Respects
THE GLOBE
Respected
GLOBALLY

Arçelik A.Ş.
2010
ANNUAL REPORT

Our most important asset is our people.

The quality of our products and services is based on the quality of our people. For the continuity of the Koç Group, we follow a policy of recruiting the best people and providing opportunities for development and advancement. To fully utilize the talents, strength, and creativity of our people, we create a work environment which nourishes increased productivity, cooperation, and solidarity.

Vehbi Koç

Contents

Respects

THE GLOBE

Respected

GLOBALLY

RESPECTS THE GLOBE, RESPECTED GLOBALLY

Arçelik Group,
with its vision, aims

to achieve profitable, and

SUSTAINABLE GROWTH,

to increase market share in its,

TARGET MARKET; the GLOBE,

to reach more consumers in a fast-changing world with

INNOVATIVE

products and services,

to safeguard the future with the concept of

CORPORATE RESPONSIBILITY,

and to integrate and optimize the components of the

GLOBAL ORGANIZATION

while becoming a Global Group.

1955/1991

1955 Arçelik A.Ş. is established in Sütlüce.

1959 Arçelik A.Ş. produces the first washing machine in Turkey.

1960 Arçelik A.Ş. produces the first refrigerator in Turkey.

1975 Eskişehir Refrigerator Plant begins production.

1977 Ardem Cooking & Heating Appliances is founded.

Eskişehir Compressor Plant begins production.

1991 R&D Center is founded.

1993/2006

1993 Ankara Dishwasher Production Plant begins production.

1999 Arçelik A.Ş. acquires Ardem Cooking & Heating Appliances.

Arçelik A.Ş., Türk Elektrik Endüstrisi A.Ş., Atılım A.Ş. and Gelişim A.Ş. merge to become a single entity.

2006 Refrigerator and Washing Machine Production Plant begins production in Russia.

Washing Machine Production Plant begins operations in China.

Arçelik A.Ş. becomes the largest shareholder in Beko Elektronik A.Ş.

2008/ 2009

2008 First Tumble Dryer Production Plant begins operations in Çerkezköy.

"A first in the world," "Divide & Cool (DAC): Dividable Cooling Technology" is launched.

Legal title of Beko Elektronik A.Ş. is changed to Grundig Elektronik A.Ş.

2009 The merger of Arçelik A.Ş. and Grundig Elektronik A.Ş. is completed.

The first 4-door refrigerator is manufactured in Turkey.

The World's Quickest Washing Machine is manufactured. With a consumption rate 30% more economical than the A class, it offers the "Least Energy Consumption in the World" with its "Mini 14 washing program".

2009

2009 Arçelik launches "Super Invertech" with 60 percent more energy-efficient performance in heating and cooling than any other A class air conditioners.

Arçelik's Green Eco-Panel LCD TV with 45% less energy consumption is introduced to consumers.

The world champion in three categories: the "most silent, least water consuming and fastest," dishwasher is introduced to consumers.

Beko becomes the main sponsor of the European Basketball Championship EuroBasket 2009, the FIBA Asian Basketball Championship and the German Basketball League "Basketball Bundesliga."

Beko becomes the main sponsor of the 2010 FIBA World Basketball Championship held in Turkey.

January - March

Title sponsor of German Basketball League, Beko also sponsors Beko Basketball Bundesliga All Star event held in Bonn.

Arçelik participates in the Community of European Management Schools and International Companies (CEMS) with the cooperation of the Koç University School of Business.

Arçelik Authorized Dealers Meeting is held in Istanbul.

Elektra Bregenz AG introduces its new logo and concept “In Harmony with Your Life” to consumers.

April - June

Arçelik exhibited its new generation acclimatization products in SODEX 2010, the most significant acclimatization exhibition in Europe.

Arçelik launches its new washing machine, 8124 HST Economist, which consumes 50% less power than A energy class.

Arctic celebrates its 40^{th} anniversary.

12^{th} Invention Day awards successful engineers developing innovative products.

Prominent in acclimatization and energy solutions, Arçelik opens its new Air Conditioner Store.

July - September

The 84-cm Combi No-Frost Refrigerator which has a 600-liter large inner capacity and consumes 15% less energy than A energy class refrigerators is launched.

