

Convenience translation of condensed interim consolidated financial statements originally issued in Turkish)

Arçelik Anonim Şirketi

January 1-June 30, 2013 condensed interim consolidated financial statements together with independent auditor's review report

**Review report on the condensed interim consolidated financial statements
for the period 1 January – 30 June 2013**

To the Board of Directors of
Arçelik Anonim Şirketi;

Introduction

We have reviewed the accompanying consolidated statement of financial position of Arçelik A.Ş. (the Company or "Arçelik") and its subsidiaries (together "the Group") as of June 30, 2013 and related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flow for the six month period then ended. Management is responsible for the preparation and presentation of those interim consolidated financial statements in accordance with Turkish Accounting Standard No 34 (TAS 34 - Interim Financial Reporting) issued by Public Oversight, Accounting and Auditing Standards Authority . Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

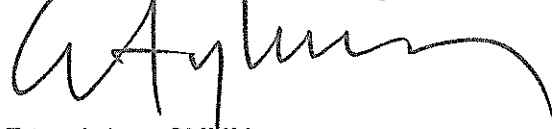
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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



Ertan Ayhan, SMMM
Partner

August 2, 2013
Istanbul, Turkey

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30,2013 AND DECEMBER 31,2012

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

| | Notes | Reviewed | Restated |
|-----------------------------------|-------|-------------------|------------------------------|
| | | June 30, 2013 | Audited December 31, 2012 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 4 | 1,647,067 | 1,740,789 |
| Trade receivables | | | |
| -Due from related parties | 28 | 65,641 | 22,586 |
| -Trade receivables, third parties | 8 | 3,842,859 | 3,238,891 |
| Derivative financial instruments | 7 | 3,783 | 2,176 |
| Inventories | 9 | 1,816,066 | 1,599,658 |
| Prepaid expenses | 17 | 69,214 | 28,235 |
| Current income tax assets | 18 | 41,976 | 26,318 |
| Other current assets | 20 | 67,641 | 69,454 |
| Subtotal | | 7,554,247 | 6,728,107 |
| Assets held for sale | | 8,825 | 8,571 |
| Total current assets | | 7,563,072 | 6,736,678 |
| Non-current assets: | | | |
| Financial investments | 5 | 652,681 | 638,741 |
| Trade receivables | | | |
| -Trade receivables, third parties | 8 | 19,910 | 10,969 |
| Derivate financial instruments | 7 | 10,144 | - |
| Associates | 11 | 184,684 | 182,614 |
| Investment properties | 12 | 5,414 | 5,099 |
| Property, plant and equipment | 13 | 1,637,895 | 1,603,403 |
| Intangible assets | | | |
| -Goodwill | | 163,022 | 177,080 |
| -Other intangible assets | 14 | 804,133 | 787,601 |
| Deferred tax assets | 26 | 80,625 | 85,968 |
| Total non-current assets | | 3,558,508 | 3,491,475 |
| Total assets | | 11,121,580 | 10,228,153 |

These condensed interim consolidated financial statements as at and for the period ended June 30, 2013, have been approved for issue by the Board of Directors on August 02, 2013 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30,2013 AND DECEMBER 31,2012

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

| | | Reviewed | Audited |
|---|-------|-------------------|-------------------|
| | | | Restated |
| | Notes | June 30, 2013 | December 31, 2012 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Financial Liabilities | 6 | 755,510 | 785,171 |
| Short term portion of long term financial liabilities | 6 | 629,341 | 1,359,235 |
| Trade payables | | | |
| -Due to related parties | 28 | 385,051 | 173,032 |
| -Trade payables, third parties | 8 | 1,361,572 | 1,043,098 |
| Derivative financial instruments | 7 | 2,826 | 3,680 |
| Employee benefit obligations | 19 | 112,155 | 88,081 |
| Other payables | | | |
| -Due to related parties | 28 | 7,788 | 7,030 |
| -Other payables, third parties | 10 | 75,398 | 83,829 |
| Current income tax liabilities | 26 | 28,434 | 24,008 |
| Provisions | | | |
| -Other provisions | 16 | 289,495 | 233,377 |
| Other current liabilities | 20 | 189,897 | 149,221 |
| Total current liabilities | | 3,837,467 | 3,949,762 |
| Non-current liabilities | | | |
| Financial liabilities | 6 | 2,925,890 | 1,859,103 |
| Other payables | | | |
| -Due to related parties | 28 | 60,345 | 59,540 |
| Provisions | | | |
| -Provision for employee benefits | | 117,498 | 112,254 |
| -Other provisions | 16 | 83,931 | 82,148 |
| Deferred tax liabilities | 26 | 238,505 | 236,406 |
| Other non-current liabilities | | 1,628 | 1,705 |
| Total non-current liabilities | | 3,427,797 | 2,351,156 |
| Total liabilities | | 7,265,264 | 6,300,918 |
| EQUITY | | | |
| Paid-in capital | 21 | 675,728 | 675,728 |
| Adjustment to share capital | 21 | 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 | | (1,310) | 247 |
| Other comprehensive income/loss to be reclassified to profit or loss | | | |
| -Financial assets revaluation fund | | 482,036 | 468,793 |
| -Non-current assets revaluation fund | | 59,923 | 59,023 |
| -Hedge of net investments in foreign operations | | (99,580) | (56,974) |
| -Cash flow hedges | | 267 | (557) |
| -Currency translation differences | | 108,022 | 86,790 |
| Contribution to shareholders' equity related to merger | 21 | 14,507 | 14,507 |
| Restricted reserves | 21 | 248,809 | 216,687 |
| Retained earnings | | 1,521,011 | 1,387,994 |
| Net income for the period | | 280,744 | 519,714 |
| Equity holders of the parent | | 3,759,857 | 3,841,652 |
| Non-controlling interest | | 96,459 | 85,583 |
| Total equity | | 3,856,316 | 3,927,235 |
| Total liabilities and equity | | 11,121,580 | 10,228,153 |

Commitments, contingent assets and liabilities

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

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

| | Notes | Reviewed | | April 1- June 30 2013 | April 1- June 30 2012 |
|---|-------|-------------------------------|-------------------------------|-----------------------------|-----------------------------|
| | | January 1- June 30 2013 | January 1- June 30 2012 | | |
| Net sales | 3 | 5,095,631 | 5,184,788 | 2,665,460 | 2,778,803 |
| Cost of sales | | (3,556,895) | (3,704,302) | (1,865,237) | (1,979,054) |
| Gross profit | | 1,538,736 | 1,480,486 | 800,223 | 799,749 |
| General administrative expenses | | (189,443) | (181,862) | (92,891) | (97,426) |
| Marketing, selling and distribution expenses | | (932,387) | (863,487) | (499,525) | (457,452) |
| Research and development expenses | | (40,141) | (45,949) | (20,680) | (22,713) |
| Other operating income | 22 | 141,796 | 65,895 | 112,554 | 34,557 |
| Other operating expenses | 22 | (86,960) | (128,911) | (30,287) | (61,276) |
| Operating profit | | 431,601 | 326,172 | 269,394 | 195,459 |
| Income from investment activities | 23 | 10,244 | 740 | 9,954 | 467 |
| Expenses from investment activities | 23 | (648) | (446) | (469) | (364) |
| Income from associates | 11 | 23,721 | 23,543 | 16,690 | 15,198 |
| Operating profit before financial income/(expense) | | 464,918 | 350,009 | 295,569 | 210,760 |
| Financial income | 24 | 201,581 | 176,794 | 94,591 | 63,979 |
| Financial expenses | 25 | (327,909) | (186,435) | (210,966) | (75,917) |
| Profit before tax from continued operations | | 338,590 | 340,368 | 179,194 | 198,822 |
| Tax income/expense of continued operations | | | | | |
| - Taxes on income | 26 | (40,768) | (47,261) | (7,231) | (27,570) |
| - Deferred tax income/(expense) | 26 | (9,254) | 8,260 | (17,516) | 3,100 |
| Net profit / (loss) from continued operations | | 288,568 | 301,367 | 154,447 | 174,352 |
| Attributable to: | | | | | |
| Non-controlling interest | | 7,824 | 12,389 | 3,140 | 6,535 |
| Equity holders of the parent | | 280,744 | 288,978 | 151,307 | 167,817 |
| Earnings per share (Kır) | 27 | 0.415 | 0.428 | 0.224 | 0.248 |

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

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

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

| | Reviewed | | April 1- June 30 2013 | April 1- June 30 2013 |
|---|-------------------------------|---|-----------------------------|-----------------------------|
| | January 1- June 30 2013 | Restated January 1- June 30 2012 | | |
| Net income for the period | 288,568 | 301,367 | 154,447 | 174,352 |
| Other comprehensive income /(expense): | | | | |
| Items not to be reclassified to profit or loss in subsequent periods | | | | |
| Actuarial loss arising from defined benefit plans | (1,557) | (1,012) | (1,557) | (1,012) |
| Tax effect other comprehensive income/loss not to be reclassified to profit or loss | (1,946) | (1,265) | (1,946) | (1,265) |
| Tax effect other comprehensive income/loss not to be reclassified to profit or loss | 389 | 253 | 389 | 253 |
| Items to be reclassified to profit or loss | | | | |
| Hedge of net investments in foreign operations | (2,930) | (60,525) | 32,281 | (39,468) |
| Share of other comprehensive income of associates | (53,258) | 25,637 | (64,041) | 14,027 |
| Fair value increase on financial assets | 824 | (968) | 626 | (537) |
| Currency translation differences | 13,940 | 13,940 | 13,940 | 13,940 |
| Tax effect of other comprehensive income/loss to be reclassified to profit or loss | 25,501 | (93,522) | 69,643 | (63,501) |
| Tax effect of other comprehensive income/loss to be reclassified to profit or loss | 10,063 | (5,612) | 12,113 | (3,397) |
| Other comprehensive income / (loss) (net of tax) | (4,487) | (61,537) | 30,724 | (40,480) |
| Total comprehensive income | 284,081 | 239,830 | 185,171 | 133,872 |
| Attributable to: | | | | |
| Non-controlling interest | 10,876 | 7,714 | 9,338 | 4,985 |
| Equity holders of the parent | 273,205 | 232,116 | 175,833 | 128,887 |

