

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish-see Note 2.4)

Arçelik Anonim Şirketi

January 1 – June 30, 2012 condensed interim consolidated financial statements together with independent auditor's review report

(Convenience translation of the independent auditor's review report originally issued in Turkish -- see additional paragraph in Note 2.5)

**Review report on the condensed interim consolidated financial statements
for the period January 1 – June 30, 2012**

To the Board of Directors of Arçelik Anonim Şirketi:

We have reviewed the accompanying consolidated balance sheet of Arçelik Anonim Şirketi and its subsidiaries (collectively referred to as "the Group") as of June 30, 2012 and related statement of consolidated income, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flow for the six-months period then ended. The Group management is responsible for the preparation and presentation of those condensed interim consolidated financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with standards on auditing issued by Capital Market Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing issued by Capital Market Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with financial reporting standards issued by Capital Market Board.

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



Ertan Ayhan, SMMM
Engagement Partner

August 1, 2012
Istanbul, Turkey

ARÇELİK ANONİM ŞİRKETİ

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(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2012 AND DECEMBER 31, 2011

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

		Reviewed	Audited
	Notes	June 30, 2012	December 31, 2011
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,117,359	1,173,889
Derivative financial instruments	7	3,834	2,932
Trade receivables	8	3,746,595	3,180,870
Inventories	9	1,648,028	1,530,141
Other current assets	17	117,143	138,996
Total current assets		6,632,959	6,026,828
<hr/>			
Assets held for sale		7,486	7,021
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Non-current assets:			
Trade receivables	8	13,311	16,018
Financial investments	5	505,316	491,376
Associates	11	172,348	160,580
Investment properties	12	5,894	6,441
Property, plant and equipment	13	1,464,053	1,446,841
Intangible assets	14	759,579	783,094
Goodwill		185,779	196,167
Deferred tax assets	22	74,228	63,387
Total non-current assets		3,180,508	3,163,904
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Total assets		9,820,953	9,197,753

These condensed interim consolidated financial statements as at and for the interim period ended June 30, 2012, have been approved for issue by the Board of Directors on August 1, 2012 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2012 AND DECEMBER 31, 2011

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

	Notes	Reviewed	Audited
		June 30, 2012	December 31, 2011
LIABILITIES			
Current liabilities:			
Financial liabilities	6	2,246,058	1,628,943
Financial liabilities to related parties	24	6,733	7,077
Derivative financial instruments	7	1,977	195
Trade payables	8	1,361,685	1,242,454
Other payables	10	140,572	183,691
Current income tax liabilities	22	34,985	23,250
Provisions	16	254,206	232,390
Other current liabilities	17	297,121	212,620
Total current liabilities		4,343,337	3,530,620
Non-current liabilities:			
Financial liabilities	6	1,405,390	1,528,237
Financial liabilities to related parties	24	64,066	70,539
Provisions for employment termination benefits		113,737	106,782
Deferred tax liabilities	22	223,080	226,142
Provisions	16	78,022	81,519
Other non-current liabilities		1,849	2,273
Total non-current liabilities		1,886,144	2,015,492
Total liabilities		6,229,481	5,546,112
EQUITY			
Paid-in capital	18	675,728	675,728
Adjustment to share capital	18	468,811	468,811
Share premium		889	889
Revaluation fund	18	358,409	341,505
Restricted reserves	18	216,687	190,066
Currency translation differences		72,336	145,922
Contribution to shareholders' equity due to merger	18	14,507	14,507
Retained earnings		1,382,375	1,201,658
Net income for the period- equity holders of the parent		287,967	506,506
Attributable to			
Equity holders of the parent		3,477,709	3,545,592
Non-controlling interest		113,763	106,049
Total equity		3,591,472	3,651,641
Total liabilities and equity		9,820,953	9,197,753

Commitments, contingent assets and liabilities 15

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

ARÇELİK ANONİM ŞİRKETİ

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011

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

	Notes	Reviewed		April 1 - June 30, 2012	April 1 - June 30, 2011
		January 1 - June 30, 2012	January 1 - June 30, 2011		
Net sales	3	5,184,788	3,728,447	2,778,803	2,029,061
Cost of sales		(3,705,193)	(2,573,870)	(1,979,945)	(1,407,139)
Gross profit		1,479,595	1,154,577	798,858	621,922
Marketing, selling and distribution expenses		(871,665)	(653,173)	(459,815)	(360,220)
General administrative expenses		(182,036)	(144,721)	(97,600)	(72,822)
Research and development expenses		(46,044)	(35,693)	(22,808)	(18,068)
Other income	19	34,137	26,399	22,837	19,318
Other expenses	19	(28,104)	(27,275)	(18,894)	(17,262)
Operating profit		385,883	320,114	222,578	172,868
Income from associates (net)	11	23,543	17,479	15,198	10,735
Financial income	20	209,292	262,064	76,186	102,131
Financial expenses	21	(279,614)	(262,686)	(116,404)	(110,185)
Income before tax		339,104	336,971	197,558	175,549
Income tax					
- Taxes on income	22	(47,261)	(57,129)	(27,570)	(31,039)
- Deferred tax income/expense	22	8,513	(1,850)	3,353	646
Net income		300,356	277,992	173,341	145,156
Attributable to:					
Non-controlling interest		12,389	15,214	6,535	7,984
Equity holders of the parent		287,967	262,778	166,806	137,172
Earnings per share (Kr)	23	0.426	0.389	0.247	0.203

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

ARÇELİK ANONİM ŞİRKETİ

**INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011**

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

	Reviewed			
	January 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Net income for the period	300,356	277,992	173,341	145,156
Other comprehensive income /(expense):				
Fair value gains/losses on financial assets	13,940	(55,760)	13,940	(55,760)
Tax effect	(697)	2,788	(697)	2,788
	13,243	(52,972)	13,243	(52,972)
Foreign currency hedge of net investments in foreign operations	25,637	(45,015)	14,027	(25,479)
Tax effect	(5,127)	9,003	(2,805)	5,096
	20,510	(36,012)	11,222	(20,383)
Share of other comprehensive income of associates	(968)	-	(537)	-
Tax effect of amortization calculated over intangible assets revaluation increases	212	200	105	102
Currency translation differences	(93,522)	105,149	(63,501)	50,667
Reclassifications:				
Cash flow hedge fund (net)	-	(271)	-	(271)
Other comprehensive income / (loss) (net of tax)	(60,525)	16,094	(39,468)	(22,857)
Total comprehensive income	239,831	294,086	133,873	122,299
Attributable to:				
Non-controlling interest	7,714	22,415	4,985	11,811
Equity holders of the parent	232,117	271,671	128,888	110,488