The first 3D LED television is produced in Turkey.

World's first laundry-recognizing washing machine, 8128 H Autologic is released into the market.

“World's most economical dishwasher” A-30% 62107 HIT Economist is introduced to consumers.

In its 65th anniversary, Grundig introduces its latest products with the slogan “MegaHertz Enthusiasm” in IFA.

Arçelik 92152 TACM two-drawer Built-in Dishwasher is released to consumers.

October - December

Arçelik produces its one millionth washing machine in Russia.

The 9681 ESLTI Built-in Oven equipped with steam power cooking technology is released for the first time in Turkey.

The sponsorship agreement between Beko and the Turkish Basketball Federation is extended.

Arçelik produces a new dishwasher called 63107 HIT - New Ecologist after its combined features. It is the “World's Least Water Consuming” dishwasher with 6-liter water consumption in the Economy 6L program and “One of World's Least Energy Consuming Products” with 30% less energy consumption than A energy class products in its Economy 50°C program.

Arçelik opens its first “Concept” store in Turkey.

2008-2009 the Arçelik A.Ş. Sustainability Report is published in accordance with the Global Reporting Initiative (GRI) G3 Principles.

The 7-kg A-20% 2200 ACM Built-in Washing Machine, increasing the standard built-in washing machine capacity by 40%, is produced.

World's first A+++ No Frost refrigerator consuming the least electrical energy in its own class is produced.

"Arçelik reached in 2010 a consolidated turnover of 6.9 billion TL. While the international sales were 3.5 billion TL, our net profit rose up to 549 million TL showing an increase of 9%."

Esteemed Shareholders and Business Partners, Dear Arçelik Family,

Welcome to our Company's 2010 Ordinary General Shareholders Meeting. I salute you on behalf of the Board of Directors.

Before detailed analyses about our Company's results in 2010, I would like to evaluate significant domestic and global developments that have influenced our operations and strategies last year; and then express my opinions about the future.

The impact of the 2008 crisis, which deeply affected global markets, has now substantially diminished except for European countries. Following 0.6% decline in 2009, the 5% growth rate in the world economy in 2010 indicates that we are now out of the woods though stability is still a way away from us.

Financial stimulus packages implemented in many countries made a significant contribution to this growth. However, to maintain this growth trend, I believe that a more effective way of regulation is compulsory for the financial markets that led the 2008 crisis. Although many initiatives have been commenced for an effective risk management by the US, EU and G20, unfortunately the desired result has not yet been achieved.

It is another acknowledged view that emerging countries will ensure growth in terms of the global economy.

The figures of the last two years justified the estimations and showed that developed countries, especially and primarily in Western Europe, are now facing a long-term recession and the difference will further grow in 2011 to the benefit of the emerging countries. As I have always stated, these forecasts clearly indicate that the rules and players of the game have changed.

Finally, related to global events, I would like to emphasize that rapid increase of internet usage and the spreading of social media networks such as Facebook and Twitter have now reached such a power to change political systems. We have recently witnessed the extent of this power through the turn of events in Middle East countries and how deeply they have impacted the world economy.

Our country's economy was a rising star in 2010 in this rapidly changing global environment. Notwithstanding 4-5% anticipation in early 2010, the growth rate has reached around 8%. Inflation retreated back to 6%. Although employment has not yet moved up to the coveted level, it is now in a climbing trend.

Our exports increased by 11.5% with the contribution of recovery in the target markets and the policy of heading towards alternative international markets. Thanks to the contribution of privatizations, the number of company mergers and acquisitions - a significant indicator for the emerging countries - doubled the figures of 2009 and turned out to be 5 times greater in terms of total economic value.

Although great portion of indicators are positive, we have serious problems such as high current account deficit, balance of debts, and double-figure unemployment rate, which require us to be cautious, manage our risks well and increase our exports.

In the aftermath of the 2011 elections I hope for quick and immediate positive steps to be taken to solve these important problems so that our country's credit rating can be elevated to an investable category.

Following macro developments in the world and in our country, I would like to share my views related to Arçelik's year of 2010 and future.

Despite the economic stagnation in Western Europe, the largest market of Arçelik even though its impacts are decreasing, our Company successfully achieved an average of 10.6% EBITDA margin in the last 7 years.