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

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

| | Paid-in capital | Adjustment to share capital | Share premium | Contribution to share holders' 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 gain/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 | Equity holders of the parent | | Non-controlling interest |
| Balance at 31 December 2012 - previously reported | 675,728 | 468,811 | 889 | 14,507 | - | (57,531) | 527,816 | 86,790 | 216,687 | 1,383,191 | 524,764 | 3,841,652 | 85,583 | 3,927,235 |
| Change in accounting policy - TAS 19 (Note 2) | - | - | - | - | 247 | - | - | - | - | 4,803 | (5,050) | - | - | - |
| Balance at 1 January 2013 - as restated | 675,728 | 468,811 | 889 | 14,507 | 247 | (57,531) | 527,816 | 86,790 | 216,687 | 1,387,994 | 519,714 | 3,841,652 | 85,583 | 3,927,235 |
| <i>Comprehensive income</i> | | | | | | | | | | | | | | |
| Net income for the period | - | - | - | - | - | - | - | - | - | - | 280,744 | 280,744 | 7,824 | 288,568 |
| <i>Other comprehensive income:</i> | | | | | | | | | | | | | | |
| Fair value increase in financial assets (net) | - | - | - | - | - | - | 13,243 | - | - | - | - | 13,243 | - | 13,243 |
| Hedge of net investments in foreign operations (net) | - | - | - | - | - | (42,606) | - | - | - | - | - | (42,606) | - | (42,606) |
| Share of other comprehensive income of associates | - | - | - | - | - | 824 | - | - | - | - | - | 824 | - | 824 |
| Tax effect of amortisation calculated over intangible assets revaluation increases | - | - | - | - | - | - | 108 | - | - | - | - | 108 | - | 108 |
| Actuarial gain/loss arising from defined benefit plans | - | - | - | - | - | (1,557) | - | - | - | - | - | (1,557) | - | (1,557) |
| Currency translation differences | - | - | - | - | - | - | 1,217 | 21,232 | - | - | - | 22,449 | 3,052 | 25,501 |
| Total other comprehensive income | - | - | - | - | - | (1,557) | (41,782) | 14,568 | 21,232 | - | - | (7,539) | 3,052 | (4,487) |
| Total comprehensive income | - | - | - | - | - | (1,557) | (41,782) | 14,568 | 21,232 | - | 280,744 | 273,205 | 10,876 | 284,081 |
| Transfers | - | - | - | - | - | - | - | - | - | 519,714 | (519,714) | - | - | - |
| Amortisation effect of the revaluation of intangible assets (net) | - | - | - | - | - | - | (425) | - | - | 425 | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | 32,122 | (387,122) | - | (355,000) | - | (355,000) |
| As of June 30, 2013 | 675,728 | 468,811 | 889 | 14,507 | (1,310) | (99,313) | 541,959 | 108,022 | 248,809 | 1,521,011 | 280,744 | 3,759,857 | 96,459 | 3,856,316 |

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

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

| | Paid-in capital | Adjustment to share capital | Share premium | Contribution to sharehold-ers' 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 gain/losses arising from defined benefit plans | Hedge funds | Revaluation funds | Currency translation differences | Restricted reserves | Accumulated profit | | Net income for the period | Equity holders of the parent | Non-controlling interest |
| Balance at 31 December 2011 - previously reported | 675,728 | 468,811 | 889 | 14,507 | - | (55,950) | 397,455 | 145,922 | 190,066 | 1,201,658 | 506,506 | 3,545,592 | 106,049 | 3,651,641 |
| Change in accounting policy - TAS 19 (Note 2) | - | - | - | - | (4,802) | - | - | - | - | - | 4,802 | - | - | - |
| Balance at 1 January 2012 - as restated | 675,728 | 468,811 | 889 | 14,507 | (4,802) | (55,950) | 397,455 | 145,922 | 190,066 | 1,201,658 | 511,308 | 3,545,592 | 106,049 | 3,651,641 |
| <i>Comprehensive income</i> | | | | | | | | | | | | | | |
| Net income for the period | - | - | - | - | - | - | - | - | - | - | 288,978 | 288,978 | 12,389 | 301,367 |
| <i>Other comprehensive income:</i> | | | | | | | | | | | | | | |
| Fair value increase in financial assets (net) | - | - | - | - | - | - | 13,249 | - | - | - | - | 13,249 | - | 13,249 |
| Hedge of net investments in foreign operations (net) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share of other comprehensive income of associates | - | - | - | - | - | 20,510 | - | - | - | - | - | 20,510 | - | 20,510 |
| Tax effect of amortisation calculated over intangible assets revaluation increases | - | - | - | - | - | (968) | - | - | - | - | - | (968) | - | (968) |
| Actuarial gain/loss arising from defined benefit plans | - | - | - | - | - | - | 212 | - | - | - | - | 212 | - | 212 |
| Currency translation differences | - | - | - | - | - | - | - | (15,261) | - | - | - | (1,012) | - | (1,012) |
| Total other comprehensive income | - | - | - | - | (1,012) | 19,542 | (1,806) | (73,586) | - | - | - | (88,847) | (4,675) | (93,522) |
| Total comprehensive income | - | - | - | - | (1,012) | 19,542 | (1,806) | (73,586) | - | - | 288,978 | 232,116 | 7,714 | 239,830 |
| Transfers | - | - | - | - | - | - | - | - | - | 511,308 | (511,308) | - | - | - |
| Amortisation effect of the revaluation of intangible assets (net) | - | - | - | - | - | - | (832) | - | - | 832 | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | 26,621 | (326,621) | - | (300,000) | - | (300,000) |
| As of June 30, 2012 - as restated | 675,728 | 468,811 | 889 | 14,507 | (5,814) | (36,408) | 394,817 | 72,336 | 216,687 | 1,387,177 | 288,978 | 3,477,708 | 113,763 | 3,591,471 |

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR PERIODS ENDED JUNE 30, 2013 AND 2012

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

| | Notes | Reviewed | |
|--|--------|--------------------------------|--|
| | | January 1 - June 30 2013 | Restated January 1 - June 30 2012 |
| Operating activities: | | | |
| Income before tax | | 338,590 | 340,368 |
| <i>Adjustments to reconcile net cash provided from operating activities to income before taxes</i> | | | |
| Depreciation and amortization | | 146,806 | 129,027 |
| Changes in provisions | 30 | 136,235 | 148,667 |
| Interest expenses | 25 | 89,257 | 91,262 |
| Interest income | 24 | (20,361) | (12,561) |
| Income from associates (net) | 11 | (23,721) | (23,543) |
| (Gain) / Loss from derivative instruments (net) | 24, 25 | (22,399) | 6,627 |
| Incentive income | 22 | (18,779) | (18,855) |
| Dividend income from financial investments | 23 | (9,559) | - |
| Gain from sales of tangible and intangible assets (net) | 23 | (37) | (294) |
| Net cash flow from operating activities before changes in operating assets and liabilities | | 616,032 | 660,698 |
| Changes in operating assets and liabilities (net) | | | |
| Trade payables and due to related parties | | 508,304 | 112,414 |
| Other non-current liabilities | | (432) | (577) |
| Other current assets and liabilities | | (50,932) | (75,596) |
| Inventories | | (230,162) | (118,907) |
| Trade receivables and due from related parties | | (658,505) | (567,865) |
| Corporate and income taxes paid | | (26,070) | (25,491) |
| Cash flows from operating activities | | 158,235 | (15,324) |
| Investing activities: | | | |
| Acquisition of tangible and intangible assets | | (188,400) | (179,166) |
| Cash provided from sales of tangible and intangible assets | | 2,847 | 1,443 |
| Dividends received | 11 | 22,475 | 10,807 |
| Cash provided from incentives | | 14,010 | 25,629 |
| Dividends received from financial investments | | 9,559 | - |
| Cash flows from investing activities | | (139,509) | (141,287) |
| Financing activities: | | | |
| Proceeds from bank borrowings | | 682,190 | 1,275,098 |
| Repayment of bank borrowings | | (1,333,379) | (787,129) |
| Dividends paid | | (355,000) | (300,000) |
| Interest paid | | (80,229) | (84,963) |
| Interest received | | 20,757 | 12,678 |
| Bonds issued | | 889,269 | - |
| Derivative instruments | | 11,203 | (2,575) |
| Cash flows from financing activities | | (165,189) | 113,109 |
| Net decrease in cash and cash equivalents before currency translation differences | | | |
| | | (146,463) | (43,502) |
| Currency translation differences (net) | | 53,137 | (12,911) |
| Net decrease in cash and cash equivalents | | (93,326) | (56,413) |
| Cash and cash equivalents at January 1 | 4 | 1,739,277 | 1,172,662 |
| Cash and cash equivalents at June 30 | 4 | 1,645,951 | 1,116,249 |

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 21).

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

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1986. At June 30, 2013, the publicly listed shares are 25.19% of the total shares.

