

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

Arçelik Anonim Şirketi

**Consolidated financial statements
at December 31, 2013 together with
independent auditors' report**

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report

To the Shareholders of Arçelik Anonim Şirketi;

Introduction

We have audited the accompanying consolidated statement of financial position of Arçelik A.Ş. ("the Company") and its subsidiaries (hereinafter referred to as "the Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Arçelik A.Ş. and its subsidiaries as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

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

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

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



Ertan Ayhan, SMMM
Partner

February 7, 2014
Istanbul, Turkey

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)

ARÇELİK ANONİM ŞİRKETİ

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

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

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

Commitments, contingent assets and liabilities

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

**(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)
ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss		Retained earnings		Equity holders of the parent	Non-controlling interest	Total equity	
					Actuarial gains/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit for the period				Net income for the period
Balance at December 31, 2012 - previously reported	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,383,192	524,763	3,841,652	85,583	3,927,235
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	-	247	-	-	-	4,802	(5,049)	-	-	-
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	597,845	597,845	24,850	622,695
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	(94,592)	-	-	-	-	(94,592)	-	(94,592)
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(153,802)	-	-	-	-	-	(153,802)	-	(153,802)
Share of other comprehensive income of associates	-	-	-	-	-	978	-	-	-	-	-	978	-	978
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	115	-	-	-	-	115	-	115
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	-	(7,138)	-	-	-	-	-	(7,138)	-	(7,138)
Currency translation differences	-	-	-	-	-	-	11,316	221,476	-	-	-	232,792	14,028	246,820
Total other comprehensive income	-	-	-	-	-	(7,138)	(152,824)	(83,161)	221,476	-	-	(21,647)	14,028	(7,619)
Total comprehensive income	-	-	-	-	-	(7,138)	(152,824)	(83,161)	221,476	-	597,845	576,198	38,878	615,076
Transfers	-	-	-	-	-	-	-	-	-	519,714	(519,714)	-	-	-
Amortisation effect of the revaluation of intangible assets	-	-	-	-	-	-	(452)	-	-	452	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	32,122	(387,122)	-	(355,000)	(48,555)	(403,555)
As of December 31, 2013	675,728	468,811	889	14,507	-	(6,491)	444,203	308,266	248,809	1,521,038	597,845	4,062,850	75,906	4,138,756

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

**(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)
ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEDMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TRY")) unless otherwise indicated.)**

	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Other comprehensive income / (expense) not to be reclassified to profit or loss		Other comprehensive income / (expense) to be reclassified to profit or loss		Retained earnings		Total equity			
					Actuarial gains/losses arising from defined benefit plans	Hedge funds	Revaluation translation differences	Currency translation differences	Accumulated profit	Net income for the period		Equity holders of the parent	Non-controlling interest	
Balance at December 31, 2011 - previously reported	675,728	468,811	889	14,507	-	(55,950)	397,455	145,922	190,066	1,201,659	506,506	3,545,593	106,049	3,651,642
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	(4,802)	-	-	-	-	-	4,802	-	-	-
Balance at January 1, 2012 - as restated	675,728	468,811	889	14,507	(4,802)	(55,950)	397,455	145,922	190,066	1,201,659	511,308	3,545,593	106,049	3,651,642
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	519,714	519,714	26,924	546,638
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	139,997	-	-	-	-	139,997	-	139,997
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	127	-	-	-	-	-	127	-	127
Share of other comprehensive income of associates	-	-	-	-	-	(1,708)	-	-	-	-	-	(1,708)	-	(1,708)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	420	-	-	-	-	420	-	420
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	-	5,049	-	-	-	-	-	5,049	-	5,049
Currency translation differences	-	-	-	-	-	(8,408)	(59,132)	-	-	-	-	(67,540)	(2,228)	(69,768)
Total other comprehensive income	-	-	-	-	-	5,049	132,009	(59,132)	-	-	-	76,345	(2,228)	74,117
Total comprehensive income	-	-	-	-	-	5,049	132,009	(59,132)	-	-	519,714	596,059	24,696	620,755
Transfers	-	-	-	-	-	-	-	-	-	511,308	(511,308)	-	-	-
Amortisation effect of the revaluation of intangible assets	-	-	-	-	-	-	(1,648)	-	-	1,648	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	26,621	(326,621)	-	(300,000)	(45,162)	(345,162)
As of December 31, 2012 - as restated	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
 ORIGINALLY ISSUED IN TURKISH)
ARÇELİK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
 (Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi ("Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 25).

The Company's head office is located at:

Karaağaç Caddesi No: 2-6
Sütlüce 34445 Beyoğlu
Istanbul / Turkey

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

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

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

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)
ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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

<u>Associates</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer durables
Koç Finansman A.Ş. (“Koç Finansman”) ⁽¹⁾	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign trade
Tanı Pazarlama İletişim Hizmetleri A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing and communication

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered 11-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

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

New and amended standards and interpretations

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

Standards issued but not yet effective and not early adopted

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

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

TAS 32 “Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)”

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

TFRS 9 “Financial Instruments – Classification and measurement”

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

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

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

IFRS 10 Consolidated Financial Statements (Amendment)

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

International Financial Reporting Interpretation Committee (“IFRIC”) Interpretation 21 Levies

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

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

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

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

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

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

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

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

Improvements to IFRSs

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

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

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

IFRS 13 Fair Value Measurement

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

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

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

IAS 24 Related Party Disclosures

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

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

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

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

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

Resolutions promulgated by the Public Oversight Authority

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

2013-1 Illustrative Financial Statement and User Guide

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

2013-2 Accounting of Combinations under Common Control

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

2013-3 Accounting of Redeemed Share Certificates

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

2013-4 Accounting of Cross Shareholding Investments

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

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

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

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of December 31, 2013 and 2012 (%) and their functional currencies:

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

⁽¹⁾ Established in 2013.

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

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

⁽⁴⁾ Dissolved in 2013.

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

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2013 and 2012 (%)

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

- (e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value.
- (f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

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

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

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

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

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

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

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

2.2 Restatement and errors in the accounting policies and estimates

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

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

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

- Actuarial gain and losses arising from defined benefit plans which were reported under cost of sales amounting TRY 4,481, under research and development expenses amounting TRY 466, under marketing, selling and distribution expenses amounting TRY 510, under general and administrative expenses amounting TRY 854 and under deferred tax effect amounting TRY 1,262 in consolidated profit or loss statements for the period ended December 31, 2012 are reclassified to statement of other comprehensive income.