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

ARÇELİK ANONİM ŞİRKETİ

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 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	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
<i>Comprehensive income</i>												
Net income for the period	-	-	-	-	-	-	-	-	262,778	262,778	15,214	277,992
<i>Other comprehensive income:</i>												
Fair value gains on financial assets (net)	-	-	-	(52,972)	-	-	-	-	-	(52,972)	-	(52,972)
Cash flow hedge fund (net)	-	-	-	(271)	-	-	-	-	-	(271)	-	(271)
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(36,012)	-	-	-	-	-	(36,012)	-	(36,012)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	200	-	-	-	-	-	200	-	200
Currency translation differences	-	-	-	28,824	-	69,124	-	-	-	97,948	7,201	105,149
Total other comprehensive income	-	-	-	(60,231)	-	69,124	-	-	-	8,893	7,201	16,094
Total comprehensive income	-	-	-	(60,231)	-	69,124	-	-	262,778	271,671	22,415	294,086
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(785)	-	-	-	785	-	-	-	-
Dividends paid	-	-	-	-	21,621	-	-	(271,621)	-	(250,000)	-	(250,000)
As of June 30, 2011	675,728	468,811	889	450,953	190,066	98,709	14,507	1,200,782	262,778	3,363,223	88,597	3,451,820
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
<i>Comprehensive income</i>												
Net income for the period	-	-	-	-	-	-	-	-	287,967	287,967	12,389	300,356
<i>Other comprehensive income:</i>												
Fair value gains on financial assets (net)	-	-	-	13,243	-	-	-	-	-	13,243	-	13,243
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	20,510	-	-	-	-	-	20,510	-	20,510
Share of other comprehensive income/(loss) of associates	-	-	-	(968)	-	-	-	-	-	(968)	-	(968)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	212	-	-	-	-	-	212	-	212
Currency translation differences	-	-	-	(15,261)	-	(73,586)	-	-	-	(88,847)	(4,675)	(93,522)
Total other comprehensive income	-	-	-	17,736	-	(73,586)	-	-	-	(55,850)	(4,675)	(60,525)
Total comprehensive income	-	-	-	17,736	-	(73,586)	-	-	287,967	232,117	7,714	239,831
Transfers	-	-	-	-	-	-	-	506,506	(506,506)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(832)	-	-	-	832	-	-	-	-
Dividends paid	-	-	-	-	26,621	-	-	(326,621)	-	(300,000)	-	(300,000)
As of June 30, 2012	675,728	468,811	889	358,409	216,687	72,336	14,507	1,382,375	287,967	3,477,709	113,763	3,591,472

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

ARÇELİK ANONİM ŞİRKETİ

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR PERIODS ENDED JUNE 30, 2012 AND 2011

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

	Notes	Reviewed	
		June 30, 2012	June 30, 2011
Operating activities:			
Income before tax		339,104	336,971
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes:</i>			
Changes in provisions	26	149,679	161,600
Depreciation and amortization		129,027	103,155
Interest income	20	(12,561)	(21,555)
Interest expense	21	91,262	48,221
Income from associates (net)	11	(23,543)	(17,479)
Gain/loss from sales of tangible and intangible assets (net)		(294)	636
Gain/loss from sales of financial assets		-	29
Net cash flow from operating activities before changes in operating assets and liabilities		672,674	611,578
Changes in operating assets and liabilities (net)	26	(639,705)	(689,473)
Corporate taxes paid		(25,491)	(20,727)
Cash flows from operating activities		7,478	(98,622)
Investing activities:			
Acquisition of tangible and intangible assets		(179,166)	(104,144)
Interest received		12,678	24,854
Cash provided from sales of tangible and intangible assets		1,443	4,245
Dividends received	11	10,807	5,553
Cash provided from sales of financial assets		-	4
Cash flows from investing activities		(154,238)	(69,488)
Financing activities:			
Proceeds from bank borrowings		1,275,102	513,840
Repayment of bank borrowings		(787,129)	(474,077)
Dividends paid		(300,000)	(250,000)
Interest paid		(84,963)	(46,583)
Cash flows from financing activities		103,010	(256,820)
Currency translation differences (net)		(12,663)	8,090
Net decrease in cash and cash equivalents		(56,413)	(416,840)
Cash and cash equivalents at January 1	4	1,172,662	1,313,075
Cash and cash equivalents at June 30	4	1,116,249	896,235

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - “Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 18).

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 June 30, 2012, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in the period ended June 30, 2012 is 22,275 (1 January-30 June 2011: 18,280).

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Continuing operations as of balance sheet date:			
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Ardutch B.V. Taiwan (“Ardutch Taiwan”)	Taiwan	Purchase	Consumer durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”)	Australia	Sales	Consumer durables
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. (“Beko Espana”)	Spain	Sales	Consumer durables/Electronics
Beko France S.A.S. (Beko France”)	France	Sales	Consumer durables/Electronics
Beko Italy SRL (“Beko Italy”)	Italy	Sales	Consumer durables/Electronics
Beko Llc. (“Beko Russia”)	Russia	Production/Sales	Consumer durables/Electronics
Beko Plc. (“Beko UK”)	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. (“Beko Polska”)	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic (“Beko Czech”)	Czech Republic	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer durables
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 Two”)	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	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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

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

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Ceased operations as of balance sheet date			
Archin Limited (“Archin”)	Hong Kong, China	-	-
ArcticPro SRL (“ArcticPro”)	Romania	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	-	-
Beko Magyarország K.F.T. (“Beko Magyarország”)	Hungary	-	-
Beko S.A. Hungary (“Beko Hungary”)	Hungary	-	-
Beko Ukraina (“Beko Ukraina”)	Ukraina	-	-
Blomberg Werke GmbH (“Blomberg Werke”)	Germany	-	-
Carron SA (Proprietary) Limited (“Defy Carron”)	Republic of South Africa	-	-
Grundig Ceska Republika S.r.o (“Grundig Ceska”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Italiana S.p.A. (“Grundig Italy”)	Italy	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Grundig Slovakia s.r.o (“Grundig Slovakia”)	Slovakia	-	-
Ocean Appliances Limited. (“Defy Ocean”)	Republic of South Africa	-	-
Associates			
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 accounting and reporting principles 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 of the Accounting and Auditing Standards Board (formerly Turkish Accounting Standards Board), IAS/IFRS shall be applied.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey 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 January 1, 2005.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012**

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

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

In accordance with the Communiqué No: XI-29, entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with IAS 34, “Interim Financial Reporting”. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods and prepared the aforementioned condensed consolidated financial statements in compliance with CMB Financial Reporting Standards.