The average number of employees of the Group in the period ended June 30, 2013 is 23,531 (1 January- 30 June 2012: 22,275).

| <u>Subsidiaries and branches</u> | <u>Country of incorporation</u> | <u>Core Business</u> | <u>Nature of business</u> |
|--|---------------------------------|----------------------|-------------------------------|
| Continuing operations as of balance sheet date | | | |
| Ardutch B.V. (“Ardutch”) | Netherlands | Investment | Holding |
| Ardutch B.V. Taiwan (“Ardutch Taiwan”) (*) | Taiwan | Purchase | Consumer Durables/Electronics |
| Beko A and NZ Pty Ltd. (“Beko Australia”) (*) | Australia, New Zealand | Sales | Consumer Durables |
| Beko Deutschland GmbH (“Beko Deutschland”) | Germany | Sales | Consumer Durables/Electronics |
| Beko Egypt Trading LLC (“Beko Egypt”) | Egypt | Sales | Consumer Durables |
| Beko Electronics España S.L. (“Beko Espana”) | Spain | Sales | Consumer Durables/Electronics |
| Beko France S.A.S. (Beko France”) | France | Sales | Consumer Durables/Electronics |
| Beko Italy SRL (“Beko Italy”) | Italy | Sales | Consumer Durables/Electronics |
| Beko LLC. (“Beko Russia”) | Russia | Production/Sales | Consumer Durables/Electronics |
| Beko Plc. (“Beko UK”) (*) | UK, Republic of Ireland | Sales | Consumer Durables/Electronics |
| Beko Slovakia S.R.O. (“Beko Slovakia”) | Slovakia | Sales | Consumer Durables/Electronics |
| Beko S.A. (“Beko Polska”) (*) | Poland, Czech Republic | Sales | Consumer Durables/Electronics |
| Beko Shanghai Trading Company Ltd. (“Beko Shanghai”) | China | Sales | Consumer Durables/Electronics |
| Beko Ukraine LLC (“Beko Ukraine”) | Ukraine | Sales | Consumer Durables |
| Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”) | China | Production/Sales | Consumer Durables |
| Defy Appliances (Proprietary) Limited (“Defy”) | Republic Of South Africa | Production/Sales | Consumer Durables |
| Defy (Botswana) (Proprietary) Limited (“Defy Botswana”) | Botswana | Sales | Consumer Durables |
| Defy (Namibia) (Proprietary) Limited (“Defy Namibia”) | Namibia | Sales | Consumer Durables |
| Defy Trust Two (Proprietary) Limited (“Defy Trust”) | Republic of South Africa | Investment | Real Estate |
| Elektra Bregenz AG (“Elektra Bregenz”) | Austria | Sales | Consumer Durables/Electronics |
| Grundig Multimedia 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) Limited (“Defy Kindoc”) | Republic of South Africa | Investment | Real Estate |
| Raupach Wollert GmbH (“Raupach”) | Germany | Investment | Holding |
| SC Arctic SA (“Arctic”) | Romania | Production/Sales | Consumer Durables/Electronics |

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013

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

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

| | <u>Country of incorporation</u> | <u>Core Business</u> | <u>Nature of business</u> |
|---|---------------------------------|----------------------|---------------------------|
| Subsidiaries | | | |
| Ceased operations as of balance sheet date: | | | |
| Archin Limited ("Archin") | Hong Kong, China | - | - |
| ArcticPro SRL ("ArcticPro") | Romania | - | - |
| Beko Cesko ("Beko Cesko") | Czech Republic | - | - |
| Beko S.A. Hungary ("Beko Hungary") | Hungary | - | - |
| Blomberg Werke GmbH ("Blomberg Werke") | Germany | - | - |
| Defy (Swaziland) (Proprietary) Limited ("Defy Swaziland") | Swaziland | - | - |
| Carron SA (Proprietary) Limited ("Defy Carron") | Republic of South Africa | - | - |
| Grundig Ceska Republika S.r.o ("Grundig Czech Republic") | Czech Republic | - | - |
| Grundig Intermedia Ges.m.b.H ("Grundig Austria") | Austria | - | - |
| Grundig Magyarország Kft. ("Grundig Hungary") | Hungary | - | - |
| Grundig Portuguesa, Lda ("Grundig Portugal") | Portugal | - | - |
| Grundig Slovakia s.r.o ("Grundig Slovakia") | Slovakia | - | - |
| Ocean Appliances Limited. ("Defy Ocean") | Republic of South Africa | - | - |
| Associates | | | |
| 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 İ.H.A.Ş. ("Tanı Pazarlama") | Turkey | Consultancy | Marketing /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/IFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13 2013 which is published on Official Gazette numbered 28676. TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The Group prepared its interim consolidated financial statements as at and for the period ended June 30\ 2013, in accordance with the Turkish Accounting Standard No 34 "Interim Financial Reporting".

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 condensed interim consolidated financial statements in accordance with this decision.

New and amended standards and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2013 are applied consistently with the TAS/IFRS and interpretations. The new and amended standards and interpretations effective as of January 1 2013 has no impact on the condensed interim consolidated financial statements of the Group except for the issue explained in paragraph below and the adoption of TAS 19 – Employee Benefits explained in Note 2.3.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

Improvements to IFRSs

In accordance with the annual improvements to IFRSs about the reclassification of spare parts and servicing equipments which is effective for annual periods beginning on or after 1 January 2013, the Group has reclassified spare parts and servicing equipments amounting to TRY 11,014 to property plant and equipment which was previous accounted in inventory (Note 13).

Standards issued but not yet effective and not early adopted

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 1 January 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 this new TFRS 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 amendment 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 TFRS standards are issued by the IASB but not yet effective up to the date of issuance of the interim financial statements. However, these standards, interpretations and amendments to existing TFRS 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 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.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

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 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

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

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

Resolutions promulgated by the Public Oversight Authority

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

2013-1 Illustrative Financial Statement and User Guide

The POA promulgated "illustrative financial statement and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group made reclassifications stated in Note 2 in order to comply with the requirements of this regulation.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

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 38 and TFRS 9 by the parent.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2012, include the accounts of the parent company, Arçelik, and its Subsidiaries.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013

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

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

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, at June 30, 2013 and December 31, 2012 (%) and their functional currencies:

| | Functional Currency | June 30, 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 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 ⁽¹⁾ | 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 ⁽²⁾ | Swiss Franc | 100.00 | 100.00 | - | - |
| Raupach | Euro | 100.00 | 100.00 | 100.00 | 100.00 |
| Ceased operations as of balance sheet date: | | | | | |
| Archin | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Arctic Pro | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Cesko | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Beko Magyarorszag K.F.T. ⁽³⁾ | - | - | - | 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 ⁽⁴⁾ | - | 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 |

⁽¹⁾ Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. 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.

⁽²⁾ Continuing the operations as an individual entity. Subsidiary was previously performing as a branch of Grundig Multimedia.

⁽³⁾ Dissolved in 2013.

⁽⁴⁾ Founded as an individual entity in year 2013. Subsidiary was previously performing as a branch of Defy.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

In order to conform with changes in presentation in the current period condensed interim consolidated statements of profit or loss, product recall expenses amounting TRY 8,074, which were accounted in marketing, selling and distribution expenses in the consolidated statements of profit or loss of prior periods, are classified under other operating expenses in the current period.

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 1,359,234 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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

- 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 June 30, 2012 are as follows:

- Income from sales of property, plant and equipment amounting TRY 740 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 446 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 19,781 and credit finance income amounting TRY 12,717 which were disclosed under financial income in previous periods are reclassified to other operating income
- Foreign exchange losses from trading activities amounting TRY 89,700 and credit finance charges amounting TRY 3,479 which were disclosed under financial expenses in previous periods are reclassified to other operating expenses

The reclassifications made at the Group's June 30, 2012 condensed interim 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 June 30,2012; cash inflow from incentives amounting TRY 25,629 are disclosed under cash flow from investing activities and cash outflow arising from derivative financial instruments amounting TRY 2,575 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.

2.2 Restatement and errors in the accounting policies and estimates

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

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013**

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

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

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 comprehensive income.

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.

- Actuarial gain and losses arising from defined benefit plans which were reported under cost of sales amounting TRY 891, under research and development expenses amounting TRY 95, under marketing, selling and distribution expenses amounting TRY 104, under general and administrative expenses amounting TRY 174 and under deferred tax effect amounting TRY 253 in interim consolidated profit or loss statements for the six months period ended June 30, 2012 are reclassified to statement of other comprehensive income.
- Actuarial losses amounting TRY 1,012 which were reported under profit before tax in consolidated statement of cash flows for the six months period ended June 30, 2012 are reclassified to change in provisions line with the content of provision for employment termination benefits.
- Actuarial gain amounting TRY 5,050 and actuarial losses amounting TRY 4,803 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.

2.4 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the six months period ended June 30, 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting". Additionally, the accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2012 except the reclassification changes made according in accordance with the illustrative financial statement and user guide issued in accordance with the decision taken in CMB's 20/670 numbered meeting on June 7, 2013 and the changes arising from amendments in TAS 19. Related reclassification changes and changes arising from TAS 19 amendments are explained in Note 2.1. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

ARÇELİK ANONİM ŞİRKETİ

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

NOTE 3 - SEGMENT REPORTING

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.

Accounting policies applied by each operational segment of Arçelik are the same as those are applied in Arçelik's consolidated financial statements prepared in accordance with TAS/IFRS.

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

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

- a) Operational segments which have been prepared in accordance with the reportable segments for the six-month period ended June 30, 2013 are as follows:

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|------------------------|---------------------------------|--------------|--------------|
| Total segment revenue | 3,476,668 | 648,571 | 970,392 | 5,095,631 |
| Gross profit | 1,162,344 | 106,920 | 269,472 | 1,538,736 |
| Depreciation and amortization | 120,053 | 23,800 | 5,490 | 149,343 |
| Capital expenditures | 163,068 | 22,010 | 5,859 | 190,937 |
| Income from associates | - | - | 23,721 | 23,721 |

- b) Operational segments which have been prepared in accordance with the reportable segments for the six-month period ended June 30, 2012 are as follows:

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|------------------------|---------------------------------|--------------|--------------|
| Total segment revenue | 3,254,662 | 972,657 | 957,469 | 5,184,788 |
| Gross profit | 1,025,003 | 207,475 | 248,008 | 1,480,486 |
| Depreciation and amortization | 104,711 | 22,275 | 4,826 | 131,812 |
| Capital expenditures | 150,997 | 26,005 | 4,949 | 181,951 |
| Income from associates | - | - | 23,543 | 23,543 |

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between from April 1 – June 30, 2013 are as follows:

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|----------------|-------------------------|---------|-----------|
| Total segment revenue | 1,800,855 | 312,708 | 551,897 | 2,665,460 |
| Gross profit | 595,142 | 55,322 | 149,759 | 800,223 |
| Depreciation and amortization | 60,236 | 11,764 | 2,569 | 74,569 |
| Capital expenditures | 107,116 | 11,847 | 2,998 | 121,961 |
| Income from associates | - | - | 16,690 | 16,690 |