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

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

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

2.4 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 35).

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

Trade receivables

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

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

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

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

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

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

Derivative instruments held for trading

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

Cash flow hedge

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

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

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of profit or loss. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation (Note 37).

Cash and cash equivalents

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

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

Investment properties

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

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

Property, plant and equipment and related depreciation

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

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	2 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

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

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

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

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

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 15).

a) Brands

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

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

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

b) Development costs

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

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

c) Computer software and rights

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

d) Trademark licenses and patents

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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

Financial leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities

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

Borrowing costs

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

Current and deferred income tax

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

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

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

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

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

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

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

Foreign currency transactions

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

Revenue recognition

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

Incentives for investments, research and development activities

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

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 25).

Paid-in capital

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

Share premium

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

Provisions

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

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

Warranty expenses

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

Assembly provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

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

2.5 Critical accounting estimates, judgments, and assumptions

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.4, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 15 and 16). Impairment was not identified as a result of these tests.

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

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

Waste Electrical and Electronic Equipment Control

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

NOTE 3 - BUSINESS COMBINATIONS

None (December 31, 2012: None)

NOTE 4 - SEGMENT REPORTING

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

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

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

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

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

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

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	7,079,397	1,798,216	1,679,248	10,556,861
Gross profit	2,262,253	346,448	440,655	3,049,356
Depreciation and amortization	210,612	46,169	9,939	266,720
Capital expenditures	424,892	46,396	9,199	480,487
Income from associates (net)	-	-	34,551	34,551

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

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
 ORIGINALLY ISSUED IN TURKISH)
ARÇELİK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
 (Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

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

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

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

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

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.80%. Since the shares of Yapı ve Kredi Bankası are traded in Borsa İstanbul, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, Turkish Lira based discount rate of 16.3 % (2012: 12.9%) has been taken into consideration. Average of maximum and minimum values calculated with these methods cited above are recorded as fair value.

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

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

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

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

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

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

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	0.0	12,175,451	12,175
EUR	1.1	240,788,355	566,262
USD	1.1	73,639,937	131,271
RUB	8.6	1,027,529,633	59,679
CNY	5.6	55,102,667	15,632
RON	7.8	38,968	20
			785,039

b) Long-term financial liabilities

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

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NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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

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

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

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

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NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

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

NOTE 8 - DERIVATIVE INSTRUMENTS

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

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

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

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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

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

NOTE 10 - OTHER PAYABLES

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

NOTE 11 - INVENTORIES

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

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

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NOTE 11 – INVENTORIES (Continued)

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

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

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

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

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NOTE 12 - ASSOCIATES

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

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

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

Share of income/(loss) of associates

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

Aggregated summary figures of the financial statements of associates

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

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NOTE 13 - INVESTMENT PROPERTIES

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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NOTE 15 - INTANGIBLE ASSETS

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

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

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

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

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

(*) Values of brands in their original currencies are same as of December 31, 2013 and 2012 and the difference arises from foreign currency translation.

NOTE 15 - INTANGIBLE ASSETS (Continued)

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2013. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 3% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 9.2% to 10.9% discount rates.

NOTE 16 – GOODWILL

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

Goodwill impairment test

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

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

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2013:

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

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

Weighted average cost of capital rate of 9% - 10.9% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

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

NOTE 16 – GOODWILL (Continued)

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

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

EBITDA growth expectations

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

Long term growth rate

Originally, the long term growth rate is assumed to be 3%. Had the rate been assumed to be 0%, the recoverable amount would have been 101% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 9.2%. Had the rate been assumed to be 11.2%, the recoverable amount would have been 103% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

NOTE 17 - GOVERNMENT GRANTS

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

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

Grants which are accounted for under other income for year ended December 31, 2013 are as follows:

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

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NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

Derivative instruments contracts commitments

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

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

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

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

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

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

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

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

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

NOTE 19 - PROVISIONS

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

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NOTE 19 – PROVISIONS (Continued)

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

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

NOTE 20 - LONG TERM PROVISION FOR EMPLOYEE BENEFITS

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

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

The amount payable consists of one month’s salary limited to a maximum of full TRY 3,254.44 (December 31, 2012: full TRY 3,033.98) for each period of service at December 31, 2013.

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

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

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 3,438.22 (January 1, 2013: full TRY 3,129.25) which is effective from January 1, 2014 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

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

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

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

NOTE 21 – PREPAID EXPENSES

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

NOTE 22- CURRENT INCOME TAX ASSETS

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

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NOTE 23 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2013	December 31, 2012
Payables to personnel	72,108	55,331
Social security liabilities	56,322	25,824
Accruals for bonuses and premiums	7,169	6,926
	135,599	88,081

NOTE 24- OTHER ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Other current assets:		
Taxes and funds deductible	92,616	39,597
Value added tax and private consumption tax receivables	18,586	12,210
Income accruals	4,681	8,489
Other	9,391	9,158
	125,274	69,454
Other current liabilities		
Accruals for customer premiums	212,085	145,459
Advances received	24,558	617
Other	2,543	3,145
	239,186	149,221

NOTE 25 - EQUITY

Paid-in capital

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

	December 31, 2013	December 31, 2012
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

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NOTE 25 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2013		December 31, 2012	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

(*) “Adjustment to share capital” represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. “Adjustment to share capital” has no use other than being transferred to paid-in share capital.

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

Contribution to shareholders’ equity related to the merger

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

Restricted reserves

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

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NOTE 25 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	December 31, 2013	December 31, 2012
General legal reserves	83,690	83,690
Other legal reserves	165,119	132,997
	248,809	216,687

As agreed in the ordinary general meeting dated March 28, 2013, the decision to pay dividend as cash has been taken and the payment was made in April 2013 (previous year in April 2012). The dividend details are as follows: 52.5% (2012: 44.4%) corresponding to gross TRY 0.52536 (full) (2012: TRY 0.44397 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 45.6% (2012: 40.1%) corresponding to gross TRY 0.52536 (full) (2012: TRY 0.44397 (full)) and net TRY 0.45612 (full) (2012: TRY 0.40056 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. 11-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TRY 474,265 (December 31, 2012: 581,179 TRY).

