - Turkey	1,784	3,621
	112,254	**106,782**

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

NOTE 21 - OTHER ASSETS AND LIABILITIES

	December 31, 2012	December 31, 2011
Other current assets:		
Taxes and funds deductible	39,596	59,136
Prepaid taxes and funds	26,318	24,855
Prepaid expenses	21,980	15,988
Value added tax and private consumption tax receivables	12,210	24,811
Income accruals	8,489	1,245
Advances given for fixed assets	3,429	4,480
Other	11,985	8,481
	124,007	**138,996**

	December 31, 2012	December 31, 2011
Other current liabilities		
Accruals for customer premiums	145,459	115,406
Accruals for license fee expenses	22,121	19,121
Accruals for sales and marketing expenses	17,165	11,234
Accruals for advertising expenses	8,071	6,166
Accruals for bonuses and premiums	6,926	7,057
Advances received	617	47,483
Liabilities attributable to the acquisition of subsidiary	-	2,676
Other	3,144	3,477
	203,503	**212,620**

NOTE 22 - EQUITY

Paid-in capital

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

	December 31, 2012	December 31, 2011
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

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

NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2012		December 31, 2011	
	Share %	**Amount**	**Share %**	**Amount**
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

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

Contribution to shareholders' equity related to the merger

It is related to merger with Grundig Elektronik A.Ş. dated June 30, 2009.

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

NOTE 22 - EQUITY (Continued)

Revaluation fund

Increases/decreases in carrying amounts resulted from revaluations recognized directly in the equity are followed in the funds described below:

	December 31, 2012	December 31, 2011
Financial assets fair value difference	468,792	328,795
Non-current assets fair value difference	59,024	68,660
Foreign currency hedge of net investments in foreign operations	(56,974)	(57,101)
Cash flow hedges	(557)	1,151
Revaluation fund total	**470,285**	**341,505**

Restricted reserves

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

The details of these restricted reserves are as follows:

	December 31, 2012	December 31, 2011
General legal reserves	83,690	83,690
Other legal reserves	132,997	106,376
	216,687	**190,066**

As agreed in the ordinary general meeting dated March 29, 2012, the decision to pay dividend as cash has been taken and the payment was made in April 2012 (previous year in March 2011). The dividend details are as follows: 44.4% (2011:37.0%) corresponding to gross TRY 0.44397 (full) (2011:TRY 0.36997 (full)) (net amount being equal to gross amount) per share of TRY 1,00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 40.1% (2011:37.0%) corresponding to gross TRY 0.44397 (full) (2011: TRY 0.36997 (full)) and net TRY 0.40056 (full) (2011: TRY 0.31449 (full)) per share of TRY 1,00 (full) nominal value to the other shareholders.

NOTE 22 – EQUITY (Continued)

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in capital" and not been transferred to capital yet, shall be classified under the "Inflation adjustment to share capital";
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount that has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings".

Dividend distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

In accordance with the Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, companies which are required to prepare consolidated financial statements are allowed to calculate, the distributable profit based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29, as long as the amount can be met from the resources in their statutory books.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remainder of current year income and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY 581,179 (December 31, 2011: 726,671 TRY).

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

NOTE 23 - SALES AND COST OF SALES

	2012	2011
Domestic sales	4,628,429	4,125,234
Foreign sales	6,788,210	4,913,727
Gross sales	**11,416,639**	**9,038,961**
Less: Discounts	(859,778)	(601,722)
Net sales	**10,556,861**	**8,437,239**
Cost of sales	(7,503,024)	(5,897,009)
Gross profit	**3,053,837**	**2,540,230**