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

| | White goods | Consumer electronics | Other | Total |
|-------------------------------|----------------|-------------------------|---------|-----------|
| Total segment revenue | 1,744,450 | 487,344 | 547,009 | 2,778,803 |
| Gross profit | 548,013 | 104,352 | 147,384 | 799,749 |
| Depreciation and amortization | 52,928 | 11,167 | 2,183 | 66,278 |
| Capital expenditures | 108,784 | 11,888 | 2,465 | 123,137 |
| Income from associates | - | - | 15,198 | 15,198 |

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

| January 1 – June 30, 2013 | Turkey | Europe | Africa | Other | Total |
|---------------------------|-----------|-----------|---------|---------|-----------|
| Total segment revenue | 2,268,393 | 1,801,839 | 464,451 | 560,948 | 5,095,631 |
| Income from associates | 23,721 | - | - | - | 23,721 |

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

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

| April 1 – June 30, 2013 | Turkey | Europe | Africa | Other | Total |
|-------------------------|-----------|---------|---------|---------|-----------|
| Total segment revenue | 1,188,033 | 945,431 | 230,296 | 301,700 | 2,665,460 |
| Income from associates | 16,690 | - | - | - | 16,690 |

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| Cash in hand | 334 | 304 |
| Cash at banks | | |
| - demand deposits | 137,420 | 98,558 |
| - time deposits | 1,426,015 | 1,578,386 |
| Cheques and notes | 76,706 | 58,500 |
| Other | 5,476 | 3,529 |
| Cash and cash equivalents in cash flow statement | 1,645,951 | 1,739,277 |
| Interest income accruals | 1,116 | 1,512 |
| | 1,647,067 | 1,740,789 |

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

| | | |
|---------------|------------------|------------------|
| Up to 30 days | 991,150 | 1,362,729 |
| 30-90 days | 655,917 | 378,060 |
| | 1,647,067 | 1,740,789 |

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

| | | |
|-----|-----|-----|
| TRY | - | 8.4 |
| USD | 3.3 | 2.8 |
| EUR | 1.9 | 1.7 |
| RON | 4.5 | 5.3 |
| GBP | 0.3 | 0.3 |
| CNY | 2.7 | 2.2 |
| PLN | - | 4.3 |
| ZAR | 4.5 | 4.5 |
| NOK | 1.5 | 1.8 |
| SEK | - | 0.1 |
| CHF | 0.1 | 0.1 |
| EGP | 8.1 | 6.5 |

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

| | June 30, 2013 | | December 31, 2012 | |
|-----------------------------|---------------|----------------|-------------------|----------------|
| | % | TRY | % | TRY |
| Koç Finansal Hizmetler A.Ş. | 3.98 | 651,193 | 3.98 | 637,253 |
| Other | | 1,488 | | 1,488 |
| | | 652,681 | | 638,741 |

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013

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

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| Short-term bank borrowings | 755,272 | 785,039 |
| Other | 238 | 132 |
| Total short-term financial liabilities | 755,510 | 785,171 |
| Short-term portion of long-term bank borrowings and interest accruals | 617,578 | 1,359,235 |
| Interest accruals of long-term bond issued (*) | 11,763 | - |
| Total short-term portion of long-term financial liabilities | 629,341 | 1,359,235 |

(*)The Group issued bond 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 quoted in Ireland Stock Exchange is April 3, 2023. Interest payments are on semi-annual basis and coupon rate is 5%.

As of June 30, 2013, the details of short-term bank borrowings are as follows:

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|----------|---------------------------------------|-------------------|----------------|
| TRY | 4.1 | 86,825,648 | 86,826 |
| EUR | 1.2 | 170,937,093 | 429,685 |
| USD | 1.0 | 95,039,441 | 182,932 |
| RUB | 7.9 | 955,492,521 | 55,829 |
| | | | 755,272 |

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 |

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

| | June 30, 2013 | December 31, 2012 |
|---------------------------|------------------|----------------------|
| Long-term bank borrowings | 1,976,309 | 1,858,992 |
| Long-term bond issued | 949,394 | - |
| Other | 187 | 111 |
| | 2,925,890 | 1,859,103 |

As of June 30, 2013, the details of the long-term bank borrowings are as follows:

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|---|--|----------------------|-------------------|
| TRY | 7.7 | 1,110,791,738 | 1,110,791 |
| EUR | 2.5 | 492,262,115 | 1,237,399 |
| USD | 3.2 | 50,083,422 | 96,401 |
| ZAR | 6.7 | 683,758,631 | 131,767 |
| RUB | 7.7 | 300,000,000 | 17,529 |
| | | | 2,593,887 |
| Less short-term portion of long-term loans and interest accruals | | | (617,578) |
| | | | 1,976,309 |

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 |
| ZAR | 6.7 | 684,001,830 | 143,947 |
| GBP | 2.6 | 50,172,417 | 144,035 |
| RUB | 8.1 | 300,000,000 | 17,424 |
| | | | 3,218,227 |
| Less short-term portion of long-term loans and interest accruals | | | (1,359,235) |
| | | | 1,858,992 |

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of June 30, 2013, detail of discounted amounts of long-term bonds issued is given below:

| Currency | Effective interest rate per annum (%) | Original currency | TRY equivalent |
|--|--|----------------------|-------------------|
| USD | 5.1 | 499,354,180 | 961,157 |
| | | | 961,157 |
| Less interest accruals of long-term bonds issued | | | (11,763) |
| | | | 949.394 |

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

| | June 30, 2013 | December 31, 2012 |
|----------------|------------------|----------------------|
| 2014 | 527,877 | 743,590 |
| 2015 | 1,124,444 | 812,294 |
| 2016 | 106,134 | 99,294 |
| 2017 | 106,134 | 99,294 |
| 2018 and after | 1,061,114 | 104,520 |
| | 2,925,703 | 1,858,992 |

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

| | | |
|----------------|------------------|------------------|
| Up to 6 months | 2,993,446 | 3,514,922 |
| 6 - 12 months | 104,288 | 176,840 |
| 1-5 years | 195,510 | 259,244 |
| Over 5 years | 1,017,072 | 52,260 |
| | 4,310,316 | 4,003,266 |

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

| | June 30, 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 financial instruments</i> | | | | |
| Forward transactions | 691,604 | 1,406 (1,192) | 436,522 | 325 (2,415) |
| Foreign currency swap contracts | 575,737 | 2,377 (1,634) | 553,781 | 1,851 (1,265) |
| | 1,267,341 | 3,783 (2,826) | 990,303 | 2,176 (3,680) |

Long-term derivative financial instruments

| | | | | | | |
|---|-----------|--------|---|---|---|---|
| Cross-currency fixed interest rate swap (*) | 1,386,008 | 10,144 | - | - | - | - |
|---|-----------|--------|---|---|---|---|

(*)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 8 - TRADE RECEIVABLES AND PAYABLES

| | June 30, 2013 | December 31, 2012 |
|---|------------------|-------------------|
| Short-term trade receivables: | | |
| Trade receivables | 2,273,952 | 1,906,489 |
| Notes receivables | 1,459,460 | 1,248,940 |
| Cheques receivables | 226,159 | 193,523 |
| Short-term trade receivables (gross) | 3,959,571 | 3,348,952 |
| Less: Provision for doubtful receivables | (95,634) | (93,229) |
| Less: Unearned credit finance income | (21,078) | (16,832) |
| Short-term trade receivables (net) | 3,842,859 | 3,238,891 |

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

| | 2013 | 2012 |
|----------------------------------|---------------|---------------|
| Balance as of January 1 | 93,229 | 93,579 |
| Additions (Note 22) | 2,541 | 4,847 |
| Provisions released (Note 22) | (331) | (1,597) |
| Write-offs | (2,009) | (5,595) |
| Currency translation differences | 2,204 | (3,151) |
| Balances as of June 30 | 95,634 | 88,083 |

| | June 30, 2013 | December 31, 2012 |
|-------------------------------------|--------------------------|------------------------------|
| Long-term trade receivables: | | |
| Trade receivables | 19,910 | 10,969 |
| | 19,910 | 10,969 |

| | June 30, 2013 | December 31, 2012 |
|-----------------------------------|--------------------------|------------------------------|
| Short-term trade payables: | | |
| Trade payables | 1,296,339 | 1,001,156 |
| Debt Accruals | 71,109 | 47,356 |
| Unearned credit finance charges | (5,876) | (5,414) |
| | 1,361,572 | 1,043,098 |

NOTE 9 - INVENTORIES

| | June 30, 2013 | December 31, 2012 |
|---|--------------------------|------------------------------|
| Raw materials and supplies | 787,855 | 807,397 |
| Work in progress | 57,825 | 61,216 |
| Finished goods | 770,809 | 648,538 |
| Trade goods | 260,980 | 142,292 |
| Inventories (gross) | 1,877,469 | 1,659,443 |
| Less: Provision for impairment on inventories | (61,403) | (59,785) |
| Inventories (net) | 1,816,066 | 1,599,658 |

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – INVENTORIES (Continued)

Provision for impairment on inventories in terms of inventory type is as follows:

| | June 30, 2013 | December 31, 2012 |
|----------------------------|------------------|----------------------|
| Raw materials and supplies | 52,198 | 51,939 |
| Finished goods | 6,403 | 5,034 |
| Trade goods | 2,802 | 2,812 |
| | 61,403 | 59,785 |

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

| | 2013 | 2012 |
|------------------------------------|---------------|---------------|
| Balance as of January 1 | 59,785 | 63,311 |
| Additions (Note 22) | 2,736 | 1,020 |
| Realized due to sales of inventory | (1,487) | (1,298) |
| Currency translation differences | 369 | (449) |
| Balance as of June 30 | 61,403 | 62,584 |

NOTE 10 - OTHER PAYABLES

| | June 30, 2013 | December 31, 2012 |
|-----------------------------------|------------------|----------------------|
| Taxes and duties payable | 65,266 | 67,053 |
| Deposits and guarantees received | 5,530 | 9,876 |
| Dividend payables to shareholders | 3,856 | 3,832 |
| Other | 746 | 3,068 |
| | 75,398 | 83,829 |