NOTE 26 - SALES AND COST OF SALES

	2013	2012
Domestic sales	4,908,672	4,628,429
Foreign sales	7,286,525	6,788,210
Gross sales	12,195,197	11,416,639
Less: Discounts	(1,097,486)	(859,778)
Net sales	11,097,711	10,556,861
Cost of sales	(7,709,326)	(7,507,505)
Gross profit	3,388,385	3,049,356

NOTE 27 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2013	2012
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	608,354	530,989
Warranty and assembly expenses	474,865	433,926
Advertising and promotion expenses	336,647	328,454
Personnel expenses	306,193	271,534
License expenses	38,445	42,828
Depreciation and amortization expenses	22,781	17,694
Energy expenses	6,896	6,510
Other	218,852	189,475
	2,013,033	1,821,410
General administrative expenses:		
Personnel expenses	213,486	189,588
Insurance expenses	32,619	30,048
Depreciation and amortization expenses	26,602	26,162
Information technology expenses	26,278	26,738
Legal consultancy and audit expenses	23,308	22,485
Rent expenses	15,180	12,039
Duties, taxes and levies	13,774	6,136
Donations	8,761	7,177
Energy expenses	4,936	4,798
Repair and maintenance expense	3,599	4,419
Other	62,455	61,192
	430,998	390,782
Research and development expenses (*) :		
Depreciation and amortization expenses	61,326	54,170
Personnel expenses	14,154	12,007
Other	7,727	7,287
	83,207	73,464

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 122,714 in 2013 (2012: TRY 115,976).

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NOTE 28 - EXPENSES BY NATURE

	2013	2012
Raw materials, supplies and trade goods	6,957,787	6,633,810
Changes in finished goods, work in process and trade goods	(296,645)	(42,379)
Personnel expenses	1,136,086	1,001,498
Transportation, distribution and storage expenses	664,703	582,910
Warranty and assembly expenses	474,865	433,926
Advertising and promotion expenses	336,647	328,454
Depreciation and amortization expenses	302,181	260,788
Energy expenses	96,760	90,202
Repair and maintenance expenses	65,692	61,693
License expenses	38,445	42,828
Provision expense for doubtful receivables	15,264	27,756
Product recall expenses	19,194	14,734
Foreign exchange loss arising from trading activities	95,979	131,182
Credit finance loss arising from trading activities	753	4,160
Other	515,268	438,084
	10,422,979	10,009,646

NOTE 29 - OTHER OPERATING INCOME AND EXPENSES

	2013	2012
Other operating income :		
Foreign exchange gains arising from trading activities	345,562	88,030
Income from claims and grants	34,075	42,206
Credit finance income arising from trading activities	33,249	19,827
Reversals of provisions	19,293	4,107
Reversal of provisions for doubtful receivables	1,369	2,700
Insurance income	1,212	842
Other	26,854	17,877
	461,614	175,589
Other operating expenses:		
Foreign exchange losses arising from trading activities	(95,979)	(131,182)
Provision expense for doubtful receivables	(15,264)	(27,756)
Provision expense for impairment on inventories	(3,868)	(3,891)
Credit finance charges arising from trading activities	(753)	(4,160)
Product recall expenses	(19,194)	(14,734)
Other	(51,357)	(34,762)
	(186,415)	(216,485)

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NOTE 30 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2013	2012
Income from investment activities:		
Dividends received from financial investments	9,559	-
Income from sales of property plant and equipment	1,822	1,973
	11,381	1,973
Expenses from investment activities:		
Loss from sales of property plant and equipment	(2,857)	(1,437)
	(2,857)	(1,437)

NOTE 31- FINANCIAL INCOME

	2013	2012
Foreign exchange gains (*)	333,918	174,925
Gains on derivative instruments	59,434	28,682
Interest income	35,954	25,217
Other	70	117
	429,376	228,941

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other liabilities.

NOTE 32 - FINANCIAL EXPENSES

	2013	2012
Foreign exchange losses (*)	(509,721)	(95,078)
Interest expenses	(209,243)	(187,745)
Losses on derivative instruments	(112,260)	(55,916)
Cash discounts expenses	(13,820)	(14,270)
Other	(9,767)	(10,763)
	(854,811)	(363,772)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

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NOTE 33 - TAX ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Corporation and income taxes	82,107	86,591
Less: prepaid tax	(62,459)	(62,583)
Tax liabilities (net)	19,648	24,008
Deferred tax assets	90,659	85,968
Deferred tax liabilities	(245,515)	(236,406)
Deferred tax liabilities, (net)	(154,856)	(150,438)

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

The corporation tax rate is 20% in Turkey (December 31, 2012: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expense for the years ended at December 31 are as follows:

	2013	2012
Tax expenses		
- Current period tax expense	(120,939)	(85,824)
- Deferred tax expense	(1,146)	9,402
Tax expenses (net)	(122,085)	(76,422)

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

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NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Property, plant and equipment and intangible assets	1,362,408	1,213,884	(289,422)	(261,202)
Available-for-sale investments	393,896	493,467	(19,694)	(24,672)
Unearned credit finance income/expense (net)	58,473	27,427	(11,695)	(5,485)
Unused tax credits	(255,047)	(276,205)	53,051	57,116
Provision for warranty and assembly expense	(194,471)	(163,698)	40,659	33,066
Provision for employment termination benefits	(116,017)	(110,790)	23,225	22,184
Derivative instruments	(63,199)	(1,504)	12,604	201
Provision for impairment on inventories	(49,761)	(51,695)	10,017	10,417
Provision for doubtful receivables	(17,228)	(12,976)	3,426	2,514
Accrual for licenses	(6,008)	(1,815)	1,202	363
Other	(87,992)	(63,717)	21,771	15,060
Deferred tax liabilities (net)			(154,856)	(150,438)
			2013	2012
Balance as of January 1			(150,438)	(162,755)
Tax expense recognized in statement of profit or loss			(1,146)	9,402
Tax recognized directly in the shareholders' equity			6,878	(8,210)
Currency translation differences			(10,150)	11,125
Balance as of December 31			(154,856)	(150,438)

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 315,834. Maturity analysis of this amount is as follows:

	December 31, 2013
2014	14,020
2015	13,264
2016	14,329
2017	21,418
2018 and after	252,803
	315,834

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NOTE 33 - TAX ASSETS AND LIABILITIES (Continued)

Subsidiaries' accumulated and undistributed profits are being used in financing investments and working capital requirements, and the dividend payments are subject to Group management's approval. Complete distribution of these accumulated profits is not anticipated as of balance sheet date, and consequently no resulting deferred tax liability is accrued. As of December 31, 2013, total gross accumulated distributable but undistributed profits of subsidiaries to parent entities amounts to TRY 617,721 (December 31, 2012: TRY 433,533).