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2012	2011
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	530,989	399,323
Warranty and assembly expenses	433,926	386,166
Advertising and promotion expenses	328,454	281,013
Personnel expenses	271,024	216,154
License expenses	42,828	21,237
Depreciation and amortisation expenses	17,694	11,894
Energy expenses	6,510	5,988
Other	189,475	152,479
	1,820,900	**1,474,254**
General administrative expenses:		
Personnel expenses	188,734	164,143
Insurance expenses	30,048	25,333
Information technology expenses	26,738	20,311
Depreciation and amortisation expenses	26,162	22,245
Legal consultancy and audit expenses	22,485	22,913
Rent expenses	12,039	10,314
Donations	7,177	8,136
Duties, taxes and levies	6,136	8,206
Energy expenses	4,798	4,331
Repair and maintenance expense	4,419	4,938
Other	61,192	51,702
	389,928	**342,572**
Research and development expenses (*) :		
Depreciation and amortisation expenses	54,170	36,803
Personnel expenses	11,541	19,313
Other	7,287	8,731
	72,998	**64,847**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 115,976 in 2012 (2011: TRY 102,118).

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

NOTE 25 - EXPENSES BY NATURE

	2012	2011
Raw materials, supplies and trade goods	6,633,810	5,459,496
Changes in finished goods, work in process and trade goods	(42,379)	(310,301)
Personnel expenses	995,187	824,170
Transportation, distribution and storage expenses	582,910	440,058
Warranty and assembly expenses	433,926	386,166
Advertising and promotion expenses	328,454	281,013
Depreciation and amortisation expenses	260,788	217,834
Energy expenses	90,202	70,335
Repair and maintenance expenses	61,693	51,725
License expenses	42,828	21,237
Provision expense for doubtful receivables	27,756	23,326
Product recall expenses	14,734	30,459
Other	439,521	356,021
	9,869,430	**7,851,539**

NOTE 26 - OTHER INCOME AND EXPENSES

	2012	2011
Other operating income		
Income from claims and grants	42,206	29,719
Reversal of provisions	4,107	12,228
Reversal of provisions for doubtful receivables	2,700	1,808
Income from sales of property, plant and equipment	1,973	2,631
Other	18,720	13,808
	69,706	**60,194**
Other operating expenses		
Provision expense for doubtful receivables	(27,756)	(23,326)
Product recall expenses (*)	(14,734)	(30,459)
Provision expense for impairment on inventories	(3,891)	(2,182)
Loss from sales of property, plant and equipment	(1,437)	(3,674)
Other	(34,762)	(13,216)
	(82,580)	**(72,857)**

(*) Product recall expenses includes expenses of voluntary recall which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000-2006 in England and Ireland with expired warranties. Although, these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who gives importance to product safety, required modifications were met free of charge with the aim to remove the potential risks.

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

NOTE 27 - FINANCIAL INCOME

	2012	2011
Foreign exchange gains (*)	262,955	292,123
Gains on derivative financial instruments	28,682	28,175
Interest income	25,217	35,572
Credit finance income	19,827	59,582
Other	117	106
	336,798	**415,558**

NOTE 28 - FINANCIAL EXPENSES

	2012	2011
Foreign exchange losses (*)	(226,260)	(311,756)
Interest expenses	(187,745)	(103,530)
Losses on derivative financial instruments	(55,916)	(19,816)
Cash discounts expenses	(14,270)	(18,262)
Credit finance charges	(4,160)	(9,576)
Other	(10,763)	(11,481)
	(499,114)	**(474,421)**

(*) Except for the effective portion of foreign exchange differences of the financial borrowings designated as foreign currency hedge of net investments in foreign operations, all of the foreign exchange gains and losses, arising from the translation of foreign currency denominated monetary assets and liabilities, are accounted for as foreign exchange income and expenses in the income statements under financial income and expenses respectively. There is no foreign exchange gain or loss, capitalized on assets or included above operating profit.