NOTE 11 - ASSOCIATES

| | June 30, 2013 | | December 31, 2012 | |
|-----------------|---------------|----------------|-------------------|----------------|
| | % | TRY | % | TRY |
| Koç Finansman | 47.0 | 74,823 | 47.0 | 80,119 |
| Arçelik - LG | 45.0 | 95,544 | 45.0 | 80,625 |
| Ram Dış Ticaret | 33.5 | 8,105 | 33.5 | 15,478 |
| Tanı Pazarlama | 32.0 | 6,212 | 32.0 | 6,392 |
| | | 184,684 | | 182,614 |

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – ASSOCIATES (Continued)

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

| | 2013 | 2012 |
|--|----------------|----------------|
| Balance as of January 1 | 182,614 | 160,580 |
| Shares of income/loss of associates | 23,721 | 23,543 |
| Shares of other comprehensive income of associates | 824 | (968) |
| Dividends received | (22,475) | (10,807) |
| Balance as of June 30 | 184,684 | 172,348 |

Shares of income/loss from associates:

| | 1 January- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2013 | 1 April- 30 June 2012 |
|-----------------|----------------------------|----------------------------|--------------------------|--------------------------|
| Koç Finansman | 7,980 | 9,367 | 3,683 | 4,768 |
| Arçelik – LG | 14,919 | 11,670 | 12,320 | 9,086 |
| Ram Dış Ticaret | 1,002 | 2,578 | 585 | 1,351 |
| Tanı Pazarlama | (180) | (72) | 102 | (7) |
| | 23,721 | 23,543 | 16,690 | 15,198 |

Aggregated summary figures of the financial statements of associates:

| | June 30, 2013 | December 31, 2012 |
|-------------------|---------------|-------------------|
| Total assets | 2,615,961 | 2,111,607 |
| Total liabilities | 2,200,833 | 1,692,604 |

| | 1 January- 30 June 2013 | 1 January- 30 June 2012 | 1 April- 30 June 2013 | 1 April- 30 June 2012 |
|---------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| Net sales | 985,080 | 1,019,690 | 553,483 | 598,417 |
| Net income for the period | 52,560 | 53,334 | 37,277 | 34,347 |

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NOTE 12 - INVESTMENT PROPERTIES

| | 2013 | 2012 |
|--|--------------|--------------|
| Balance as of January 1 | | |
| Cost | 12,268 | 13,754 |
| Accumulated depreciation | (7,169) | (7,313) |
| Net carrying value | 5,099 | 6,441 |
| Net carrying value at the beginning of the period | 5,099 | 6,441 |
| Currency translation differences | 389 | (475) |
| Depreciation for the period | (74) | (72) |
| Net carrying value at the end of the period | 5,414 | 5,894 |
| Balance as of June 30 | | |
| Cost | 13,210 | 12,746 |
| Accumulated depreciation | (7,796) | (6,852) |
| Net carrying value | 5,414 | 5,894 |

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

| | 2013 | 2012 |
|--|------------------|------------------|
| Balance as of January 1: | | |
| Cost | 4,017,756 | 3,743,663 |
| Accumulated depreciation | (2,414,353) | (2,296,822) |
| Net carrying value | 1,603,403 | 1,446,841 |
| Net carrying value at the beginning of the period | 1,603,403 | 1,446,841 |
| Additions | 134,645 | 142,257 |
| Transfers ⁽¹⁾ | 11,015 | - |
| Disposals | (2,342) | (1,147) |
| Currency translation differences | 5,057 | (26,170) |
| Depreciation for the period | (113,883) | (97,728) |
| Net carrying value at the end of the period | 1,637,895 | 1,464,053 |
| Balance as of June 30 | | |
| Cost | 4,158,155 | 3,808,155 |
| Accumulated depreciation | (2,520,260) | (2,344,102) |
| Net carrying value | 1,637,895 | 1,464,053 |

There is no mortgage on property, plant and equipment as of June 30, 2013 (December 31, 2012: None).

⁽¹⁾ Spare parts and servicing equipment that meet the definition of property, plant and equipment are transferred to property, plant and equipments, which had been accounted for as inventories in the prior reporting periods.

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

NOTE 14 - INTANGIBLE ASSETS

| | 2013 | 2012 |
|--|----------------|----------------|
| Balance as of January 1 | | |
| Cost | 1,023,120 | 960,127 |
| Accumulated amortization | (235,519) | (177,033) |
| Net carrying value | 787,601 | 783,094 |
| Net carrying value at the beginning of the period | 787,601 | 783,094 |
| Additions | 56,292 | 39,694 |
| Disposals | (468) | (2) |
| Currency translation differences | (3,906) | (29,195) |
| Amortization for the period | (35,386) | (34,012) |
| Net carrying value at the end of the period | 804,133 | 759,579 |
| Balance as of June 30 | | |
| Cost | 1,076,673 | 969,247 |
| Accumulated amortization | (272,540) | (209,668) |
| Net carrying value | 804,133 | 759,579 |

Net carrying value of the development costs as of June 30, 2013 is TRY 261,387 (December 31, 2012: TRY 241,862) and capitalized development costs in the period is TRY 49,180 (January 1 – June 30, 2012: TRY 36,726).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of June 30, 2013, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 1,119,572,504 (December 31, 2012: USD 968,510,365). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

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

| | June 30, 2013 | December 31, 2012 |
|------------------------------------|--------------------------|------------------------------|
| Up to 1 year | 13,418 | 14,147 |
| 1-5 years | 27,769 | 27,211 |
| Over 5 years | 14,902 | 15,202 |
| Operating lease commitments | 56,089 | 56,560 |

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

Derivative financial instruments contracts commitments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of June 30, 2013 and December 31, 2012 are as follows.

| | Foreign exchange purchase commitments | Foreign exchange sales commitments |
|--------------------------|--|---|
| June 30, 2013 | | |
| TRY | - | 99,119 |
| USD | 1,046,324 | 38,637 |
| EUR | 175,486 | 624,580 |
| AUD | - | 26,610 |
| CZK | 2,108 | 7,771 |
| ZAR | 10,946 | 69,025 |
| GBP | 14,646 | 302,071 |
| SEK | 5,583 | 28,516 |
| PLN | 6,834 | 23,258 |
| RON | 64,689 | - |
| RUB | 7,815 | 99,331 |
| | 1,334,431 | 1,318,918 |
| | | |
| | Foreign exchange purchase commitments | Foreign exchange sales commitments |
| December 31, 2012 | | |
| 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 |

ARÇELİK ANONİM ŞİRKETİ

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

| | June30, 2013 | December 31, 2012 |
|----------------------|-----------------|----------------------|
| Collaterals obtained | 2,425,429 | 2,205,854 |

Collaterals, pledges and mortgages ("CPM") given by the Group as of June 30, 2013 and December 31, 2012 are as follows:

| CPM's given by the Company | June 30, 2013 | December 31, 2012 |
|--|------------------|----------------------|
| A. CPM's given for companies own legal personality | 426,639 | 323,043 |
| B. CPM's given on behalf of fully consolidated companies | 34,123 | 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 majority shareholder | - | - |
| ii) Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C. | - | - |
| iii) Total amount of CPM's given on behalf of third parties which are not in scope of C. | - | - |
| Total | 460,762 | 354,238 |

TRY equivalents of collaterals, pledges and mortgages give as of June 30, 2013 and December 31, 2012 are as follows on original currency basis are as follows:

| CPM's given by the Company | June 30, 2013 | December 31, 2012 |
|----------------------------|------------------|----------------------|
| USD | 394,867 | 311,784 |
| TRY | 46,143 | 26,059 |
| EUR | 15,091 | 12,714 |
| Other currencies | 4,661 | 3,681 |
| | 460,762 | 354,238 |

NOTE 16 – PROVISIONS

| | June 30, 2013 | December 31, 2012 |
|-----------------------------------|------------------|----------------------|
| Short-term provisions | | |
| Warranty provision | 152,534 | 136,967 |
| Assembly provision | 68,848 | 39,300 |
| Provision for transportation cost | 9,945 | 9,686 |
| Provision for returns | 8,065 | 7,461 |
| Provision for lawsuit risks | 6,820 | 6,284 |
| Other | 43,283 | 33,679 |
| | 289,495 | 233,377 |

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NOTE 16 – PROVISIONS (Continued)

| | June 30, 2013 | December 31, 2012 |
|-----------------------------|------------------|----------------------|
| Long-term provisions | | |
| Warranty provision | 82,449 | 80,311 |
| Other | 1,482 | 1,837 |
| | 83,931 | 82,148 |

NOTE 17 – PREPAID EXPENSES

| | June 30, 2013 | December 31, 2012 |
|---------------------------------|------------------|----------------------|
| Short-term prepaid expenses | 42,508 | 21,980 |
| Advances given for fixed assets | 25,868 | 3,429 |
| Advances given for inventories | 838 | 2,826 |
| | 69,214 | 28,235 |

NOTE 18 – CURRENT INCOME TAX ASSETS

| | June 30, 2013 | December 31, 2012 |
|-------------------------|------------------|----------------------|
| Prepaid taxes and funds | 41,976 | 26,318 |

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| Payables to personnel and other employee benefits | 87,376 | 81,155 |
| Accruals for bonuses and premiums | 24,779 | 6,926 |
| | 112,155 | 88,081 |

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NOTE 20 - OTHER ASSETS AND LIABILITIES

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| Other current assets: | | |
| Taxes and funds deductible | 30,292 | 39,597 |
| Value added tax and private consumption tax receivable | 23,189 | 12,210 |
| Income accruals | 3,720 | 8,489 |
| Other | 10,440 | 9,158 |
| | 67,641 | 69,454 |
| Other current liabilities: | | |
| Accruals for customer premiums | 182,472 | 145,459 |
| Advances received | 3,309 | 617 |
| Other | 4,116 | 3,145 |
| | 189,897 | 149,221 |

NOTE 21 - EQUITY

Paid-in capital

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

| | June 30, 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 21 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

| | June 30, 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 Kırarç | 2.60 | 17,542 | 2.60 | 17,542 |
| Rahmi M.Koç | 2.44 | 16,474 | 2.44 | 16,474 |
| Mustafa V.Koç | 0.91 | 6,177 | 0.91 | 6,177 |
| Total Koç Family members and companies owned by Koç Family members | 51.93 | 350,909 | 51.93 | 350,909 |
| Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş. | 12.05 | 81,428 | 12.05 | 81,428 |
| Burla Ticaret ve Yatırım A.Ş. | 5.56 | 37,572 | 5.56 | 37,572 |
| Koç Holding Emekli ve Yardım Sandığı Vakfı | 5.14 | 34,722 | 5.14 | 34,722 |
| Vehbi Koç Vakfı | 0.13 | 893 | 0.13 | 893 |
| Other | 25.19 | 170,204 | 25.19 | 170,204 |
| Paid-in capital | 100.00 | 675,728 | 100.00 | 675,728 |
| Adjustment to share capital (*) | | 468,811 | | 468,811 |
| Total share capital | | 1,144,539 | | 1,144,539 |

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

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

Contribution to shareholders' equity related to the merger

Contribution to shareholders' equity related to the merger with Grundig Elektronik A.Ş. at June 30, 2009 is TRY 14,507 (December 31, 2012: TRY 14,507)

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NOTE 21 – EQUITY (Continued)

Restricted reserves

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

The details of these restricted reserves are as follows:

| | June 30, 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.