Reconciliation between tax expenses for the years ended December 31, 2013 and 2012 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2013	2012
Profit before tax	743,921	623,060
Tax expense calculated using 20% local tax rate	(148,784)	(124,612)
Exemptions	31,206	29,949
Effect of unused tax losses for which no deferred tax asset was recognized	(4,070)	(5,209)
Expenses not deductible for tax purposes	(9,664)	(15,694)
Impact of different tax rates in other countries	(6,513)	(5,195)
Adjustments with no tax effects	13,594	17,490
Utilization of previously unrecognized tax losses	2,491	24,479
Other	(345)	2,370
Taxation expense recognized in statement of profit or loss	(122,085)	(76,422)
Effective tax rate	16.4%	12.3%

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NOTE 34 - EARNINGS PER SHARE

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

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

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

	December 31, 2013	December 31, 2012
Net income attributable to the equity holders of the parent	597,845	519,714
Weighted average number of ordinary shares with nominal value (Krl each one)	67,572,820,500	67,572,820,500
Earnings per share (Krl) (*)	0.885	0.769
Dividends distributed to the equity holders of the parent	355,000	300,000
Gross dividend distributed per share (*)	0.525	0.444

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

NOTE 35 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2013	December 31, 2012
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	22,114	19,441
Yapı Kredi Bankası A.Ş.	3,242	301
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	1,052	2,104
Other	811	740
	27,219	22,586
(b) Due to related parties:		
<i>Current</i>		
Arçelik-LG ⁽²⁾	270,661	64,162
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	107,972	83,719
Ram Dış Ticaret ⁽²⁾	36,030	15,855
Diğer	22,794	9,296
	437,457	173,032

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

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NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2013	December 31, 2012
<i>Other liabilities – Current</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	8,860	7,030
<i>Other liabilities – Non Current</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	62,427	59,540

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under other liabilities to related parties, amounts to TRY 81,040 as of December 31, 2013. (December 31, 2012: TRY 81,040).

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

	December 31, 2013	December 31, 2012
Other liabilities to related parties (gross)		
Up to 1 year	12,379	11,221
1 to 5 years	48,663	40,823
Over 5 years	24,331	30,482
	85,373	82,526
Less: future finance charges on other liabilities	(14,086)	(15,956)
Present value of other liabilities to related parties (net)	71,287	66,570

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

	December 31, 2013	December 31, 2012
Up to 1 year	8,860	7,030
1 to 5 years	39,449	31,466
Over 5 years	22,978	28,074
	71,287	66,570

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries ⁽¹⁾	294,694	590,068
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	108,144	370,755
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⁽¹⁾ Koç Holding group companies

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NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative instruments

	Contract	Fair value	
December 31, 2013	amount	Assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	358,406	1,484	-

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

(ii) Transactions with related parties

	2013	2012
(a) Sales of goods and services:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	75,806	77,333
Koçtaş Yapı Marketleri Ticaret A.Ş.	21,241	23,510
Yapı ve Kredi Bankası A.Ş.	6,238	7,064
Arçelik-LG	3,399	4,096
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,571	57,092
Diğer	5,804	17,254
	115,059	186,349

(b) Purchases of goods and services:

Zer Merkezi Hizmetler ve Ticaret A.Ş.	653,868	628,428
Arçelik-LG	546,273	443,271
Ram Dış Ticaret	120,243	70,098
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	30,792	25,563
Setur Servis Turistik A.Ş. (1)	24,227	20,541
Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*)	22,025	23,070
Other	62,539	49,722
	1,459,967	1,260,693

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

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

(1) Koç Holding group companies

(*) The amount is composed of accrued premiums in the period ending December 31, 2013 in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency.

NOTE 35 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2013 amounts to TRY 42,184 (December 31, 2012: TRY 34,300). Compensation includes only short-term benefits.

(d) Other transactions

	2013	2012
<i>Interest income</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	21,644	10,458
<i>Interest expense:</i>		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,435	13,030

NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Beko UK is operating in marketing, sales and after sales services areas for consumer durables and consumer electronics in England and Republic of Ireland. The share of non-controlling interest in Beko UK is %50 (December 31, 2012: %50).

Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. As Arçelik has the full control over the activities of Beko UK, Beko UK is considered as a subsidiary and consolidated.

The summary of statements of financial position of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	December 31, 2013	December 31, 2012
Current assets	599,161	575,571
Non-current assets	29,587	11,053
Total assets	628,748	586,624
Current liabilities	500,112	429,557
Non-current liabilities	2,218	2,183
Equity	126,418	154,884
Total liabilities and equity	628,748	586,624

The summary of statements of profit or loss of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	2013	2012
Net sales	1,043,643	983,141
Profit from continued operations before taxation	59,807	66,986
Net Income from continued operations	45,914	50,812
Total other comprehensive income	68,644	52,207
Non-controlling interests	22,957	25,406
Dividends paid to non-controlling interests	48,555	45,162

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NOTE 36 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES (Continued)

The summary of statements of cash flows of the subsidiary for the years ended December 31, 2013 and 2012 are as follows. Amounts are shown before inter-company eliminations.

	2013	2012
Cash flow from operating activities	24,018	53,455
Cash flow from investing activities	(14,558)	(264)
Cash flow from financing activities (excluding dividend)	386	632
Dividends paid	(97,110)	(90,324)
Foreign currency translation differences (net)	17,670	1,570
Net decrease in cash and cash equivalents	(69,594)	(34,931)

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative instruments

Liquidity Risk

The risk of failure in settling financial liabilities is eliminated by managing the balance sheet and expected cash flows in harmony. In this context; the maturities of the financial liabilities are kept in line with the maturities of assets to eliminate any duration mismatch and in order to maintain short term liquidity, net working capital objectives are set and balance sheet ratios are aimed to be kept at particular levels.