NOTE 29 - TAX ASSETS AND LIABILITIES

	December 31, 2012	December 31, 2011
Corporation and income taxes	86,591	61,483
Less: prepaid tax	(62,583)	(38,233)
Current income tax liabilities (net)	**24,008**	**23,250**
Deferred tax assets	85,968	63,387
Deferred tax liabilities	(236,406)	(226,142)
Deferred tax liabilities, (net)	**(150,438)**	**(162,755)**

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

The corporation tax rate is 20% in Turkey (December 31, 2011: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended at December 31, are as follows:

	2012	2011
Tax expenses		
- Current period tax expense	(85,824)	(71,996)
- Deferred tax expense	8,140	(2,326)
Tax expenses (net)	**(77,684)**	**(74,322)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Property, plant and equipment and intangible assets	1,213,884	1,148,784	(261,202)	(257,693)
Available-for-sale investments	493,467	346,102	(24,672)	(17,305)
Unearned credit finance income/expense (net)	27,427	41,353	(5,485)	(8,271)
Unused tax credits	(276,205)	(178,166)	57,116	42,150
Provision for warranty and assembly expense	(163,698)	(166,353)	33,066	33,158
Provision for employment termination benefits	(110,790)	(103,621)	22,184	20,761
Provision for impairment on inventories	(51,695)	(57,077)	10,417	11,467
Provision for doubtful receivables	(12,976)	(12,967)	2,514	2,266
Accrual for licenses	(1,815)	(7,322)	363	1,464
Derivative financial instruments	(1,504)	2,308	201	(462)
Other	(63,717)	(38,940)	15,060	9,710
Deferred tax liabilities (net)			**(150,438)**	**(162,755)**

	2012	2011
As of January 1	**(162,755)**	**(89,305)**
Tax expense recognized in income statement	8,140	(2,326)
Tax recognized directly in the shareholders' equity	(6,948)	8,787
Acquisition of subsidiary (Note 3)	-	(67,820)
Currency translation differences	11,125	(12,091)
As of December 31	**(150,438)**	**(162,755)**

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 221,427. Maturity analysis of this amount is as follows:

	December 31, 2012
2013	4,897
2014	11,360
2015	10,747
2016	12,029
2017 and after	182,394
	221,427

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31,2012, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 433,533.(December 31,2011: TRY 430,403)

Reconciliation between tax expenses for the years ended December 31, 2012 and 2011 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2012	**2011**
Profit before tax	629,372	615,409
Tax expense calculated using 20% local tax rate	**(125,874)**	**(123,082)**
Exemptions	29,949	28,079
Effect of unused tax losses for which no deferred tax asset was recognized	(5,209)	(3,834)
Expenses not deductible for tax purposes	(15,694)	(12,135)
Impact of different tax rates in other countries	(5,195)	(7,924)
Adjustments with no tax effects	17,490	22,838
Utilization of previously unrecognized tax losses	24,479	21,854
Other	2,370	(118)
Taxation expense recognized in income statement	**(77,684)**	**(74,322)**
Effective tax rate	**12.3%**	**12.1%**

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

NOTE 30 - EARNINGS PER SHARE

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

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

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

	December 31, 2012	December 31, 2011
Net income attributable to the equity holders of the parent	524,764	506,506
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.777**	**0.750**
Dividends distributed to the equity holders of the parent	300,000	250,000
Gross dividend distributed per share (*)	**0.444**	**0.370**

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2012	December 31, 2011
(a) Due from related parties		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1)	19,441	16,876
Koçtaş Yapı Marketleri Ticaret A.Ş. (1)	2,104	5,286
Other	1,041	1,240
	22,586	**23,402**

	December 31, 2012	December 31, 2011
(b) Due to related parties:		
Short-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	83,719	88,065
Arçelik-LG (2)	64,162	15,955
Ram Dış Ticaret (2)	15,855	19,139
Other	9,296	10,124
	173,032	**133,283**

(1) Koç Holding group companies
(2) Associates

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

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2012	December 31, 2011
Short term financial liabilities		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	7,030	7,077
Long term financial liabilities		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	59,540	70,539

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under financial liabilities to related parties, amounts to TRY 81,040 as of December 31, 2012. (December 31, 2011: TRY 81,040).