The condensed interim 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 condensed interim consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated April 14, 2008 and January 9, 2009 including the compulsory disclosures.

Arçelik maintains its books of account and prepare its statutory financial statements (“Statutory Financial Statements”) in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and 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 condensed interim consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, 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 assets presented at fair values, and the revaluation fund related with the difference between the carrying value and fair value of the intangible assets arisen from business combinations which are accounted for.

New and amended standards and interpretations:

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at 30 June 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include

- i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale
- 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. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. This amendment did not have impact on the financial position or performance of the Group.

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

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, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the condensed interim consolidated financial statements are as follows. 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 Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, with earlier application is permitted. 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 amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group is in the process of assessing the impact of the amended standard on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have impact on the financial position or performance of the Group.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

IAS 28 Investments in Associates and Joint Ventures (Amended)

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

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

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 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. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only.

IFRS 9 Financial Instruments – Classification and measurement

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

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

IFRS 10 Consolidated Financial Statements

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

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment.

On 28 June 2012 IFRS 10 has been amended. The amendments change the transition guidance to provide further relief from full retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2013 in line with dates of effectiveness of IFRS 10. 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 11 Joint Arrangements

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

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.

On 28 June 2012 IFRS 11 has been amended. The amendments change the transition guidance to provide further relief from full retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2013 in line with dates of effectiveness of IFRS 11. This standard has not yet been endorsed by the EU. The Group does not expect that this standard will have a significant impact on 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 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

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

These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.

On 28 June 2012 IFRS 12 has been amended. The amendments change the transition guidance to provide further relief from full retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2013 in line with dates of effectiveness of IFRS 12. This standard has not yet been endorsed by the EU. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to 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

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2011, include the accounts of the parent company, Arçelik, and its Subsidiaries.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, at June 30, 2012 and December 31, 2011 (%) and their functional currencies:

	Functional Currency	June 30, 2012		December 31, 2011	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romenian 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	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 France	Euro	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zlotych	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 ⁽¹⁾	British Pound	50.00	50.00	50.00	50.00
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 Two	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	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 Egypt ⁽²⁾	-	100.00	100.00	-	-
Beko Magyarorszag	-	100.00	100.00	100.00	100.00
Beko Hungary	-	100.00	100.00	100.00	100.00
Beko Ukraina ⁽²⁾	-	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	-	100.00	100.00	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⁾ 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.

⁽²⁾ Incorporated in 2012.

⁽³⁾ Beko Deutschland and Bloomberg Vertrieb legally merged in April 2012.

⁽⁴⁾ Dissolved in 2012.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods’ financial statements

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

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 24) 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 are 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 provisions and net change of assets and liabilities amounts to TRY 4,153 in consolidated statement of cash flow for the period ended June 30, 2011.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new TAS/IFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/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

The condensed interim consolidated financial statements of the Group for the six months period ended June 30, 2012 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2011. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

2.4 Convenience translation into English of condensed interim consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2.1 to the condensed interim consolidated financial statements (defined as CMB Financial Reporting Standards) 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 - December 31, 2005. Accordingly, the accompanying condensed interim consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - 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 six-month period ended June 30, 2012 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	3,254,662	972,657	957,469	5,184,788
Gross profit	1,024,444	207,308	247,843	1,479,595
Depreciation and amortisation	104,711	22,275	4,826	131,812
Capital expenditures	150,997	26,005	4,949	181,951
Income from associates	-	-	23,543	23,543

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

- b) Operational segments which have been prepared in accordance with the reportable segments for the six-month period ended June 30, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	2,382,911	610,136	735,400	3,728,447
Gross profit	816,427	136,986	201,164	1,154,577
Depreciation and amortization	81,604	18,482	4,433	104,519
Capital expenditures	88,061	14,868	2,579	105,508
Income from associates	-	-	17,479	17,479

- c) Operational segments which have been prepared in accordance with the reportable segments for the period between April 1- June 30, 2012 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	1,744,450	487,343	547,010	2,778,803
Gross profit	547,454	104,185	147,219	798,858
Depreciation and amortization	52,928	11,167	2,183	66,278
Capital expenditures	108,784	11,888	2,465	123,137
Income from associates	-	-	15,198	15,198

- d) Operational segments which have been prepared in accordance with the reportable segments for the period between April 1- June 30, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	1,283,414	291,633	454,014	2,029,061
Gross profit	425,634	69,672	126,616	621,922
Depreciation and amortization	39,718	9,445	2,566	51,729
Capital expenditures	53,846	7,618	1,903	63,367
Income from associates	-	-	10,735	10,735

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

e) Sales revenue, grouped geographically for the six-months periods ended at June 30, are as below:

January 1 – June 30, 2012	Turkey	Europe	Africa	Other	Total
Total segment revenue	2,262,329	1,910,550	462,300	549,609	5,184,788
Income from associates	23,543	-	-	-	23,543

January 1 – June 30, 2011	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,885,303	1,365,120	49,417	428,607	3,728,447
Income from associates	17,479	-	-	-	17,479

f) Sales revenue, grouped geographically for the period between April 1- June 30, are as below:

April 1 – June 30, 2012	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,225,146	1,010,705	239,659	303,293	2,778,803
Income from associates	15,198	-	-	-	15,198

April 1 – June 30, 2011	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,044,720	717,579	26,503	240,259	2,029,061
Income from associates	10,735	-	-	-	10,735