Cash flow estimations for midterm and long term liquidity management of the Group are made by taking into account financial market and sector dynamics and cash flow cycle is observed and is tested by various scenarios.

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2013 is as follows:

Total liabilities (non-derivative):	Carrying value	Contractual cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
Financial liabilities	4,254,538	4,931,843	671,816	1,154,261	1,864,554	1,241,212
Trade payables	1,644,900	1,654,149	1,387,904	266,245	-	-
Other payables, related parties	71,287	85,373	3,095	9,284	48,663	24,331
Other payables, third parties	96,526	96,526	74,796	21,730	-	-
Other liabilities	259,054	259,054	237,282	1,904	19,868	-
	6,326,305	7,026,945	2,374,893	1,453,424	1,933,085	1,265,543

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Derivative instruments	Carrying value	Contractual Cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
Derivative cash inflows		1,950,198	1,042,549	-	-	907,649
Derivative cash outflows		(2,009,224)	(1,050,395)	-	-	(958,829)
Derivative instruments (net)	(59,026)	(59,026)	(7,846)	-	-	(51,180)

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

Total liabilities (non-derivative):	Carrying value	Contractual Cash-flows	Up to 3 months	3 months- 12 months	1 year- 5 years	More than 5 years
Financial liabilities	4,003,509	4,380,242	683,480	1,588,440	2,055,032	53,290
Trade payables	1,216,130	1,221,544	1,182,473	39,071	-	-
Other payables, related parties	66,570	82,526	2,606	8,616	40,822	30,482
Other payables, third parties	83,829	83,829	76,197	7,632	-	-
Other liabilities	150,926	150,926	146,517	2,704	1,705	-
	5,520,964	5,919,067	2,091,273	1,646,463	2,097,559	83,772

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

Interest Rate Risk

Changes in interest rates create significant risks over financial results with due to the impact on interest sensitive assets and liabilities. These exposures are managed by maintaining a balance between interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial. In order to minimize the exposures to interest rate volatility, contractual repricing date of financial liabilities and receivables and "fixed interest/ floating interest", "short-term/ long-term" balance within liabilities are structured coherently.

Average effective annual interest rates of statement of financial position accounts as of December 31, 2013 and 2012 are as follows:

December 31, 2013 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	7.00	1.63	1.59	0.25	3.20	-	2.70	4.50	2.30	4.01	0.55
Trade receivable	2.52	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Financial liabilities	7.99	1.30	-	-	-	7.86	5.60	-	-	-	-
Trade payables	8.37	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Financial liabilities	9.61	2.59	3.09	-	-	7.65	-	6.79	-	-	-

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
 (Continued)

December 31, 2012 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	EGP	NOK
Current Asset											
Cash and cash equivalents	8.39	1.71	2.76	0.25	5.25	-	2.22	4.50	4.30	6.50	1.77
Trade receivable	4.08	-	-	-	-	-	-	-	-	-	-
Current Liabilities											
Financial liabilities	0.00	1.09	1.12	-	7.80	8.57	5.60	-	-	-	-
Trade payables	6.06	-	-	-	-	-	-	-	-	-	-
Non-Current Liabilities											
Financial liabilities	7.85	2.49	2.50	2.59	-	8.10	-	6.73	-	-	-

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

	2013	2012
Financial instruments with fixed interest rates		
Time deposits	548,940	960,460
Borrowings and bonds issued	1,732,551	946,659
Financial instruments with variable interest rates		
Time deposits	518,914	619,438
Borrowings and bonds issued	2,521,420	3,056,607

At December 31, 2013, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 20,025 (2012: TRY 24,372) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

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

Details of credit and receivable risk as of December 31, 2013 and 2012 are as follows:

December 31, 2013	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	27,219	4,182,377	1,192,916	6,651
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,250,611)	-	-
A. Net book value of financial asset either are not due or not impaired	27,219	3,900,410	1,192,916	6,651
-Secured portion by guarantees, etc.	-	(3,017,459)	-	-
B. Financial assets with renegotiated conditions	-	28,379	-	-
- Secured portion by guarantees, etc.	-	(23,919)	-	-
C. Net book value of overdue but not impaired financial assets	-	203,105	-	-
- Secured portion by guarantees, etc.	-	(158,750)	-	-
D. Net book value of the impaired assets	-	50,483	-	-
- Overdue (Gross book value)	-	163,764	-	-
- Impairment (-)	-	(113,281)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,483)	-	-

December 31, 2012	Trade receivables		Bank deposits	Derivative instruments
	Related parties	Third parties		
Maximum exposed credit risk as of reporting date ⁽¹⁾	22,586	3,249,860	1,678,456	2,176
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(2,712,636)	-	-
A. Net book value of financial asset either are not due or not impaired	22,586	3,004,198	1,678,456	2,176
-Secured portion by guarantees, etc.	-	(2,505,990)	-	-
B. Financial assets with renegotiated conditions	-	26,556	-	-
- Secured portion by guarantees, etc.	-	(25,967)	-	-
C. Net book value of overdue but not impaired financial assets	-	168,384	-	-
- Secured portion by guarantees, etc.	-	(129,957)	-	-
D. Net book value of the impaired assets	-	50,722	-	-
- Overdue (Gross book value)	-	143,951	-	-
- Impairment (-)	-	(93,229)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,722)	-	-

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

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

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
 (Continued)

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

	December 31, 2013	December 31, 2012
Group 1	11,281	24,004
Group 2	3,808,259	2,968,205
Group 3	136,468	61,131
	3,956,008	3,053,340

Group 1 - New customers (customers for a period less than three months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than three months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

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

	December 31, 2013	December 31, 2012
0-1 month	139,078	116,741
1-3 months	33,547	31,983
3-12 months	22,735	14,606
1-5 years	7,745	5,054
	203,105	168,384

c) **Geographical concentration of the trade receivables**

	December 31, 2013	December 31, 2012
Turkey	2,270,071	1,732,102
Europe	1,372,718	1,102,820
Other	566,807	437,524
	4,209,596	3,272,446

Foreign exchange risk

Since the Group operates in a diverse geographical area, operations are performed using multiple currencies. Therefore, foreign exchange risk is one of the most significant financial risks that the Group is exposed to.