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

	December 31, 2012	December 31, 2011
Financial liabilities to related parties - gross		
Up to 1 year	11,221	10,956
1 to 5 years	40,823	43,634
Over 5 years	30,482	43,067
	82,526	**97,657**
Less: future finance charges on financial liabilities	(15,956)	(20,041)
Present value of financial liabilities to related parties - net	**66,570**	**77,616**

Maturity analysis of the present value of financial liabilities to related parties is as follows:

	December 31, 2012	December 31, 2011
Up to 1 year	7,030	7,077
1 to 5 years	31,466	32,039
Over 5 years	28,074	38,500
	66,570	**77,616**

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ([1])	590,068	430,733

(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ([1])	370,755	446,220

([1]) Koç Holding group companies

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

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

December 31, 2012	Contract amount	Fair value Assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	352,538	-	(284)

December 31, 2011	Contract amount	Fair value Assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	210,069	920	-

(ii) Transactions with related parties

	2012	2011
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	77,333	70,300
Zer Merkezi Hizmetler ve Ticaret A.Ş.	57,092	55,188
Koçtaş Yapı Marketleri Ticaret A.Ş.	23,510	27,430
Arçelik-LG	4,096	16,543
Other	24,318	15,471
	186,349	**184,932**

(b) Purchases of goods and services:

	2012	2011
Zer Merkezi Hizmetler ve Ticaret A.Ş.	628,428	502,301
Arçelik-LG	443,271	356,423
Ram Dış Ticaret	70,098	81,865
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	25,563	21,487
Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*)	23,070	20,893
Setur Servis Turistik A.Ş. (1)	20,541	16,749
Other	49,722	65,497
	1,260,693	**1,065,215**

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

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

(1) Koç Holding group companies
(*) The amount is composed of accrued premiums in the period ending December 31, 2012 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency.

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

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2012 amounts to TRY 34,300 (2011: TRY 37,815). Compensation includes only short-term benefits.

(d) Other transactions

	2012	**2011**
Interest income		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	10,458	12,064
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	13,030	8,316

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative financial instruments

Liquidity Risk

The Group eliminates the risk of failure to settle its financial and commercial liabilities by managing the balance sheet according to expected cash flows.

In this context, the maturities of the financial liabilities are arranged according to the maturities of assets, and a mismatch between the maturities is eliminated. There is a level of "acid-test" ratio to manage the consolidated and standalone balance sheets followed by the Group Companies' managements.

Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	4,003,509	4,380,242	683,480	1,588,440	2,055,032	53,290
Trade payables	1,168,774	1,174,188	1,150,902	23,286	-	-
Financial payables to related parties	66,570	82,526	2,606	8,615	40,823	30,482
Other payables	72,106	72,106	64,474	7,632	-	-
Other liabilities	205,208	205,208	200,799	2,704	1,705	-
	5,516,167	**5,914,270**	**2,102,261**	**1,630,678**	**2,097,559**	**83,772**

Derivative financial instruments	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		495,583	495,583	-	-	-
Derivative cash outflows		(497,087)	(497,087)	-	-	-
Derivative instruments, net	**(1,504)**	**(1,504)**	**(1,504)**	**-**	**-**	**-**

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2011 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	-
Trade payables	1,242,454	1,250,142	1,243,272	6,870	-	-
Financial payables to related parties	77,616	97,657	1,736	9,220	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	-	-
Other liabilities	214,893	214,893	206,720	5,900	2,273	-
	4,753,738	**4,966,439**	**2,340,888**	**923,045**	**1,659,439**	**43,067**

Derivative financial instruments	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		348,805	348,805	-	-	-
Derivative cash outflows		(346,068)	(346,068)	-	-	-
Derivative instruments, net	**2,737**	**2,737**	**2,737**	**-**	**-**	**-**