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NOT 22 – OTHER OPERATING INCOME AND EXPENSES

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Other operating income : | | | | |
| Foreign exchange gains arising from trading activities | 93,745 | 19,781 | 86,033 | 2,558 |
| Income from claims and grants | 18,779 | 18,855 | 10,061 | 12,543 |
| Credit finance income arising from trading activities | 16,953 | 12,717 | 8,712 | 9,649 |
| Reversals of provisions | 757 | 3,849 | 455 | 3,437 |
| Reversal of provisions for doubtful receivables | 331 | 1,597 | 301 | 570 |
| Other | 11,231 | 9,096 | 6,992 | 5,820 |
| | 141,796 | 65,895 | 112,554 | 34,577 |
| Other operating expenses: | | | | |
| Foreign exchange losses arising from trading activities | (44,005) | (89,700) | (11,966) | (40,410) |
| Product recall expenses | (11,908) | (8,074) | (7,520) | (2,259) |
| Provision expense for impairment on inventories | (2,736) | (1,020) | (1,855) | (569) |
| Provision expense for doubtful receivables | (2,541) | (4,847) | (2,250) | (1,679) |
| Credit finance charges arising from trading activities | (260) | (3,479) | (134) | (77) |
| Other | (25,510) | (21,791) | (6,562) | (16,282) |
| | (86,960) | (128,911) | (30,287) | (61,276) |

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOT 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Income from investment activities: | | | | |
| Dividends received from financial investments | 9,559 | - | 9,559 | - |
| Income from sales of property plant and equipment | 685 | 740 | 395 | 467 |
| | 10,244 | 740 | 9,954 | 467 |
| Expenses from investment activities: | | | | |
| Loss from sales of property plant and equipment | (648) | (446) | (469) | (364) |
| | (648) | (446) | (469) | (364) |

NOT 24 - FINANCIAL INCOME

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Foreign exchange gains (*) | 139,769 | 148,943 | 64,609 | 44,364 |
| Gains on derivative financial instruments | 41,420 | 15,254 | 21,469 | 13,713 |
| Interest income | 20,361 | 12,561 | 8,500 | 5,895 |
| Other | 31 | 36 | 13 | 7 |
| | 201,581 | 176,794 | 94,591 | 63,979 |

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

NOT 25 – FINANCIAL EXPENSES

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|--------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Foreign exchange losses (*) | (209,437) | (60,454) | (143,068) | (13,824) |
| Interest expenses | (89,257) | (91,262) | (50,006) | (49,666) |
| Losses on derivative financial | (19,021) | (21,881) | (12,607) | (5,248) |
| Cash discount expenses | (5,777) | (6,809) | (2,678) | (3,171) |
| Other | (4,417) | (6,029) | (2,607) | (4,008) |
| | (327,909) | (186,435) | (210,966) | (75,917) |

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

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NOTE 26 - TAX ASSETS AND LIABILITIES

| | June 30, 2013 | December 31, 2012 |
|---------------------------------------|------------------|-------------------|
| Corporation taxes | 30,947 | 86,591 |
| Less: prepaid tax | (2,513) | (62,583) |
| Taxes payable (net) | 28,434 | 24,008 |
| Deferred tax assets | 80,625 | 85,968 |
| Deferred tax liabilities | (238,505) | (236,406) |
| Deferred tax liabilities (net) | (157,880) | (150,438) |

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

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

The taxes on income for the periods ended June 30, are summarized as follows:

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Tax expenses | | | | |
| - Current period tax expense | (40,768) | (47,261) | (7,231) | (27,570) |
| - Deferred tax expense | (9,254) | 8,260 | (17,516) | 3,100 |
| Tax expenses (net) | (50,022) | (39,001) | (24,747) | (24,470) |

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

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

| | Cumulative temporary differences | | Deferred tax assets/(liabilities) | |
|---|----------------------------------|-------------------|-----------------------------------|-------------------|
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Property, plant and equipment and intangible assets | 1,262,206 | 1,213,884 | (268,259) | (261,202) |
| Available-for-sale investments | 507,407 | 493,467 | (25,369) | (24,672) |
| Unearned credit finance income/expense (net) | 37,147 | 27,427 | (7,429) | (5,485) |
| Derivative financial instruments | 11,101 | (1,504) | (1,961) | 201 |
| Unused tax credits | (248,858) | (276,205) | 50,942 | 57,116 |
| Provision for warranty and assembly expense | (221,713) | (163,698) | 45,371 | 33,066 |
| Provision for employment termination | (115,835) | (110,790) | 23,190 | 22,184 |
| Provision for impairment on inventories | (55,936) | (51,695) | 11,118 | 10,417 |
| Provision for doubtful receivables | (11,131) | (12,976) | 2,163 | 2,514 |
| Accrual for licenses | (7,111) | (1,815) | 1,422 | 363 |
| Other | (40,766) | (63,717) | 10,932 | 15,060 |
| Deferred tax liabilities (net) | | | (157,880) | (150,438) |

Movements in the net deferred tax assets / (liabilities) for the six months periods ended June 30, are as follows:

| | 2013 | 2012 |
|---|------------------|------------------|
| Balance as of January 1 | (150,438) | (162,755) |
| Tax expense recognized in income statement | (9,254) | 8,260 |
| Tax recognized directly in the shareholders' equity | (200) | (232) |
| Currency translation differences | 2,012 | 5,875 |
| Balance as of June 30 | (157,880) | (148,852) |

NOTE 27 – EARNINGS PER SHARE

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

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

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NOTE 27 – EARNINGS PER SHARE (Continued)

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

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Net income attributable to the equity holders of the parent | 280,744 | 288,978 | 151,307 | 167,817 |
| Weighted average number of ordinary shares with nominal value (Krl each one) | 67,572,820,500 | 67,572,820,500 | 67,572,820,500 | 67,572,820,500 |
| Earnings per share (Krl) (*) | 0.415 | 0.428 | 0.224 | 0.248 |
| Dividends to be 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 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| (a) Due from related parties: | | |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1) | 49,068 | 19,441 |
| Koçtaş Yapı Marketleri Ticaret A.Ş. (1) | 7,190 | 2,104 |
| Yapı ve Kredi Bankası A.Ş. (1) | 4,445 | 301 |
| Other | 4,938 | 740 |
| | 65,641 | 22,586 |
| (b) Due to related parties: | | |
| Short term: | | |
| Arçelik-LG (2) | 274,034 | 64,162 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (1) | 81,823 | 83,719 |
| Ram Dış Ticaret (2) | 25,116 | 15,855 |
| Other | 4,078 | 9,296 |
| | 385,051 | 173,032 |

(1) Koç Holding group companies

(2) Associates

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

| | June 30, 2013 | December 31, 2012 |
|--|------------------|----------------------|
| Other short-term payables to related parties: | | |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (*) | 7,788 | 7,030 |
| Other-long term payables to related parties: | | |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. (*) | 60,345 | 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 financial liabilities to related parties, amounts to TRY 81,040 as of June 30, 2013. (December 31, 2012: TRY 81,040).

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

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| Other payables to related parties - gross | | |
| Up to 1 year | 11,165 | 11,221 |
| 1 to 5 years | 43,983 | 40,823 |
| Over 5 years | 27,428 | 30,482 |
| | 82,576 | 82,526 |
| Less: future finance charges on other payables to related parties | (14,443) | (15,956) |
| Present value of other payables to related parties - net | 68,133 | 66,570 |

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

| | June 30, 2013 | December 31, 2012 |
|--------------|------------------|----------------------|
| Up to 1 year | 7,788 | 7,030 |
| 1 to 5 years | 34,766 | 31,466 |
| Over 5 years | 25,579 | 28,074 |
| | 68,133 | 66,570 |

(c) Deposits:

| | | |
|---|---------|---------|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 762,356 | 590,068 |
|---|---------|---------|

(d) Bank borrowings:

| | | |
|---|---------|---------|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 272,668 | 370,755 |
|---|---------|---------|

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

| | Contract | Fair value |
|---|----------|-------------------|
| June 30, 2013 | value | asset/(liability) |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 403,610 | 1,063 (485) |

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

(ii) Transactions with related parties

| (a) Sales of goods and services: | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Akpa Dayanıklı Tüketim LPG ve | | | | |
| Akaryakıt Ürünleri Pazarlama A.Ş. | 49,519 | 50,837 | 24,167 | 20,648 |
| Koçtaş Yapı Marketleri Ticaret A.Ş. | 11,860 | 10,763 | 7,817 | 6,703 |
| Arçelik-LG | 1,649 | 1,454 | 695 | 458 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1) | 880 | 5,503 | 445 | 4,427 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 609 | 28,910 | 316 | 15,002 |
| Ford Otomotiv Sanayi A.Ş. (1) | - | 7,028 | - | 2 |
| Other | 5,937 | 3,504 | 5,456 | 2,691 |
| | 70,454 | 107,999 | 38,896 | 49,931 |

| (b) Purchases of goods and services: | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Arçelik-LG | 320,956 | 268,330 | 218,213 | 185,897 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 233,791 | 252,311 | 119,729 | 152,800 |
| Ram Dış Ticaret | 41,444 | 27,578 | 25,833 | 13,549 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (1) (*) | 20,546 | 21,794 | 614 | 6,747 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. | 12,861 | 11,201 | 4,393 | 5,197 |
| Other | 29,055 | 24,494 | 16,703 | 13,540 |
| | 658,653 | 605,708 | 385,485 | 377,729 |

(1) Koç Holding group companies

(*) The amount is composed of accrued premiums in the interim periods 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

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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

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

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the six months period ended June 30, 2013 amounts to TRY 3,326 (January 1 - June 30,2012: TRY 3,283). The compensation includes only short-term benefits.