The savings in operational processes and the following efficiency increase, brand-oriented market applications and market diversification as well as increasing export rate to the overseas countries - other than Europe- significantly contributed to the results of 2010.

Thanks to these new strategies, Arçelik reached in 2010 a consolidated turnover of 6.9 billion TL. While the international sales were 3.5 billion TL, our net profit rose up to 549 million TL showing an increase of 9%.

I would like to express my gratitude to our employees, dealers and suppliers and our faithful customers. They have maintained our position in the market and operational profitability through their diligence, creativity and visionary management. They have made it possible to achieve the highest standard in all work carried out in 2010, as well as in the past.

I wholeheartedly believe that Arçelik will reflect our company's principles of environmental awareness, energy efficiency, productivity and respect to humanity in its business processes and products; and make its mark on the next decade, as well.

Wishing another peaceful and prosperous year for our country in 2011, I extend my kindest regards to all of you.

RAHMİ M. KOÇ
Chairman
Arçelik A. Ş.

Esteemed Shareholders, Business Partners and Colleagues,

Following 2008 and 2009, which witnessed the most severe crisis in the world's economic history, 2010 has been a year with some recovery in global economy, however, the vulnerability still continues.

The positive impact of expansive monetary and fiscal policies especially adopted in developed countries to fight the recession has begun to be felt in terms of consumer confidence and total demand throughout the year 2010.

It is estimated that the global economy grew nearly 5% in 2010 as a result of this recovery period in developed countries with these measures and the growth period led by emerging countries.

We are still facing prominent risks despite the improvement in aggregate demand. These risks include: unemployment, public debts and high budget deficits in some European countries, as well as, a rising inflation attributable to the increase in the price of food, raw material, and oil.

This gradual recovery process in the global economy has positively influenced the white goods sector and the companies doing business in the industry. The white goods sector has grown by 2.8% in Western Europe, one of Arçelik's important markets, and in the Eastern Europe it has grown by 8.6%.

Similarly, the international LCD television market has maintained its growth and reached a size of 100 billion USD. While in Western Europe, which is our main market in this product group, LCD television sales have reached 39 million pieces with an 18% increase compared to 2009, the market size has reached 21 billion USD.

As for Turkey, we encounter one of the most striking growth figures in the world thanks to the dynamic structure of the domestic market and the strong banking system that supports the market.

Thus, with an estimated growth rate of 8% in 2010, the Turkish economy has managed to overcompensate the 4.7% decline experienced in 2009. Similarly, the Turkish home appliance market had a growth rate of 8.2% following the decline experienced the year before. The export figures in home appliances increased by 9% as well. Likewise, although the CRT television market was in decline, the LCD television market grew due to the shifting trend from CRT televisions to LCD televisions in 2010.

Considering related market dynamics at home and abroad, Arçelik has not only become one of the best performing companies in the international consumer durables sector, but has also increased its market share the most. While increasing our market share in the regions we had focused on, we have at the same time managed to raise our price index.

Having reinforced our leadership in one of the most competitive markets in the world, namely, the UK, in the refrigerator, freezer and cooker segments, we also remained in second position in the overall home appliance market. While being among the companies that show the highest rise in market share in France, we have doubled our market share in Spain, and maintained our strong market leadership in Romania.

Message from the General Manager

We have achieved striking growth in Africa, the Middle East and CIS countries, markets that we had especially focused on as having potential for growth.

Meanwhile, in our main export markets, particularly in Western Europe, thanks to access to new distribution channels, we now have considerably more shelf visibility. Also, we have taken action to further improve service quality in all our markets.

On the other hand, we have reinforced our leadership in the home appliance, LCD television and air conditioner markets in Turkey, where built-in products are rapidly developing. Thus, we have continued to consistently grow achieving a turnover of 6.9 billion TL. We remain an ambitious global player with international sales constituting 51% of this turnover. Despite all economic fluctuations, we managed to keep our profit margins above the industry averages. Having compensated the negative effects of increasing raw material prices to a great extent thanks to the implemented precautions, our Company has reached an operational profit margin of 8.6%. As a result of effective working capital management, the ratio of our working capital to net sales has dropped from 36% to 33%. By ensuring a positive operational cash flow above 800 million TL this term, we have lowered our net financial debt to 740 million TL from the 1.2 billion TL that was recorded in late 2009. With regard to introducing innovative products and services to our consumers, 2010 has been a very productive year for us. One example of this is the introduction of new and modern concept stores in Turkey to our customers.