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

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

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

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

December 31, 2012 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**	**ZAR**	**PLN**	**SEK**
Current Asset										
Cash and cash equivalents	8.39	1.71	2.76	0.25	5.25	-	2.22	4.50	4.30	0.11
Trade receivable	4.08	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	0.00	1.09	1.12	-	7.80	8.57	5.60	-	-	-
Trade payables	6.06	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	7.85	2.49	2.50	2.59	-	8.10	-	6.73	-	-

December 31, 2011 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**	**ZAR**	**PLN**	**CZK**
Current Asset										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	13.00	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	11.60	3.69	2.24	3.20	-	-	-	7.18	-	-

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2012	2011
Financial instruments with fixed interest rates		
Time deposits	960,460	436,144
Financial liabilities	946,659	696,887
Financial instruments with variable interest rates		
Time deposits	619,438	605,499
Financial liabilities	3,056,607	2,460,004

At December 31, 2012, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 25,620 (2011: TRY 18,545) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of December 31, 2012 and 2011 are as follows:

December 31, 2012	Trade Receivables		Bank	Derivative
	Related parties	Third parties	deposits	financial instruments
Maximum exposed credit risk as of reporting date [1]	**22,586**	**3,249,860**	**1,678,456**	**2,716**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(2,712,636)	-	-
A. Net book value of financial asset either are not due or not impaired	22,586	3,004,198	1,678,456	2,716
-Secured portion by guarantees, etc.	-	(2,505,990)	-	-
B. Financial assets with renegotiated conditions	-	26,556	-	-
- Secured portion by guarantees, etc.	-	(25,967)	-	-
C. Net book value of overdue but not impaired financial assets	-	168,384	-	-
- Secured portion by guarantees, etc.	-	(129,957)	-	-
D. Net book value of the impaired assets	-	50,722	-	-
- Overdue (Gross book value)	-	143,951	-	-
- Impairment (-)	-	(93,229)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,722)		

December 31, 2011	Trade Receivables		Bank	Derivative
	Related parties	Third parties	deposits	financial instruments
Maximum exposed credit risk as of reporting date [1]	**23,402**	**3,173,486**	**1,132,629**	**2,932**
Secured portion of the maximum credit risk by guarantees, etc. [2]	-	(2,379,314)	-	-
A. Net book value of financial asset either are not due or not impaired	23,402	2,944,983	1,132,629	2,932
-Secured portion by guarantees, etc.	-	(2,187,054)	-	-
B. Financial assets with renegotiated conditions	-	29,685	-	-
- Secured portion by guarantees, etc.	-	(26,850)	-	-
C. Net book value of overdue but not impaired financial assets	-	140,562	-	-
- Secured portion by guarantees, etc.	-	(106,980)	-	-
D. Net book value of the impaired assets	-	58,256	-	-
- Overdue (Gross book value)	-	151,835	-	-
- Impairment (-)	-	(93,579)	-	-
- Secured portion of the net value by guarantees, etc.	-	(58,376)	-	-

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	December 31, 2012	December 31, 2011
Group 1	24,004	10,458
Group 2	2,968,205	2,917,628
Group 3	61,131	69,984
	3,053,340	**2,998,070**

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

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

	December 31, 2012	December 31, 2011
0-1 month	116,741	100,241
1-3 months	31,983	22,109
3-12 months	14,606	10,995
1-5 years	5,054	7,217
	168,384	**140,562**

c) Geographical concentration of the trade receivables

	December 31, 2012	December 31, 2011
Turkey	1,732,102	1,758,175
Europe	1,102,820	986,444
Other	437,524	452,269
	3,272,446	**3,196,888**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations performed using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilising forward foreign currency transactions.

The Group used derivative financial instruments in forms of foreign exchange forward contracts and options, which are designated as a cash flow hedge against the foreign currency risk in the cash outflows expected during the acquisition of subsidiary.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2012, a portion of bank borrowings in Euro amounting to EUR 328,750,000(before tax) was designated as a net investment hedging instrument (December 31, 2011: EUR 150,000,000).