(d) Other Transactions

| | January 1- June 30, 2013 | January 1- June 30, 2012 | April 1- June 30, 2013 | April 1- June 30, 2012 |
|---|---|---|---------------------------------------|---------------------------------------|
| <i>Interest income:</i> | | | | |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 11,583 | 5,580 | 6,266 | 2,446 |
| <i>Interest expenses:</i> | | | | |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 4,342 | 7,264 | 1,702 | 3,427 |

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

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

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**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Interest Rate Risk

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

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

Funding risk

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

Credit risk

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

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

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

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

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

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

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NOTE 29 - 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.

| | June 30, 2013 | December 31, 2012 |
|---------|------------------|----------------------|
| Group 1 | 24,989 | 24,004 |
| Group 2 | 3,551,957 | 2,968,205 |
| Group 3 | 81,059 | 61,131 |
| | 3,658,005 | 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

| | June 30, 2013 | December 31, 2012 |
|-------------|------------------|----------------------|
| 0-1 month | 159,406 | 116,741 |
| 1-3 months | 25,079 | 31,983 |
| 3-12 months | 32,236 | 14,606 |
| 1-5 years | 6,207 | 5,054 |
| | 222,928 | 168,384 |

Foreign exchange risk

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

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

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilizing forward foreign currency transactions and the Group also has fixed cross currency interest rate swap transactions.

Hedge of net investments in a foreign operation

The Group designated some portion of the Euro denominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of June 30, 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).

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Foreign currency position

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

| | June 30, 2013 | December 31, 2012 |
|--|----------------------|--------------------------|
| Assets | 2,723,866 | 2,368,713 |
| Liabilities | (3,464,275) | (2,874,892) |
| Net balance sheet position | (740,409) | (506,179) |
| Net position of derivative financial instruments | 729,950 | 617,836 |
| Net foreign currency position | (10,459) | 111,657 |

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at June 30, 2013 are as follows:

| | EUR | USD | GBP | RUB | PLN | RON | CZK | NOK | SEK | ZAR | DKK | AUD | NZD | JPY | TRY Equivalent |
|---|-----------------|------------------|-----------------|------------------|---------------|---------------|---------------|---------------|---------------|----------------|--------------|---------------|--------------|-----------------|-------------------|
| Current assets | | | | | | | | | | | | | | | |
| Trade receivables | 354,328 | 150,237 | 70,758 | 1,798,794 | 49,325 | 87,859 | 81,484 | 14,055 | 97,769 | 130 | 2,804 | 17,071 | - | - | 1,641,718 |
| Monetary financial assets | 242,336 | 64,620 | 22 | - | - | - | - | - | 1,149 | 23,832 | 2,129 | - | 342 | - | 739,755 |
| Other | 18,679 | 73,282 | 22 | - | - | - | - | - | - | - | - | - | 1,301 | 1,009 | 190,043 |
| Non-Current assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Trade receivables | - | - | - | - | - | - | - | - | - | 790,568 | - | - | - | - | 152,350 |
| Total assets | 615,343 | 288,139 | 70,802 | 1,798,794 | 49,325 | 87,859 | 81,484 | 14,055 | 98,918 | 814,530 | 4,933 | 17,071 | 1,643 | 1,009 | 2,723,866 |
| Current liabilities | | | | | | | | | | | | | | | |
| Trade payables | 129,526 | 159,656 | 1,005 | 39 | - | - | - | 249 | 19,002 | - | - | - | 156 | 23,405 | 642,027 |
| Financial liabilities | 172,350 | 99,846 | - | - | - | - | - | - | - | 683,759 | - | - | - | - | 757,187 |
| Other monetary financial liabilities | 3,033 | 8,804 | 1,221 | - | - | - | - | - | - | - | - | - | 452 | - | 28,825 |
| Non-Current liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Trade payables | - | 31,351 | - | - | - | - | - | - | - | - | - | - | - | - | 60,344 |
| Financial liabilities | 370,075 | 543,243 | - | - | - | - | - | - | - | - | - | - | - | - | 1,975,892 |
| Total liabilities | 674,984 | 842,900 | 2,226 | 39 | - | - | - | 249 | 19,002 | 683,759 | - | - | 608 | 23,405 | 3,464,275 |
| Net balance sheet position | (59,641) | (554,761) | 68,576 | 1,798,755 | 49,325 | 87,859 | 81,484 | 13,806 | 79,916 | 130,771 | 4,933 | 17,071 | 1,035 | (22,396) | (740,409) |
| Off-balance sheet derivative financial assets (*) | 324,894 | 543,601 | 5,000 | 133,754 | 11,754 | - | 21,697 | - | 19,578 | - | - | - | - | - | 1,899,996 |
| Off-balance sheet derivative financial liabilities (*) | (248,471) | (20,073) | (103,124) | (1,700,000) | (40,000) | - | (80,000) | - | (100,000) | (100,000) | - | (15,000) | - | - | (1,170,046) |
| Net position of off-balance sheet items | 76,423 | 523,528 | (98,124) | (1,566,246) | (28,246) | - | (58,303) | - | (80,422) | (100,000) | - | (15,000) | - | - | 729,950 |
| Net foreign currency asset/(liability) position | 16,782 | (31,233) | (29,548) | 232,509 | 21,079 | 87,859 | 23,181 | 13,806 | (506) | 30,771 | 4,933 | 2,071 | 1,035 | (22,396) | (10,459) |
| Net asset/(liability) position of foreign currency monetary items | (78,320) | (628,043) | 68,554 | 1,798,755 | 49,325 | 87,859 | 81,484 | 13,806 | 79,916 | (659,797) | 4,933 | 17,071 | (266) | (23,405) | (1,082,802) |
| Fair value of financial instruments used for foreign exchange hedge | | | | | | | | | | | | | | | |
| Hedged amount of foreign currency asset | 248,471 | 20,073 | 103,124 | 1,700,000 | 40,000 | - | 80,000 | - | 100,000 | 100,000 | - | 15,000 | - | - | 1,170,046 |
| Hedged amount of foreign currency liabilities | 61,894 | 543,601 | 5,000 | 133,754 | 11,754 | - | 21,697 | - | 19,578 | - | - | - | - | - | 1,238,893 |

(*) 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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

| 30 June 2013 | EUR | USD | GBP | RUB | PLN | RON | CZK | NOK | SEK | ZAR | DKK | AUD | NZD | JPY | TRY Equivalent |
|--------------|---------|----------|----------|---------|--------|--------|--------|--------|----------|--------|---------|-------|-------|----------|-------------------|
| Against TRY | (3.472) | 15.831 | (32.005) | 232.509 | 21.079 | - | 23.182 | 14.055 | 17.348 | 156 | - | 2.071 | - | (18.254) | (31.143) |
| Against EUR | - | (19.706) | - | - | - | 87.859 | (1) | - | - | 30.615 | - | - | - | - | 17.267 |
| Against RUB | 6.633 | (626) | - | - | - | - | - | - | - | - | - | - | - | - | 15.468 |
| Against PLN | (4.597) | 27 | - | - | - | - | - | - | - | - | - | - | - | - | (11.503) |
| Against GBP | 3.883 | - | - | - | - | - | - | - | - | - | - | - | - | - | 9.761 |
| Against RON | (499) | (4.184) | 1.308 | - | - | - | - | - | - | - | (1.030) | - | - | (4.142) | (5.903) |
| Against CZK | (1.121) | - | - | - | - | - | - | - | - | - | - | - | - | - | (2.818) |
| Against NOK | 1.419 | (104) | - | - | - | - | - | - | (17.854) | - | 5.963 | - | - | - | 283 |
| Against SEK | 2.525 | 4 | - | - | - | - | - | (249) | - | - | - | - | - | - | 6.276 |
| Against CNY | 1.438 | (8.280) | 1.149 | - | - | - | - | - | - | - | - | - | - | - | (8.956) |
| Against ZAR | (464) | (1.983) | - | - | - | - | - | - | - | - | - | - | - | - | (4.983) |
| Against AUD | (67) | (281) | - | - | - | - | - | - | - | - | - | - | 1.035 | - | 844 |
| Against EGP | (1.225) | (13.274) | - | - | - | - | - | - | - | - | - | - | - | - | (28.629) |
| Against UAH | (5.124) | - | - | - | - | - | - | - | - | - | - | - | - | - | (12.880) |
| Against CHF | 17.459 | 1.343 | - | - | - | - | - | - | - | - | - | - | - | - | 46.472 |
| Other | (6) | - | - | - | - | - | - | - | - | - | - | - | - | - | (15) |
| | 16.782 | (31.233) | (29.548) | 232.509 | 21.079 | 87.859 | 23.181 | 13.806 | (506) | 30.771 | 4.933 | 2.071 | 1.035 | (22.396) | (10.459) |