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2012	December 31, 2011
Cash in hand	324	309
Cash at banks		
- demand deposits	61,168	90,986
- time deposits	977,294	1,040,416
Cheques and notes	72,235	38,044
Other	5,228	2,907
Cash and cash equivalents in cash flow statement	1,116,249	1,172,662
Interest income accruals	1,110	1,227
	1,117,359	1,173,889

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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

	June 30, 2012	December 31, 2011
Up to 30 days	821,254	839,628
30-90 days	296,105	334,261
	1,117,359	1,173,889

The effective interest rates (%) of time deposits are as follows:

TRY	11.8	-
USD	-	1.9
EUR	1.7	1.8
RON	3.7	4.7
GBP	0.2	0.2
CNY	1.3	2.1
PLN	4.4	4.1
ZAR	5.0	5.0
CZK	0.2	0.4
NOK	2.0	2.3

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	June 30, 2012		December 31, 2011	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	503,828	3.98	489,888
Other		1,488		1,488
		505,316		491,376

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	June 30, 2012	December 31, 2011
Short-term bank borrowings	1,260,752	1,078,206
Short-term portion of long-term bank borrowings	985,196	550,554
Other	110	183
	2,246,058	1,628,943

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of June 30, 2012, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.0	-	38,477
EUR	2.4	439,357,237	999,186
USD	1.3	68,000,000	122,842
RUB	8.5	1,534,712,910	83,627
CNY	6.1	52,078,675	14,685
RON	4.8	2,024,822	1,026
SEK	2.6	3,527,068	909
			1,260,752

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

	June 30, 2012	December 31, 2011
Long-term bank borrowings	1,405,290	1,528,130
Other	100	107
	1,405,390	1,528,237

As of June 30, 2012, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	12.0	-	1,066,245
EUR	3.2	352,286,111	801,169
USD	2.2	127,353,630	230,064
ZAR	7.2	683,989,245	151,335
GBP	3.2	50,210,704	141,673
			2,390,486
Less: Short-term portion			(985,196)
			1,405,290

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

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

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

	June 30, 2012	December 31, 2011
2013	150,450	1,039,370
2014	604,840	488,760
2015	650,000	-
	1,405,290	1,528,130

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

Up to 6 months	3,347,904	2,660,751
6-12 months	303,334	306,685
1-5 years	-	189,454
	3,651,238	3,156,890

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2012			December 31, 2011		
	Contract amount	Fair value Assets / (Liabilities)		Contract amount	Fair value Assets / (Liabilities)	
<i>Held for trading:</i>						
Forward transactions	371,752	359	(1,977)	400,607	2,364	(134)
Foreign currency swap contracts	240,208	3,475	-	294,270	568	(61)
	611,960	3,834	(1,977)	694,877	2,932	(195)

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2012	December 31, 2011
Short-term trade receivables:		
Trade receivables	2,471,233	1,864,092
Notes receivables	1,203,302	1,241,891
Cheques receivables	142,002	165,888
Due from related parties (Note 24)	41,024	23,402
Short-term trade receivables (gross)	3,857,561	3,295,273
Provision for doubtful receivables	(88,083)	(93,579)
Unearned credit finance income	(22,883)	(20,824)
Short-term trade receivables (net)	3,746,595	3,180,870

Movements in the provision for doubtful receivables for the six months periods ended June 30, are as follows:

	2012	2011
Balance as of January 1	93,579	110,611
Additions (Note 19)	4,847	9,498
Provisions released (Note 19)	(1,597)	(1,090)
Write-offs	(5,595)	(226)
Currency translation differences	(3,151)	6,434
Balance as of June 30	88,083	125,227

	June 30, 2012	December 31, 2011
Long-term trade receivables:		
Trade receivables	13,311	16,018
	13,311	16,018
Short-term trade payables:		
Trade payables	1,040,313	1,120,739
Due to related parties (Note 24)	330,224	133,283
Unearned credit finance charges	(8,852)	(11,568)
	1,361,685	1,242,454

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NOTE 9 - INVENTORIES

	June 30, 2012	December 31, 2011
Raw materials and supplies	752,675	783,785
Work in progress	56,107	49,382
Finished goods	711,571	576,128
Trade goods	190,259	184,157
Inventories (gross)	1,710,612	1,593,452
Provision for impairment on inventories	(62,584)	(63,311)
Inventories (net)	1,648,028	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:

	June 30, 2012	December 31, 2011
Raw materials and supplies	54,649	55,059
Finished goods	5,299	5,698
Trade goods	2,636	2,554
	62,584	63,311

Movements of provision for impairment on inventories for the six months periods ended June 30, are as follows:

	2012	2011
Balance as of January 1	63,311	72,578
Additions (Note 19)	1,020	1,148
Realized due to sales of inventory	(1,298)	(2,361)
Currency translation differences	(449)	919
Balance as of June 30	62,584	72,284

NOTE 10 – OTHER PAYABLES

	June 30, 2012	December 31, 2011
Taxes and duties payable	111,343	122,096
Payables to personnel	16,480	51,655
Deposits and guarantees received	7,644	6,243
Dividends payable to equity holders	4,125	2,002
Other	980	1,695
	140,572	183,691

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NOTE 11 - ASSOCIATES

	June 30, 2012		December 31, 2011	
	%	TRY	%	TRY
Koç Tüketici Finans	47.0	73,286	47.0	74,287
Arçelik - LG	45.0	78,966	45.0	67,296
Ram Dış Ticaret	33.5	14,197	33.5	13,026
Tanı Pazarlama	32.0	5,899	32.0	5,971
		172,348		160,580

The movements of associates for the six months periods ended June 30, are as follows:

	2012	2011
Balance as of January 1	160,580	136,604
Shares of income/loss of associates	23,543	17,479
Shares of other comprehensive income of associates	(968)	-
Dividends received	(10,807)	(5,553)
Balance as of June 30	172,348	148,530

Shares of income/loss from associates

	1 January- June 30, 2012	1 January- June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Koç Tüketici Finans	9,367	7,151	4,768	3,715
Arçelik - LG	11,670	6,174	9,086	4,636
Ram Dış Ticaret	2,578	2,249	1,351	1,185
Tanı Pazarlama	(72)	1,905	(7)	1,199
	23,543	17,479	15,198	10,735