Foreign currency position

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

	December 31, 2012	December 31, 2011
Assets	2,368,713	1,762,858
Liabilities	(2,874,892)	(2,496,757)
Net balance sheet position	**(506,179)**	**(733,899)**
Net position of derivative financial instruments	617,836	340,290
Net foreign currency position	**111,657**	**(393,609)**

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY Equivalent
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	-	-	-	-	-	-	-	131,669	-	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**
Net balance sheet position	**(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 financial assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	1,043,406
Off-balance sheet derivative financial liabilities (*)	(16,151)	(9,672)	(68,500)	(1,500,000)	(40,000)	-	-	(80,000)	(110,000)	-	-	(10,000)	-	-	(425,570)
Net position of off-balance sheet items	281,687	170,167	(68,500)	(1,356,797)	(25,611)	-	-	(61,306)	(110,000)	-	-	(9,644)	-	-	617,836
Net foreign currency asset/ (liability) position	**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**

(*) 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.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY equivalent
Against TRY	(13,711)	(4,062)	(9,856)	356,715	19,868	93,573	1	93,067	16,971	-	-	4,871	-	-	11,151
Against EUR	-	(1,467)	-	-	-	(320)	-	-	9,128	-	131,669	-	-	-	68,533
Against RUB	2,672	(1,225)	-	-	-	-	-	-	-	-	-	-	-	-	4,100
Against PLN	(1,998)	18	-	-	-	-	-	-	-	-	-	-	-	-	(4,667)
Against GBP	6,436	-	-	-	-	-	-	-	-	-	-	-	-	-	15,136
Against RON	6,365	1,126	3,234	-	-	-	-	-	-	(34)	-	-	-	(1,736)	26,213
Against CZK	(1,305)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,069)
Against NOK	(8)	(299)	-	-	-	-	-	(23,050)	-	705	-	-	-	-	(6,604)
Against SEK	35	(79)	-	-	-	-	(743)	-	-	-	-	-	-	-	(296)
Against CNY	3,786	(15,360)	3,114	-	-	-	-	-	-	-	-	-	-	-	(9,537)
Against ZAR	(161)	1,092	-	-	-	-	-	-	-	-	-	-	-	-	1,568
Against AUD	5,730	966	-	-	-	-	-	-	-	-	-	-	2,294	-	18,573
Against EGP	(1,186)	(3,025)	-	-	-	-	-	-	-	-	-	-	-	-	(8,181)
Against UAH	(531)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,249)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
	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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2011 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	AED	TRY Equivalents
Current assets											
Trade receivables	344,250	79,315	98,398	1,380,711	50,831	57,369	2	151,136	-	9,657	1,438,098
Monetary financial assets	14,406	1,857	6	100,001	48	-	81	-	-	-	44,598
Other	15,385	43,504	49	-	-	-	-	-	-	-	119,916
Non-Current assets											
Trade receivables	-	-	-	-	-	-	-	-	684,258	-	160,246
Total assets	**374,041**	**124,676**	**98,453**	**1,480,712**	**50,879**	**57,369**	**83**	**151,136**	**684,258**	**9,657**	**1,762,858**
Current liabilities											
Trade payables	97,852	76,719	1,127	-	-	-	-	87,599	-	-	411,178
Financial liabilities	295,363	1,243	204	-	-	-	-	-	4,258	-	725,748
Other monetary financial liabilities	2,324	2,846	-	-	-	-	-	-	-	-	11,055
Non-Current liabilities											
Trade payables	-	37,344	-	-	-	-	-	-	-	-	70,539
Financial liabilities	300,044	127,000	50,000	-	-	-	-	-	680,000	-	1,278,237
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**695,583**	**245,152**	**51,331**	-	-	-	-	**87,599**	**684,258**	-	**2,496,757**
Net balance sheet position	**(321,542)**	**(120,476)**	**47,122**	**1,480,712**	**50,879**	**57,369**	**83**	**63,537**	-	**9,657**	**(733,899)**
Off-balance sheet derivative financial assets (*)	152,643	132,837	-	100,000	-	-	-	-	-	-	629,759
Off-balance sheet derivative financial liabilities (*)	(8,000)	(3,123)	(35,000)	(1,650,000)	(48,000)	-	-	(145,000)	-	-	(289,469)
Net position of off-balance sheet items	144,643	129,714	(35,000)	(1,550,000)	(48,000)	-	-	(145,000)	-	-	340,290
Net foreign currency asset/ (liability) position	**(176,899)**	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,463)**	-	**9,657**	**(393,609)**