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NOTE 29 - 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 | Equivalent |
|---|------------------|------------------|----------------|------------------|---------------|---------------|--------------|----------------|----------------|------------|----------------|---------------|--------------|----------------|------------------|
| Current assets | | | | | | | | | | | | | | | |
| Trade receivables | 356,153 | 95,911 | 116,538 | 1,714,475 | 45,479 | 93,253 | - | 154,373 | 20,644 | 671 | - | 14,515 | 567 | - | 1,552,016 |
| Monetary financial assets | 143,626 | 61,775 | 6 | 1 | - | - | - | 6,327 | - | - | - | - | 1,417 | - | 451,319 |
| Other | 21,570 | 43,307 | 52 | - | - | - | - | - | - | - | 131,669 | - | 770 | - | 198,464 |
| Non-Current assets | | | | | | | | | | | | | | | |
| Trade receivables | - | - | - | - | - | - | - | - | 793,130 | - | - | - | - | - | 166,914 |
| Total assets | 521,349 | 200,993 | 116,596 | 1,714,476 | 45,479 | 93,253 | - | 154,373 | 820,101 | 671 | 131,669 | 14,515 | 2,754 | - | 2,368,713 |
| Current liabilities | | | | | | | | | | | | | | | |
| Trade payables | 91,918 | 101,970 | 211 | 964 | - | - | 742 | 23,050 | - | - | - | - | 119 | 1,736 | 405,318 |
| Financial liabilities | 297,834 | 197,442 | 50,172 | - | - | - | - | - | 684,002 | - | - | - | - | - | 1,340,358 |
| Other monetary financial liabilities | 2,118 | 10,663 | 1,221 | - | - | - | - | - | - | - | - | - | 341 | - | 27,996 |
| Non-Current liabilities | | | | | | | | | | | | | | | |
| Trade payables | - | 33,400 | - | - | - | - | - | - | - | - | - | - | - | - | 59,539 |
| Financial liabilities | 405,048 | 50,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1,041,681 |
| Other monetary financial liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 796,918 | 393,475 | 51,604 | 964 | - | - | 742 | 23,050 | 684,002 | - | - | - | 460 | 1,736 | 2,874,892 |
| Net balance sheet position | (275,569) | (192,482) | 64,992 | 1,713,512 | 45,479 | 93,253 | (742) | 131,323 | 136,099 | 671 | 131,669 | 14,515 | 2,294 | (1,736) | (506,179) |
| Off-balance sheet derivative financial assets (*) | 297,838 | 179,839 | - | 143,203 | 14,389 | - | - | 18,694 | - | - | - | 356 | - | - | 1,043,406 |
| Off-balance sheet Derivative financial liabilities (*) | (16,151) | (9,672) | (68,500) | (1,500,000) | (40,000) | - | - | (80,000) | (110,000) | - | - | (10,000) | - | - | (425,570) |
| Net position of off-balance sheet items | 281,687 | 170,167 | (68,500) | (1,356,797) | (25,611) | - | - | (61,306) | (110,000) | - | - | (9,644) | - | - | 617,836 |
| Net foreign currency asset/(liability) position | 6,118 | (22,315) | (3,508) | 356,715 | 19,868 | 93,253 | (742) | 70,017 | 26,099 | 671 | 131,669 | 4,871 | 2,294 | (1,736) | 111,657 |
| 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 | (657,031) | 671 | - | 14,515 | 1,524 | (1,736) | (871,557) |
| Fair value of financial instruments used for foreign exchange hedge | | | | | | | | | | | | | | | |
| Hedged amount of foreign currency asset | 16,151 | 9,672 | 68,500 | 1,500,000 | 40,000 | - | - | 80,000 | 110,000 | - | - | 10,000 | - | - | (1,504) |
| Hedged amount of foreign currency liabilities | 34,838 | 179,839 | - | 143,203 | 14,389 | - | - | 18,694 | - | - | - | 356 | - | - | 425,569 |
| (*) 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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of June 30, 2013, sensitivity analysis of foreign exchange rate tables is presented below, Secured portions include impact of derivative financial instruments,

| | Gain/Loss | | Equity | |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Foreign Exchange appreciation by 10% | Foreign Exchange depreciation by 10% | Foreign Exchange appreciation by 10% | Foreign Exchange depreciation by 10% |
| USD net asset/liability | (106,781) | 106,781 | (106,781) | 106,781 |
| Secured portion from USD risk | 100,769 | (100,769) | 100,769 | (100,769) |
| USD Net effect | (6,012) | 6,012 | (6,012) | 6,012 |
| EUR net asset/liability | 51,117 | (51,117) | 22,955 | (22,955) |
| Secured portion from EUR risk | (46,899) | 46,899 | 19,211 | (19,211) |
| EUR Net effect | 4,218 | (4,218) | 42,166 | (42,166) |
| GBP net asset/liability | 20,087 | (20,087) | 37,360 | (37,360) |
| Secured portion from GBP risk | (28,742) | 28,742 | (28,742) | 28,742 |
| GBP Net effect | (8,655) | 8,655 | 8,618 | (8,618) |
| RUB net asset/liability | 10,510 | (10,510) | 26,596 | (26,596) |
| Secured portion from RUB risk | (9,152) | 9,152 | (9,152) | 9,152 |
| RUB Net effect | 1,358 | (1,358) | 17,444 | (17,444) |
| RON net asset/liability | 4,930 | (4,930) | 33,685 | (33,685) |
| Secured portion from RON risk | - | - | - | - |
| RON Net effect | 4,930 | (4,930) | 33,685 | (33,685) |
| PLN net asset/liability | 2,868 | (2,868) | 7,969 | (7,969) |
| Secured portion from PLN risk | (1,642) | 1,642 | (1,642) | 1,642 |
| PLN Net effect | 1,226 | (1,226) | 6,327 | (6,327) |
| CZK net asset/liability | 792 | (792) | 1,995 | (1,995) |
| Secured portion from CZK risk | (566) | 566 | (566) | 566 |
| CZK Net effect | 226 | (226) | 1,429 | (1,429) |
| NOK net asset/liability | 439 | (439) | 1,449 | (1,449) |
| Secured portion from NOK risk | - | - | - | - |
| NOK Net effect | 439 | (439) | 1,449 | (1,449) |
| SEK net asset/liability | 2,279 | (2,279) | 3,158 | (3,158) |
| Secured portion from SEK risk | (2,293) | 2,293 | (2,293) | 2,293 |
| SEK Net effect | (14) | 14 | 865 | (865) |
| NZD net asset/liability | 155 | (155) | 155 | (155) |
| Secured portion from NZD risk | - | - | - | - |
| NZD Net effect | 155 | (155) | 155 | (155) |
| ZAR net asset/liability | 2,520 | (2,520) | 38,317 | (38,317) |
| Secured portion from ZAR risk | (1,927) | 1,927 | (1,927) | 1,927 |
| ZAR Net effect | 593 | (593) | 36,390 | (36,390) |
| AUD net asset/liability | 3,028 | (3,028) | 2,810 | (2,810) |
| Secured portion from AUD risk | (2,661) | 2,661 | (2,661) | 2,661 |
| AUD Net effect | 367 | (367) | 149 | (149) |
| DKK net asset/liability | 166 | (166) | 166 | (166) |
| Secured portion from DKK risk | - | - | - | - |
| DKK Net effect | 166 | (166) | 166 | (166) |
| EGP net asset/liability | - | - | (243) | 243 |
| Secured portion from EGP risk | - | - | - | - |
| EGP Net effect | - | - | (243) | 243 |
| UAH net asset/liability | - | - | 231 | (231) |
| Secured portion from UAH risk | - | - | - | - |
| UAH Net effect | - | - | 231 | (231) |
| JPY net asset/liability | (43) | 43 | (43) | 43 |
| Secured portion from JPY risk | - | - | - | - |
| JPY Net effect | (43) | 43 | (43) | 43 |
| | (1,046) | 1,046 | 142,776 | (142,776) |

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

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

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Imports and exports to / from Turkey for the periods ended as of June 30, 2013 and 2012 are as follows:

| | January 1 - June 30, 2013 | | January 1 - June 30, 2012 | |
|----------------------|---------------------------|------------------|---------------------------|------------------|
| | Original amount | TRY equivalent | Original amount | TRY equivalent |
| EUR | 438,918,124 | 1,046,061 | 543,436,096 | 1,262,889 |
| USD | 191,699,115 | 348,339 | 167,096,174 | 298,771 |
| GBP | 107,208,006 | 298,881 | 108,211,216 | 305,756 |
| Other | | 204,684 | | 216,639 |
| Total exports | | 1,897,965 | | 2,084,055 |
| EUR | 218,409,663 | 517,487 | 173,457,919 | 405,455 |
| USD | 393,427,913 | 710,026 | 500,970,849 | 897,653 |
| GBP | 252,258 | 702 | 282,619 | 800 |
| Other | | 3,669 | | 1,730 |
| Total imports | | 1,231,884 | | 1,305,638 |

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 June 30, 2013 is as follows:

Financial assets carried at fair value in statement of financial position:

| | Level 1 | Level 2 | Level 3 |
|-----------------------------|---------|---------|---------|
| Derivative financial assets | - | 13,927 | - |
| Financial assets | - | 651,193 | - |

Financial liabilities carried at fair value in statement of financial position:

| | | | |
|----------------------------------|---|-------|---|
| Derivative financial liabilities | - | 2,826 | - |
|----------------------------------|---|-------|---|

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

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

**Financial assets carried at fair value in statement of
financial position:**

| | Level 1 | Level 2 | Level 3 |
|-----------------------------|---------|---------|---------|
| Derivative financial assets | - | 2,176 | - |
| Financial assets | - | 637,253 | - |

**Financial liabilities carried at fair value in statement of
financial position:**

| | | | |
|----------------------------------|---|-------|---|
| Derivative financial liabilities | - | 3,680 | - |
|----------------------------------|---|-------|---|

NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

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

| | June 30, 2013 | June 30, 2012 |
|---|----------------|----------------|
| Changes in provisions: | | |
| Accrual for customer premiums | 37,013 | 71,121 |
| Assembly and transportation provision | 29,807 | 19,838 |
| Accrual for bonuses and premiums | 17,853 | 14,852 |
| Warranty provision | 17,705 | 3,544 |
| Accrual for sales and marketing expenses | 14,871 | 9,328 |
| Accruals for license expenses | 6,932 | 10,678 |
| Provision for employment termination benefits | 3,687 | 5,943 |
| Provision for impairment on inventories | 2,736 | 1,020 |
| Provision for doubtful receivables | 2,541 | 4,847 |
| Accrual for advertisement expenses | 1,950 | 6,258 |
| Return provisions | 604 | (71) |
| Provision for legal claims | 536 | 1,309 |
| | 136,235 | 148,667 |