Aggregated summary figures of the financial statements of associates:

	June 30, 2012	December 31, 2011
Total assets	2,391,067	1,996,446
Total liabilities	1,998,846	1,631,776

	January 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Sales revenues	1,019,690	932,735	598,417	550,672
Net income for the period	53,334	41,603	34,347	25,490

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - INVESTMENT PROPERTIES

	2012	2011
Balance as of January 1		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net carrying value	6,441	5,480
Net carrying value at the beginning of the period	6,441	5,480
Currency translation differences	(475)	840
Depreciation for the period	(72)	(68)
Net carrying value at the end of the period	5,894	6,252
Balance as of June 30		
Cost	12,746	13,201
Accumulated depreciation	(6,852)	(6,949)
Net carrying value	5,894	6,252

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Balance as of January 1		
Cost	3,743,663	3,410,540
Accumulated depreciation	(2,296,822)	(2,158,295)
Net carrying value	1,446,841	1,252,245
Net carrying value at the beginning of the period	1,446,841	1,252,245
Additions	142,257	73,872
Disposals	(1,147)	(4,861)
Currency translation differences	(26,170)	36,683
Depreciation for the period	(97,728)	(83,190)
Net carrying value at the end of the period	1,464,053	1,274,749
Balance as of June 30		
Cost	3,808,155	3,522,788
Accumulated depreciation	(2,344,102)	(2,248,039)
Net carrying value	1,464,053	1,274,749

There is no mortgage on property, plant and equipment as of June 30, 2012 (December 31, 2011: None).

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - INTANGIBLE ASSETS

	2012	2011
Balance as of January 1		
Cost	960,127	597,299
Accumulated amortization	(177,033)	(135,882)
Net carrying value	783,094	461,417
Net carrying value at the beginning of the period	783,094	461,417
Additions	39,694	31,636
Disposals	(2)	(20)
Currency translation differences	(29,195)	28,218
Amortization for the period	(34,012)	(21,261)
Net carrying value at the end of the period	759,579	499,990
Balance as of June 30		
Cost	969,247	659,400
Accumulated amortization	(209,668)	(159,410)
Net carrying value	759,579	499,990

Net carrying value of the development costs as of June 30, 2012 is TRY 207,532 (December 31, 2011: TRY 198,883) and capitalized development costs in the period is TRY 36,726 (January 1 - June 30, 2011: TRY 29,286).

NOTE 15 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2012, export commitments from Turkey under the scope of export incentives amounts to full USD 1,110,789,938 (December 31, 2011: USD 1,244,265,732).

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

	June 30, 2012	December 31, 2011
Up to 1 year	12,825	14,330
1-5 years	23,059	25,651
Over 5 years	16,884	19,076
Operating lease commitments	52,768	59,057

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative financial instruments contracts commitments

TRY equivalents of the Group’s foreign exchange purchase and sales commitments in terms of currencies as of June 30, 2012 and December 31, 2011 are as follows.

June 30, 2012	Foreign exchange purchase commitment	Foreign exchange sales commitment
EUR	37,959	30,002
TRY	-	18,400
USD	230,833	7,774
GBP	-	98,756
PLN	8,119	21,652
RUB	-	81,735
SEK	11,882	25,786
RON	17,845	-
ZAR	-	21,217
	306,638	305,322

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

	June 30, 2012	December 31, 2011
Collaterals obtained	2,033,118	1,989,719

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

Collaterals, pledges and mortgages (CPM) given by the Group as of June 30, 2012 and December 31, 2011 are as follows:

CPM's given by the Company	June 30, 2012	December 31, 2011
A. CPM's given for companies own legal personality	351,876	177,329
B. CPM's given on behalf of fully consolidated companies	31,614	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 majority shareholder	-	-
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	383,490	191,496

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of June 30, 2012 and December 31, 2011 is as follows:

CPM's given by the Company	June 30, 2012	December 31, 2011
USD	342,735	130,297
TRY	24,172	32,248
EUR	13,113	26,857
Other	3,470	2,094
	383,490	191,496

NOTE 16 - PROVISIONS

	June 30, 2012	December 31, 2011
Short-term provisions:		
Warranty provision	135,883	128,996
Assembly provision	64,589	44,605
Provision for lawsuit risks	9,330	8,021
Provision for transportation cost	9,103	9,250
Provision for returns	6,685	6,756
Other	28,616	34,762
	254,206	232,390
Long-term provisions:		
Warranty provision	76,417	79,761
Other	1,605	1,758
	78,022	81,519

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NOTE 17 - OTHER ASSETS AND LIABILITIES

	June 30, 2012	December 31, 2011
Other current assets:		
Prepaid expenses	32,907	15,090
Value added tax and private consumption tax receivables	29,478	24,811
Taxes and funds deductible	27,490	59,136
Advances given for fixed assets	10,049	4,480
Income accruals	7,124	1,245
Prepaid taxes and funds	1,649	24,855
Order advances given	154	1,530
Other	8,292	7,849
	117,143	138,996
Other current liabilities:		
Accruals for customer premiums	186,527	115,406
Accruals for license fee expenses	29,799	19,121
Advances received	22,833	47,483
Accruals for bonuses and premiums	21,909	7,057
Accruals for sales and marketing expenses	20,562	11,234
Accruals for advertising expenses	12,424	6,166
Liabilities attributable to the acquisition of subsidiary	-	2,676
Other	3,067	3,477
	297,121	212,620

NOTE 18 - 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:

	June 30, 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.

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NOTE 18 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	June 30, 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. 1	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.

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NOTE 18 – EQUITY (Continued)

Revaluation fund

Details of funds, where the changes not recognized through profit or loss but recognized directly in the equity, are accounted for, are as follows.

	June 30, 2012	December 31, 2011
Financial assets fair value difference	342,038	328,795
Non-current assets fair value difference	52,779	68,660
Foreign currency hedge of net investments in foreign operations	(36,591)	(57,101)
Cash flow hedges	183	1,151
Revaluation fund total	358,409	341,505

Restricted reserves

The Turkish Commercial Code (“TCC”) stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to exemption for sale of participation shares and property, a 75% portion of corporations’ profits arising from such sales are not withdrawn within five years and are followed in special reserves.