(*) 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.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	AED	TRY Equivalents
Against TRY	(177,328)	18,434	7,250	(69,288)	1,836	57,689	84	6,136	9,657	(368,202)
Against EUR	-	372	-	-	1,043	(320)	-	-	-	1,249
Against RUB	336	1,783	-	-	-	-	-	-	-	4,189
Against PLN	(1,593)	9	-	-	-	-	-	-	-	(3,876)
Against GBP	4,797	-	-	-	-	-	-	-	-	11,723
Against RON	(789)	3,062	2,502	-	-	-	-	-	-	11,154
Against CZK	(3,038)	-	-	-	-	-	-	-	-	(7,424)
Against NOK	414	-	-	-	-	-	-	(87,599)	-	(22,833)
Against SEK	392	(1,058)	-	-	-	-	(1)	-	-	(1,040)
Against CNY	1,491	(9,593)	2,370	-	-	-	-	-	-	(7,563)
Against ZAR	(1,575)	(3,771)	-	-	-	-	-	-	-	(10,972)
Other	(6)	-	-	-	-	-	-	-	-	(14)
	(176,899)	9,238	12,122	(69,288)	2,879	57,369	83	(81,463)	9,657	(393,609)

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2012, sensitivity analysis of foreign exchange rate tables is presented below, Secured portions include impact of derivative financial instruments.

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	**Foreign Exchange depreciation by 10%**	**Foreign Exchange appreciation by 10%**	**Foreign Exchange depreciation by 10%**
USD net asset/liability	(34,312)	34,312	(34,312)	34,312
Secured portion from USD risk	30,334	(30,334)	30,334	(30,334)
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)**

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2011, sensitivity analysis of foreign exchange rate tables is presented below. Secured portions include impact of derivative financial instruments.

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	**Foreign Exchange depreciation by 10%**	**Foreign Exchange appreciation by 10%**	**Foreign Exchange depreciation by 10%**
USD net asset/liability	(22,757)	22,757	(22,757)	22,757
Secured portion from USD risk	24,502	(24,502)	24,502	(24,502)
USD Net effect	**1,745**	**(1,745)**	**1,745**	**(1,745)**
EUR net asset/liability	(49,252)	49,252	(62,146)	62,146
Secured portion from EUR risk	6,022	(6,022)	35,348	(35,348)
EUR Net effect	**(43,230)**	**43,230**	**(26,798)**	**26,798**
GBP net asset/liability	13,745	(13,745)	33,045	(33,045)
Secured portion from GBP risk	(10,210)	10,210	(10,210)	10,210
GBP Net effect	**3,535**	**(3,535)**	**22,835**	**(22,835)**
RUB net asset/liability	8,610	(8,610)	23,367	(23,367)
Secured portion from RUB risk	(9,013)	9,013	(9,013)	9,013
RUB Net effect	**(403)**	**403**	**14,354**	**(14,354)**
RON net asset/liability	-	-	28,237	(28,237)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	**28,237**	**(28,237)**
PLN net asset/liability	2,810	(2,810)	5,443	(5,443)
Secured portion from PLN risk	(2,651)	2,651	(2,651)	2,651
PLN Net effect	**159**	**(159)**	**2,792**	**(2,792)**
CZK net asset/liability	549	(549)	1,117	(1,117)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	**549**	**(549)**	**1,117**	**(1,117)**
NOK net asset/liability	3	(3)	123	(123)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	**3**	**(3)**	**123**	**(123)**
SEK net asset/liability	1,730	(1,730)	2,422	(2,422)
Secured portion from SEK risk	(3,947)	3,947	(3,947)	3,947
SEK Net effect	**(2,217)**	**2,217**	**(1,525)**	**1,525**
ZAR net asset/liability	-	-	39,614	(39,614)
Secured portion from ZAR risk	-	-	-	-
ZAR Net effect	-	-	**39,614**	**(39,614)**
AED net asset/liability	499	(499)	499	(499)
Secured portion from AED risk	-	-	-	-
AED Net effect	**499**	**(499)**	**499**	**(499)**
AUD net asset/liability	-	-	104	(104)
Secured portion from AUD risk	-	-	-	-
AUD Net effect	-	-	**104**	**(104)**
	(39,360)	39,360	83,097	(83,097)