Trade relations between the Company and its subsidiaries are structured within the framework of relevant legislations and managed centrally by subsidiaries' functional currencies. Thus, foreign currency risk born by the subsidiaries is minimized.

Foreign exchange risk is followed based on functional currency of each subsidiary. It is aimed to set the ratio of foreign exchange risk position over equity at a predetermined interval.

The main principle of foreign currency risk management is to minimize the impact of foreign exchange fluctuations by maintaining foreign exchange asset position close to zero.

NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Inter balance sheet methods are preferred for the management of foreign currency risk as in other risk items. However, when necessary, derivative instruments are also used for maintaining foreign currency position at a predetermined level.

Foreign currency hedge of net investments in foreign operations

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2013, a portion of bank borrowings in Euro amounting to EUR 328,750,000(before tax) was designated as a net investment hedging instrument (December 31, 2012: EUR 328,750,000).

Foreign currency position

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

	December 31, 2013	December 31, 2012
Assets	2,808,426	2,368,713
Liabilities	(3,190,616)	(2,874,892)
Statement of financial position (net)	(382,190)	(506,179)
Net position of derivative instruments	491,604	617,836
Foreign currency position (net)	109,414	111,657

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Currencies, other than the functional currencies of the Company and its' subsidiaries are accepted as foreign currencies. The original currencies are presented in thousands ('000).

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2013 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD	TRY equivalent
Current assets															
Trade receivables	370,264	110,460	104,587	1,482,643	55,011	125,652	9,957	94,566	-	10,166	22,902	77	-	296	1,921,285
Monetary financial assets	120,179	30,992	4	-	(1)	-	-	429	30,125	2,029	96	4	-	-	426,343
Other	26,694	63,583	86	-	-	-	-	-	-	-	2	-	-	-	214,398
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	1,206,602	-	-	-	-	-	246,400
Total assets	517,137	205,035	104,677	1,482,643	55,010	125,652	9,957	94,995	1,236,727	12,195	23,000	81	-	296	2,808,426
Current liabilities															
Trade payables	101,585	123,602	1,196	-	-	-	156	40,189	17,455	-	3,102	-	64,846	-	590,270
Financial liabilities	247,202	6,197	-	-	-	-	-	-	684,176	-	-	-	-	-	878,851
Other monetary financial liabilities	1,302	9,276	1,221	-	-	-	-	-	-	-	-	-	-	-	27,908
Non-Current liabilities															
Trade payables	-	29,249	-	-	-	-	-	-	-	-	-	-	-	-	62,426
Financial liabilities	160,049	544,055	-	-	-	-	-	-	-	-	-	-	-	-	1,631,161
Total liabilities	510,138	712,379	2,417	-	-	-	156	40,189	701,631	-	3,102	-	64,846	-	3,190,616
Statement of financial position (net)	6,999	(507,344)	102,260	1,482,643	55,010	125,652	9,801	54,806	535,096	12,195	19,898	81	(64,846)	296	(382,190)
Off-balance sheet derivative assets (*)	322,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	2,140,635
Off-balance sheet derivative liabilities (*)	(292,804)	(45,303)	(101,441)	(1,700,000)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	(1,649,031)
Net position of off-balance sheet items	29,314	509,544	(101,441)	(1,537,479)	(55,000)	(100,000)	-	(100,000)	(500,000)	-	(22,000)	-	-	-	491,604
Foreign currency position (net)	36,313	2,200	819	(54,836)	10	25,652	9,801	(45,194)	35,096	12,195	(2,102)	81	(64,846)	296	109,414
Net asset/(liability) position of foreign currency monetary items	(19,695)	(370,927)	102,174	1,482,643	55,010	125,652	9,801	54,806	535,096	12,195	19,896	81	(64,846)	296	(596,588)
Fair value of financial instruments used for foreign exchange edge															(59,026)
Hedged amount of foreign currency assets	292,804	45,303	101,441	1,700,000	55,000	100,000	-	100,000	500,000	-	22,000	-	-	-	1,649,031
Hedged amount of foreign currency liabilities	59,118	554,847	-	162,521	-	-	-	-	-	-	-	-	-	-	1,368,336

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	CAD equivalent	TRY
December 31, 2013	27,340	13,945	(53)	(54,836)	10	25,652	9,957	(5,535)	-	-	902	-	(61,338)	296	111,772
Against TRY	-	4,574	-	-	-	-	-	52,551	-	-	-	-	-	-	20,493
Against EUR	691	3,600	-	-	-	-	-	-	-	-	-	-	-	-	9,712
Against RUB	(2,728)	79	-	-	-	-	-	-	-	-	-	-	-	-	(7,842)
Against PLN	134	-	-	-	-	-	-	-	-	-	-	-	-	-	393
Against GBP	(2,498)	4,233	531	-	-	-	-	-	-	(21)	-	-	(3,508)	-	3,485
Against RON	(1,773)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,206)
Against CZK	8,144	(199)	-	-	-	-	-	(39,659)	-	12,216	-	-	-	-	15,291
Against NOK	4,035	(21)	-	-	-	-	(156)	-	-	-	-	-	-	-	11,750
Against SEK	1,350	(7,982)	341	-	-	-	-	-	-	-	-	-	-	-	(11,875)
Against CNY	(1,472)	(1,598)	-	-	-	-	-	-	-	-	-	-	-	-	(7,734)
Against ZAR	(747)	(58)	-	-	-	-	-	-	-	-	-	81	-	-	(2,177)
Against AUD	9	(8,989)	-	-	-	-	-	-	-	-	-	-	-	-	(19,159)
Against EGP	170	(7,301)	-	-	-	-	-	-	-	-	-	-	-	-	(15,084)
Against UAH	3,664	1,917	-	-	-	-	-	-	-	-	-	-	-	-	14,850
Against CHF	-	-	-	-	-	-	-	(17,455)	-	-	-	-	-	-	(3,564)
Against BWP	-	-	-	-	-	-	-	-	-	-	(3,004)	-	-	-	(5,673)
Against NZD	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(18)
Other	36,313	2,200	819	(54,836)	10	25,652	9,801	(45,194)	35,096	12,195	(2,102)	81	(64,846)	296	109,414