We have carried on our investments in new technologies and R&D, these fields being crucial to sustaining competitive power. Thanks to our R&D oriented work, we were able to manufacture products featuring the “best” and “first” innovations when the new energy label directive was put into effect in Europe, at the end of 2010. We released our A+++ energy-level refrigerators, A-50% energy-level washing machines, and A-30% energy-level dishwashers and ovens into the market, and our success with these innovations in 2010 has been certified by awards. We have maximized our efforts in efficiency and environmental friendliness, both for our products and production facilities.

Our eight plants in Turkey were granted "gold certificate" for the most energy efficient production in the home appliance sector throughout the world. Our plants have added new ones to their TPM awards. Eskişehir Refrigerator Plant succeeded in being the first plant in the world to be granted the “TPM Special Award” in the home appliance sector.

Our products have been granted international awards from respected institutions thanks to their environmental approach and superior technological features. Likewise our Company has also achieved significant successes in the corporate field.

We have maintained our patent leader position in Turkey. As the single Turkish company in the list of World Intellectual Property Organization, we have ranked 95th among the first 500 PCT (Patent Cooperation Treaty) filing companies. Furthermore, thanks to the sustainability approach integrated in all our processes, last year our Company was awarded in the "Management" category of the "EU Environment Awards", one of the most prestigious environment platforms of European Union. Thus, for the first time a company of a non-EU country successfully became a finalist.

We have performed many voluntary projects in social issues together with our employees, authorized dealers and services, as well as provided economic benefits by creating employment, growth and added value in the countries where we have operations. Regarding sports, we were proud of our country and the Beko brand's “Presenting” sponsorship of World Basketball Championship. In addition to the basketball leagues in Turkey and Germany, we also gave our name to the Russian Basketball League and have continued our investments in basketball on an international platform.

I am fully confident that our strong and competitive structure will take us to higher places in the global league and that we will leave our mark on greater successes with the same determination and decisiveness. In the light of our vision “Respects the Globe, Respected Globally” that paves the way of Arçelik's future; our main business targets will be to increase our market share through sustainable and profitable growth, offering our customers innovative and creative solutions, and being a global organization in the real sense.

I thank our employees, authorized dealers, authorized services, suppliers and business partners for their committed contributions to our Company's success; and to our customers for the confidence they show in our products and brands, and to our shareholders for their support.

Sincerely,

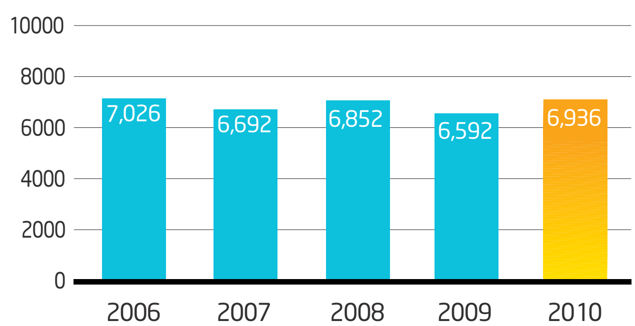
LEVENT ÇAKIROĞLU
General Manager
Arçelik A. Ş.

- The consolidated net sales turnover was **Turkish lira 6,936 million** in 2010; compared to 2009, in East European and CIS regions the consolidated sales increased **18%**, and **9%** in Africa and Middle East regions.
- The consolidated operational profit in 2010 was **Turkish lira 638 million**, and the net profit was **Turkish lira 549 million**.
- Net financial debts decreased by **39%** compared to the previous year and was **Turkish lira 740 million**.