The details of these restricted reserves are as follows:

	June 30, 2012	December 31, 2011
Legal reserves	212,523	185,902
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	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.

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NOTE 19 - OTHER INCOME AND EXPENSES

	January 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2012	April 1- June 30, 2011
Other operating income				
Income from claims and grants	18,855	11,321	12,543	8,934
Reversals of provisions	3,849	2,230	3,437	2,108
Reversal of provisions for doubtful receivables	1,597	1,090	570	241
Income from sales of property, plant and equipment	740	981	467	872
Other	9,096	10,777	5,820	7,163
	34,137	26,399	22,837	19,318
Other operating expenses				
Provision expense for doubtful receivables	(4,847)	(9,498)	(1,679)	(5,768)
Provision expense for impairment on inventories	(1,020)	(1,148)	(569)	(355)
Loss from sales of property, plant and equipment	(446)	(1,617)	(364)	(889)
Other	(21,791)	(15,012)	(16,282)	(10,250)
	(28,104)	(27,275)	(18,894)	(17,262)

NOTE 20 - FINANCIAL INCOME

	January 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Foreign exchange gains	168,724	192,839	46,922	74,971
Credit finance income	12,717	41,468	9,649	16,656
Interest income	12,561	21,555	5,895	7,636
Gains on derivative financial instruments	15,254	6,127	13,713	2,817
Other	36	75	7	51
	209,292	262,064	76,186	102,131

NOTE 21 - FINANCIAL EXPENSES

	January 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Foreign exchange losses	(150,154)	(189,034)	(54,234)	(78,377)
Interest expenses	(91,262)	(48,221)	(49,666)	(24,505)
Losses on derivative financial instruments	(21,881)	(6,260)	(5,248)	(1,827)
Cash discounts expenses	(6,809)	(8,610)	(3,171)	(4,388)
Credit finance charges	(3,479)	(8,329)	(77)	(23)
Other	(6,029)	(2,232)	(4,008)	(1,065)
	(279,614)	(262,686)	(116,404)	(110,185)

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NOTE 22 - TAX ASSETS AND LIABILITIES

	June 30, 2012	December 31, 2011
Corporation and income taxes	51,922	61,483
Less: prepaid tax	(16,937)	(38,233)
Taxes payable (net)	34,985	23,250
Deferred tax assets	74,228	63,387
Deferred tax liabilities	(223,080)	(226,142)
Deferred tax liabilities (net)	(148,852)	(162,755)

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

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

The taxes on income for the six months periods ended June 30, are summarised as follows:

	January 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2012	April 1- June 30, 2011
Tax expenses				
- Current period tax expense	(47,261)	(57,129)	(27,570)	(31,039)
- Deferred tax expense	8,513	(1,850)	3,353	646
Tax expenses (net)	(38,748)	(58,979)	(24,217)	(30,393)

The Group recognises 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 in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Property, plant and equipment and intangible assets	1,151,218	1,148,784	(256,703)	(257,693)
Available-for-sale investments	360,042	346,102	(18,001)	(17,305)
Unearned credit finance income/expense (net)	51,572	41,353	(10,314)	(8,271)
Derivative financial instruments	1,857	2,308	(383)	(462)
Unused tax credits	(201,465)	(178,166)	49,130	42,150
Provision for warranty and assembly expenses	(185,200)	(166,353)	36,693	33,158
Provision for employment termination benefits	(110,108)	(103,621)	22,022	20,761
Provision for impairment on inventories	(56,678)	(57,077)	11,385	11,467
Accrual for licenses	(13,575)	(7,322)	2,715	1,464
Provision for doubtful receivables	(9,252)	(12,967)	1,657	2,266
Other	(53,392)	(38,940)	12,947	9,710
Deferred tax liabilities (net)			(148,852)	(162,755)

Movements in the net deferred tax liability for the six months periods ended June 30, are as follows:

	2012	2011
Balance as of January 1	(162,755)	(89,305)
Tax income / expense recognized in income statement	8,513	(1,850)
Tax expense recognized in the shareholders' equity	(485)	2,988
Currency translation differences	5,875	(5,533)
Balance as of June 30	(148,852)	(93,700)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23 – EARNINGS PER SHARE

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

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

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

	January 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2012	April 1- June 30, 2011
Net income attribute to the equity holders of the parent	287,967	262,778	166,806	137,172
Weighted average number of ordinary shares with nominal value(Kr each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (Kr)(*)	0.426	0.389	0.247	0.203
Dividends paid	300,000	250,000	-	-
Dividends paid per share (Kr)(*)	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 24 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2012	December 31, 2011
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	32,570	16,876
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,357	5,286
Yapı ve Kredi Bankası A.Ş.	1,465	207
Setur Servis Turistik A.Ş.	730	-
Other	902	1,033
	41,024	23,402
(b) Due to related parties:		
Short term:		
Arçelik-LG	217,838	15,955
Zer Merkezi Hizmetler ve Ticaret A.Ş.	96,496	88,065
Ram Dış Ticaret	11,545	19,139
Other	4,345	10,124
	330,224	133,283

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

	June 30, 2012	December 31, 2011
<i>Short term:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	6,733	7,077
<i>Long term:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	64,066	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 June 30, 2012. (December 31, 2011: TRY 81,040).

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

	June 30, 2012	December 31, 2011
Financial liabilities to related parties – gross :		
Up to 1 year	10,267	10,956
1-5 years	41,580	43,634
Over 5 years	36,040	43,067
	87,887	97,657
Less: future finance charges on financial liabilities	(17,088)	(20,041)
Present value of financial liabilities to related parties	70,799	77,616

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

	June 30, 2012	December 31, 2011
Up to 1 year	6,733	7,077
1-5 years	31,285	32,039
Over 5 years	32,781	38,500
	70,799	77,616

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	400,740	430,733
	400,740	430,733

(d) Borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	422,575	446,220
	422,575	446,220

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

(e) Derivative financial instruments

	Contract	Fair value	
June 30, 2012	value	asset/(liability)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	85,757	1,098	-
	85,757	1,098	-