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY
Current assets															
Trade receivables	356,153	95,911	116,538	1,714,475	45,479	93,253	-	154,373	20,644	671	-	14,515	567	-	1,552,016
Monetary financial assets	143,626	61,775	6	1	-	-	-	6,327	-	-	-	-	1,417	-	451,319
Other	21,570	43,307	52	-	-	-	-	-	-	-	131,669	-	770	-	198,464
Non-Current assets	-	-	-	-	-	-	-	-	793,130	-	-	-	-	-	166,914
Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	521,349	200,993	116,596	1,714,476	45,479	93,253	-	154,373	820,101	671	131,669	14,515	2,754	-	2,368,713
Current liabilities															
Trade payables	91,918	101,970	211	964	-	-	742	23,050	-	-	-	-	119	1,736	405,318
Financial liabilities	297,834	197,442	50,172	-	-	-	-	-	684,002	-	-	-	-	-	1,340,358
Other monetary financial liabilities	2,118	10,663	1,221	-	-	-	-	-	-	-	-	-	341	-	27,996
Non-Current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables	-	33,400	-	-	-	-	-	-	-	-	-	-	-	-	59,539
Financial liabilities	405,048	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1,041,681
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	796,918	393,475	51,604	964	-	-	742	23,050	684,002	-	-	-	460	1,736	2,874,892
Statement of financial position (net)	(275,569)	(192,482)	64,992	1,713,512	45,479	93,253	(742)	131,323	136,099	671	131,669	14,515	2,294	(1,736)	(506,179)
Off-balance sheet derivative assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	1,043,406
Off-balance sheet derivative liabilities (*)	(16,151)	(9,672)	(68,500)	(1,500,000)	(40,000)	-	-	(80,000)	(110,000)	-	-	(10,000)	-	-	(425,570)
Net position of off-balance sheet items	281,687	170,167	(68,500)	(1,356,797)	(25,611)	-	-	(61,306)	(110,000)	-	-	(9,644)	-	-	617,836
Foreign currency position (net)	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657
Net asset/(liability) position of foreign currency monetary items	(297,139)	(235,788)	64,940	1,713,511	45,479	93,253	(742)	131,323	136,099	671	-	14,515	1,524	(1,736)	(704,643)
Fair value of financial instruments used for foreign exchange hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,504)
Hedged amount of foreign currency assets	16,151	9,672	68,500	1,500,000	40,000	-	-	80,000	110,000	-	-	10,000	-	-	425,569
Hedged amount of foreign currency liabilities	34,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	424,909

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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NOTE 37 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY equivalents	TRY
December 31, 2012															
Against TRY	(13,711)	(4,062)	(9,856)	356,715	19,868	93,573	1	93,067	16,971	-	-	4,871	-	-	11,151
Against EUR	-	(1,467)	-	-	-	(320)	-	-	9,128	-	131,669	-	-	-	68,533
Against RUB	2,672	(1,225)	-	-	-	-	-	-	-	-	-	-	-	-	4,100
Against PLN	(1,998)	18	-	-	-	-	-	-	-	-	-	-	-	-	(4,667)
Against GBP	6,436	-	-	-	-	-	-	-	-	-	-	-	-	-	15,136
Against RON	6,365	1,126	3,234	-	-	-	-	-	-	(34)	-	-	-	(1,736)	26,213
Against CZK	(1,305)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,069)
Against NOK	(8)	(299)	-	-	-	-	-	(23,050)	-	705	-	-	-	-	(6,604)
Against SEK	35	(79)	-	-	-	-	(743)	-	-	-	-	-	-	-	(296)
Against CNY	3,786	(15,360)	3,114	-	-	-	-	-	-	-	-	-	-	-	(9,537)
Against ZAR	(161)	1,092	-	-	-	-	-	-	-	-	-	-	-	-	1,568
Against AUD	5,730	966	-	-	-	-	-	-	-	-	-	-	2,294	-	18,573
Against EGP	(1,186)	(3,025)	-	-	-	-	-	-	-	-	-	-	-	-	(8,181)
Against UAH	(531)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,249)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of December 31, 2013, sensitivity analysis of foreign exchange rate tables is presented below, Secured portions include impact of derivative instruments.

	Gain/Loss		Equity	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(108,282)	108,282	(108,282)	108,282
Secured portion from USD risk	108,752	(108,752)	108,752	(108,752)
USD Net effect	470	(470)	470	(470)
EUR net asset/liability	79,285	(79,285)	42,694	(42,694)
Secured portion from EUR risk	(68,622)	68,622	8,608	(8,608)
EUR Net effect	10,663	(10,663)	51,302	(51,302)
GBP net asset/liability	35,908	(35,908)	48,550	(48,550)
Secured portion from GBP risk	(35,620)	35,620	(35,620)	35,620
GBP Net effect	288	(288)	12,930	(12,930)
RUB net asset/liability	9,605	(9,605)	28,638	(28,638)
Secured portion from RUB risk	(9,960)	9,960	(9,960)	9,960
RUB Net effect	(355)	355	18,678	(18,678)
RON net asset/liability	-	-	36,583	(36,583)
Secured portion from RON risk	-	-	-	-
RON Net effect	-	-	36,583	(36,583)
PLN net asset/liability	3,904	(3,904)	11,689	(11,689)
Secured portion from PLN risk	(3,903)	3,903	(3,903)	3,903
PLN Net effect	1	(1)	7,786	(7,786)
CZK net asset/liability	1,348	(1,348)	2,936	(2,936)
Secured portion from CZK risk	(1,073)	1,073	(1,073)	1,073
CZK Net effect	275	(275)	1,863	(1,863)
NOK net asset/liability	341	(341)	1,665	(1,665)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	341	(341)	1,665	(1,665)
SEK net asset/liability	1,796	(1,796)	3,012	(3,012)
Secured portion from SEK risk	(3,278)	3,278	(3,278)	3,278
SEK Net effect	(1,482)	1,482	(266)	266
NZD net asset/liability	14	(14)	14	(14)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	14	(14)	14	(14)
ZAR net asset/liability	10,927	(10,927)	49,662	(49,662)
Secured portion from ZAR risk	(10,211)	10,211	(10,211)	10,211
ZAR Net effect	716	(716)	39,451	(39,451)
AUD net asset/liability	3,758	(3,758)	3,494	(3,494)
Secured portion from AUD risk	(4,155)	4,155	(4,155)	4,155
AUD Net effect	(397)	397	(661)	661
DKK net asset/liability	479	(479)	479	(479)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	479	(479)	479	(479)
EGP net asset/liability	-	-	(511)	511
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(511)	511
UAH net asset/liability	-	-	177	(177)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	177	(177)
JPY net asset/liability	(131)	131	(131)	131
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(131)	131	(131)	131
CAD net asset/liability	59	(59)	59	(59)
Secured portion from CAD risk	-	-	-	-
CAD Net effect	59	(59)	59	(59)
	10,941	(10,941)	169,888	(169,888)