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2012 and 2011 are as follows:

		2012		2011
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	1,058,816,343	2,440,091	832,758,148	1,961,295
USD	275,566,286	493,105	232,512,373	384,625
GBP	258,135,976	733,652	226,960,417	613,175
Other		455,776		309,499
Total exports		**4,122,624**		**3,268,594**
EUR	455,054,620	1,046,470	407,980,902	948,152
USD	1,019,116,675	1,828,107	807,889,674	1,357,796
GBP	978,674	2,781	897,526	2,448
Other		4,087		9,383
Total imports		**2,881,445**		**2,317,779**

Capital Risk Management

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

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

The gearing ratios at December 31, 2012 and 2011 are as follows:

	December 31, 2012	**December 31, 2011**
Total financial liabilities (Note 7)	4,003,509	3,157,180
Less: Cash and cash equivalents (Note 5)	(1,740,789)	(1,173,889)
Net financial liabilities	2,262,720	1,983,291
Total shareholders' equity	3,927,235	3,651,641
Total capital invested	**6,189,955**	**5,634,932**
Gearing ratio	**37%**	**35%**

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

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

Financial Liabilities

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

As of December 31, 2012 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,218,227 (December 31, 2011: TRY 2,078,684) (Note 7), and TRY 3,215,608 (December 31, 2011: TRY 2,094,429) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

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

NOTE 33 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31, 2012 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,176	
Financial assets	-	637,253	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	3,680	-

Fair value hierarchy table as at December 31, 2011 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,932	
Financial assets	-	489,888	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	195	-

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

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements,

"Changes in provisions" and "Changes in operating assets and liabilities" presented in the consolidated statements of cash flows are as follows:

	December 31, 2012	December 31, 2011
Changes in provisions:		
Accrual for customer premiums	30,053	53,442
Provision for doubtful receivables	27,756	23,326
Warranty provision	8,521	32,010
Accrual for sales and marketing expenses	5,931	(8,113)
Provision for employment termination benefits	5,472	6,070
Provision for impairment on inventories	3,891	2,182
Accruals for license expenses	3,000	(907)
Accrual for advertisement expenses	1,905	(4,935)
Provisions for impairment on investment property	941	-
Return provisions	705	521
Accrual for bonuses and premiums	(131)	(4,066)
Provision for legal claims	(1,737)	1,394
Assembly and transportation provision	(4,869)	6,825
	81,438	**107,749**
Changes in operating assets and liabilities:		
Other non-current liabilities	(489)	274
Other current assets and liabilities	(54,619)	(8,235)
Inventories	(73,408)	(456,618)
Trade payables and due to related parties	(84,726)	219,570
Trade receivables and due from related parties	(103,314)	(751,682)
	(316,556)	**(996,692)**

NOTE 35- EVENTS AFTER BALANCE SHEET DATE

Arçelik A.Ş. applied to Capital Markets Board of Turkey on January 24, 2013 for an approval for a bond issuance, up to US Dollars 1 billion in total or its equivalent in any other foreign currency to be sold to investors in financial markets outside of Turkey. Application is on the agenda of Capital Markets Board of Turkey and process of evaluation is in progress.

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