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

(ii) Transactions with related parties

	January 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2012	April 1- June 30, 2011
(a) Sales of goods and services:				
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	50,837	45,668	20,648	21,098
Zer Merkezi Hizmetler ve Ticaret A.Ş.	28,910	21,410	15,002	10,735
Koçtaş Yapı Marketleri Ticaret A.Ş.	10,763	13,547	6,703	9,143
Ford Otomotiv Sanayi A.Ş.	7,028	-	2	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	5,503	4,323	4,427	3,241
Arçelik-LG	1,454	7,851	458	5,255
Other	3,504	2,360	2,691	1,218
	107,999	95,159	49,931	50,690

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

(b) Purchases of goods and services:

	January 1- June 30, 2012	January 1- June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
Arçelik-LG	268,330	236,121	185,897	168,039
Zer Merkezi Hizmetler ve Ticaret A.Ş.	252,311	171,072	152,799	96,453
Ram Dış Ticaret	27,578	39,618	13,549	21,853
Ram Sigorta Aracılık Hiz. A.Ş.	21,794	19,728	6,747	3,167
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	11,201	7,491	5,197	2,958
Other	24,494	33,412	13,540	20,326
	605,708	507,442	377,729	312,796

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.

(a) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during six months the period ended June 30, 2012 amounts to TRY 3,283 (January 1-June 30, 2011: TRY 6,619). The compensation includes only short-term benefits.

(b) Other transactions

	January 1 - June 30, 2012	January 1 - June 30, 2011	April 1 - June 30, 2012	April 1 - June 30, 2011
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	5,580	5,164	2,446	1,762
<i>Interest expenses:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	7,264	3,673	3,427	2,011

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 25 - 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 markets and seeks to minimise potential adverse effects on the performance of the Group.

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

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

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.

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,

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

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

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

Details of credit and receivable risk as of June 30, 2012 and December 31, 2011 are as follows:

June 30, 2012	Trade receivables		Deposits in banks	Derivative financial instruments
	Related party	Third party		
Maximum exposed credit risk as of reporting date ⁽¹⁾	41,024	3,718,882	1,039,572	3,834
Secured portion of the maximum credit risk by guarantees, etc.	-	(2,880,316)	-	-
A. Net book value of financial asset either are not due or not impaired	41,024	3,481,767	1,039,572	3,834
-Secured portion by guarantees, etc	-	(2,685,707)	-	-
B. Financial assets with renegotiated conditions	-	29,501	-	-
-Secured portion by guarantees, etc.	-	(27,269)	-	-
C. Net book value of overdue but not impaired financial assets	-	153,630	-	-
-Secured portion by guarantees, etc.	-	(113,356)	-	-
D. Net book value of the impaired assets	-	53,984	-	-
-Overdue (Gross book value)	-	142,067	-	-
-Impairment (-)	-	(88,083)	-	-
-Secured portion of the net value by guarantees, etc.	-	(53,984)	-	-

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

⁽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

a) Credit quality of financial assets which are not overdue and not impaired

	June 30, 2012	December 31, 2011
Group 1	25,983	10,458
Group 2	3,277,475	2,917,628
Group 3	248,834	69,984
	3,552,292	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.

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

	June 30, 2012	December 31, 2011
0-1 month	98,365	100,241
1-3 months	33,871	22,109
3-12 months	14,687	10,995
1-5 years	6,707	7,217
	153,630	140,562

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 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.

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 June 30, 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:

	June 30, 2012	December 31, 2011
Assets	1,850,851	1,762,858
Liabilities	(2,479,670)	(2,496,757)
Net balance sheet position	(628,819)	(733,899)
Net position of derivative financial instruments	621,203	340,290
Foreign currency position (net)	(7,616)	(393,609)

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NOTE 25 - 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 June 30, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	DKK	ZAR	AUD	AED	TRY Equivalents
Current assets													
Trade receivables	388,732	122,509	86,189	1,968,207	31,769	61,868	4	144,040	500	30,029	8,821	4,060	1,540,700
Monetary financial assets	16,358	2,061	109	-	-	-	85	-	-	-	616	-	42,389
Other	17,916	41,755	90	-	-	-	-	-	-	-	-	-	116,429
Non-Current assets													
Trade receivables	-	-	-	-	-	-	-	-	-	683,989	-	-	151,333
Total assets	423,006	166,325	86,388	1,968,207	31,769	61,868	89	144,040	500	714,018	9,437	4,060	1,850,851
Current liabilities													
Trade payables	99,183	96,785	3,499	-	-	-	908	81,844	-	-	15	-	431,681
Financial liabilities	381,308	195,353	50,210	-	-	-	-	-	-	3,989	-	-	1,362,632
Other monetary financial liabilities	3,847	3,959	-	-	-	-	-	-	-	-	-	-	15,901
Non-Current liabilities													
Trade payables	-	35,464	-	-	-	-	-	-	-	-	-	-	64,066
Financial liabilities	200,044	-	-	-	-	-	-	-	-	680,000	-	-	605,390
Total liabilities	684,382	331,561	53,709	-	-	-	908	81,844	-	683,989	15	-	2,479,670
Net balance sheet position	(261,376)	(165,236)	32,679	1,968,207	31,769	61,868	(819)	62,196	500	30,029	9,422	4,060	(628,819)
Off-balance sheet derivative financial assets (*)	279,691	127,779	-	-	14,999	-	-	46,081	-	-	-	-	886,908
Off-balance sheet derivative financial liabilities	(13,192)	(4,304)	(35,000)	(1,500,000)	(40,000)	-	-	(100,000)	-	-	-	-	(265,705)
Net position of off-balance sheet items	266,499	123,475	(35,000)	(1,500,000)	(25,001)	-	-	(53,919)	-	-	-	-	621,203
Net foreign currency asset/ (liability) position	5,123	(41,761)	(2,321)	468,207	6,768	61,868	(819)	8,277	500	30,029	9,422	4,060	(7,616)

(*) 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.