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
 (Continued)

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

	Gain/Loss		Equity	
	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%	Foreign exchange appreciation by 10%	Foreign exchange depreciation by 10%
USD net asset/liability	(34,312)	34,312	(34,312)	34,312
Secured portion from USD risk	30,334	(30,334)	30,334	(30,334)
USD Net effect	(3,978)	3,978	(3,978)	3,978
EUR net asset/liability	(2,954)	2,954	(27,414)	27,414
Secured portion from EUR risk	4,394	(4,394)	66,244	(66,244)
EUR Net effect	1,440	(1,440)	38,830	(38,830)
GBP net asset/liability	18,658	(18,658)	34,146	(34,146)
Secured portion from GBP risk	(19,665)	19,665	(19,665)	19,665
GBP Net effect	(1,007)	1,007	14,481	(14,481)
RUB net asset/liability	9,952	(9,952)	25,681	(25,681)
Secured portion from RUB risk	(7,880)	7,880	(7,880)	7,880
RUB Net effect	2,072	(2,072)	17,801	(17,801)
RON net asset/liability	6,926	(6,926)	31,006	(31,006)
Secured portion from RON risk	-	-	-	-
RON Net effect	6,926	(6,926)	31,006	(31,006)
PLN net asset/liability	2,635	(2,635)	6,927	(6,927)
Secured portion from PLN risk	(1,484)	1,484	(1,484)	1,484
PLN Net effect	1,151	(1,151)	5,443	(5,443)
CZK net asset/liability	877	(877)	1,770	(1,770)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	877	(877)	1,770	(1,770)
NOK net asset/liability	(24)	24	973	(973)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(24)	24	973	(973)
SEK net asset/liability	3,574	(3,574)	4,365	(4,365)
Secured portion from SEK risk	(1,669)	1,669	(1,669)	1,669
SEK Net effect	1,905	(1,905)	2,696	(2,696)
NZD net asset/liability	338	(338)	338	(338)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	338	(338)	338	(338)
ZAR net asset/liability	2,864	(2,864)	41,806	(41,806)
Secured portion from ZAR risk	(2,315)	2,315	(2,315)	2,315
ZAR Net effect	549	(549)	39,491	(39,491)
AUD net asset/liability	2,682	(2,682)	2,684	(2,684)
Secured portion from AUD risk	(1,782)	1,782	(1,782)	1,782
AUD Net effect	900	(900)	902	(902)
DKK net asset/liability	21	(21)	21	(21)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	21	(21)	21	(21)
EGP net asset/liability	-	-	90	(90)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	90	(90)
UAH net asset/liability	-	-	194	(194)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	194	(194)
JPY net asset/liability	(4)	4	(4)	4
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(4)	4	(4)	4
	11,166	(11,166)	150,054	(150,054)

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NOTE 37 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Import and exports performed to / from Turkey for the year ended as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	955,133,332	2,435,872	1,058,816,343	2,440,091
USD	328,709,376	621,436	275,566,286	493,105
GBP	265,142,594	798,179	258,135,976	733,652
Other		455,120		455,776
Total exports		4,310,607		4,122,624
EUR	429,856,529	1,077,984	455,054,620	1,046,470
USD	882,562,636	1,687,036	1,019,116,675	1,828,107
GBP	745,860	2,254	978,674	2,781
Other		5,187		4,087
Total imports		2,772,461		2,881,445

Capital Risk Management

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

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

The gearing ratios at December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Total financial liabilities (Note 7)	4,254,538	4,003,509
Less: Cash and cash equivalents (Note 5)	(1,266,575)	(1,740,789)
Net financial liabilities	2,987,963	2,262,720
Equity	4,138,756	3,927,235
Total capital invested	7,126,719	6,189,955
Gearing ratio	42%	37%

NOTE 38 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Financial Assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

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

Financial Liabilities

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

As of December 31, 2013 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 3,642,347 (December 31, 2012: TRY 3,218,227) (Note 7), and TRY 3,650,310 (December 31, 2012: TRY 3,215,608) respectively. Fair value is calculated by discounting the cash out flows regarding due dates of financial liabilities considering the changing country risk premium and changes in market interest rates.

NOTE 38 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31, 2013 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Derivative assets (Note 8)	-	6,651	-
Financial investments (Note 6)	-	537,682	-
Financial liabilities at fair value through profit or loss:			
Derivative liabilities (Note 8)	-	65,677	-

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

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Derivative assets (Note 8)	-	2,176	-
Financial investments (Note 6)	-	637,253	-
Financial liabilities at fair value through profit or loss:			
Derivative liabilities (Note 8)	-	3,680	-

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NOTE 39 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements, "Changes in provisions" presented in the consolidated statements of cash flows are as follows:

	December 31, 2013	December 31, 2012
Changes in provisions:		
Accrual for customer premiums	66,626	30,053
Warranty provision	23,813	8,521
Provision for doubtful receivables	15,264	27,756
Assembly and transportation provision	14,474	(4,869)
Provision for impairment on inventories	3,868	3,891
Return provisions	1,962	704
Provision for vacation pay liability	1,095	2,042
Provision for legal claims	369	(1,737)
Accrual for bonuses and premiums	243	(131)
Provisions for impairment on investment property	-	941
Provision for employment termination benefits	(2,065)	10,521
	125,649	77,692

NOTE 40- EVENTS AFTER BALANCE SHEET DATE

Indicative exchange rates of USD and EURO are set by Central Bank of Turkey as 2.2249 and 3.0078 respectively on February 6, 2014 at 15:30. As of December 31, 2013, exchange rates of USD and EURO are 2.1343 and 2.9365, respectively.

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