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NOTE 25 - 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	DKK	ZAR	AUD	AED	TRY Equivalents
Against TRY	(8,922)	(22,130)	(5,992)	468,207	6,768	62,188	90	90,121	-	30,029	9,422	4,060	6,802
Against EUR	-	403	-	-	-	(320)	(239)	-	-	-	-	-	627
Against RUB	(1,953)	674	-	-	-	-	-	-	-	-	-	-	(3,224)
Against PLN	(4,168)	130	-	-	-	-	-	-	-	-	-	-	(9,244)
Against GBP	2,915	-	-	-	-	-	-	-	-	-	-	-	6,629
Against RON	18,235	(5,937)	1,998	-	-	-	-	-	(172)	-	-	-	36,330
Against CZK	(1,244)	-	-	-	-	-	-	-	-	-	-	-	(2,829)
Against NOK	245	-	-	-	-	-	-	(81,844)	672	-	-	-	(20,341)
Against SEK	74	(1,235)	-	-	-	-	(670)	-	-	-	-	-	(2,265)
Against CNY	2,961	(10,106)	1,673	-	-	-	-	-	-	-	-	-	(6,801)
Against ZAR	(3,864)	(3,560)	-	-	-	-	-	-	-	-	-	-	(15,219)
Other	844	-	-	-	-	-	-	-	-	-	-	-	1,919
	5,123	(41,761)	(2,321)	468,207	6,768	61,868	(819)	8,277	500	30,029	9,422	4,060	(7,616)

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NOTE 25 - 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
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	(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.

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NOTE 25 - 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)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of June 30, 2012, sensitivity analysis of foreign exchange rate tables is presented below:

	Gain/Loss		Equity	
	Foreign Exchange Appreciation	Foreign Exchange Depreciation	Foreign exchange appreciation	Foreign exchange depreciation
+/-10% fluctuation of USD rate				
USD net asset/liability	(29,850)	29,850	(29,850)	29,850
Secured portion from USD risk (*)	22,306	(22,306)	22,306	(22,306)
USD net effect	(7,544)	7,544	(7,544)	7,544
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(59,442)	59,442	(97,384)	97,384
Secured portion from EUR risk (*)	60,607	(60,607)	120,148	(120,418)
EUR net effect	1,165	(1,165)	23,034	(23,034)
+/-10% fluctuation of GBP rate				
GBP net asset/liability	9,221	(9,221)	30,144	(30,144)
Secured portion from GBP risk (*)	(9,876)	9,876	(9,876)	9,876
GBP net effect	(655)	655	20,268	(20,268)
+/-10% fluctuation of RUB rate				
RUB net asset/liability	10,725	(10,725)	24,950	(24,950)
Secured portion from RUB risk (*)	(8,174)	8,174	(8,174)	8,174
RUB net effect	2,551	(2,551)	16,776	(16,776)
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	27,130	(27,130)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	-	-	27,130	(27,130)
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,720	(1,720)	4,653	(4,653)
Secured portion from PLN risk (*)	(1,353)	1,353	(1,353)	1,353
PLN net effect	367	(367)	3,300	(3,300)
+/-10% fluctuation of CZK rate				
CZK net asset/liability	555	(555)	1,130	(1,130)
Secured portion from CZK risk (*)	-	-	-	-
CZK net effect	555	(555)	1,130	(1,130)
+/-10% fluctuation of NOK rate				
NOK net asset/liability	(25)	25	647	(647)
Secured portion from NOK risk (*)	-	-	-	-
NOK net effect	(25)	25	647	(647)
+/-10% fluctuation of SEK rate				
SEK net asset/liability	1,604	(1,604)	2,265	(2,265)
Secured portion from SEK risk (*)	(1,390)	1,390	(1,390)	1,390
SEK net effect	214	(214)	875	(875)
+/-10% fluctuation of ZAR rate				
ZAR net asset/liability	664	(664)	39,663	(39,663)
Secured portion from ZAR risk (*)	-	-	-	-
ZAR net effect	664	(664)	39,663	(39,663)
+/-10% fluctuation of AED rate				
AED net asset/liability	201	(201)	201	(201)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	201	(201)	201	(201)
+/-10% fluctuation of DKK rate				
DKK net asset/liability	15	(15)	15	(15)
Secured portion from DKK risk (*)	-	-	-	-
DKK net effect	15	(15)	15	(15)
+/-10% fluctuation of AUD rate				
AUD net asset/liability	1,730	(1,730)	2,029	(2,029)
Secured portion from AUD risk (*)	-	-	-	-
AUD net effect	1,730	(1,730)	2,029	(2,029)
	(762)	762	127,524	(127,524)

(*) Includes impact of derivative financial instruments

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2012

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2011, sensitivity analysis of foreign exchange rate tables is presented below:

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

(*) Includes impact of derivative financial instruments

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012**

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

**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Imports and exports to / from Turkey for the six months period ended as of June 30, 2012 and 2011 are as follows:

	June 30, 2012		June 30, 2011	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	543,436,096	1,262,889	352,426,292	777,935
USD	167,096,174	298,771	140,264,819	220,158
GBP	108,211,216	305,756	101,341,004	256,518
Other		216,639		115,872
Total exports		2,084,055		1,370,483
EUR	173,457,919	405,455	192,066,666	419,425
USD	500,970,849	897,653	352,044,958	549,090
GBP	282,619	800	325,269	822
Other		1,730		1,888
Total imports		1,305,638		971,225

NOTE 26 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the condensed interim consolidated financial statements.

“Changes in provisions” and “Changes in operating assets and liabilities” presented in the condensed interim consolidated statements of cash flows are as follows:

	June 30, 2012	June 30, 2011
Changes in provisions:		
Accrual for customer premiums	71,121	78,484
Assembly and transportation provision	19,838	26,343
Accrual for bonuses and premiums	14,852	8,787
Provision for licenses	10,678	(5,148)
Accrual for sales and marketing expenses	9,328	9,058
Provision for employment termination benefits	6,955	5,700
Accrual for advertising expenses	6,258	1,755
Provision for warranty	3,544	26,736
Provision for doubtful receivable	4,847	9,498
Provision for lawsuit risk	1,309	(840)
Provision for impairment on inventories	1,020	1,148
Provision for returns	(71)	79
	149,679	161,600
Changes in operating assets and liabilities:		
Trade receivables and due from related parties	(567,865)	(533,719)
Inventories	(118,907)	(227,063)
Trade payables and due to related parties	112,414	120,868
Other current assets and liabilities	(64,770)	(49,097)
Other long term liabilities	(577)	(462)
Other long term liabilities	(639,705)	(689,473)