Net Sales
2010
TRY **6,936**
million

Net Sales

(TRY Million)



Operating Profit

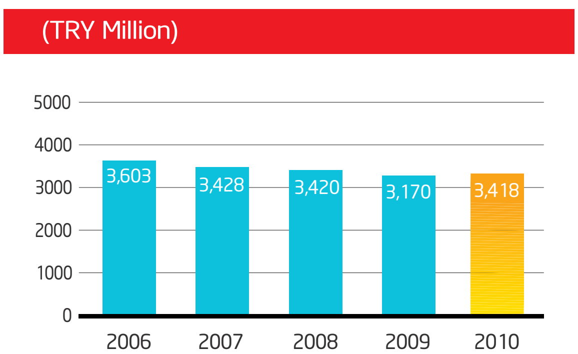
TRY **638** million

Net Profit

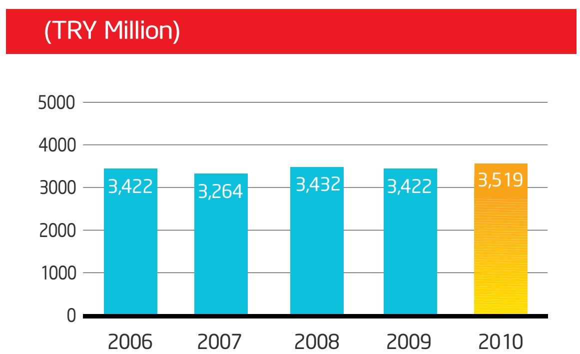
TRY **549** million

International sales made up **51%** of consolidated sales in 2010.

Net sales - Turkey

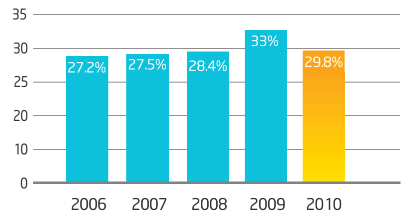


Net sales - International



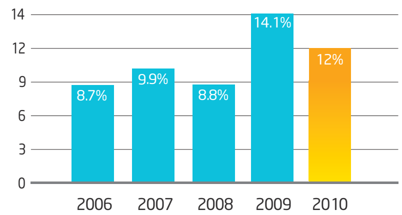
Gross Profit Margin

(%)



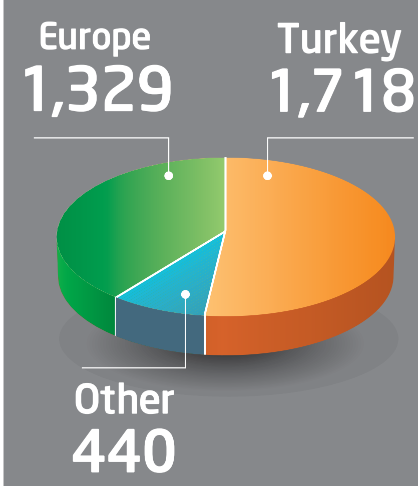
Earnings before Interest, Taxes, Depreciation and Amortization

(%)



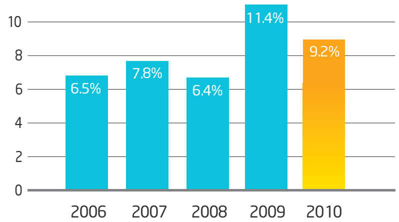
Regional Distribution of Net Sales

Million Euro	2010



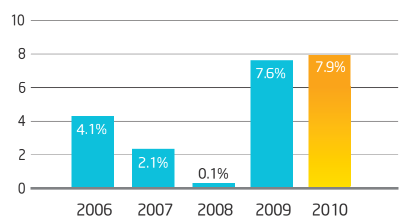
Operating Profit Margin

(%)



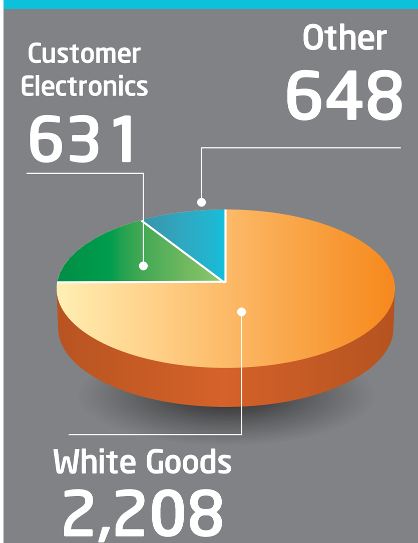
Net Profit Margin

(%)



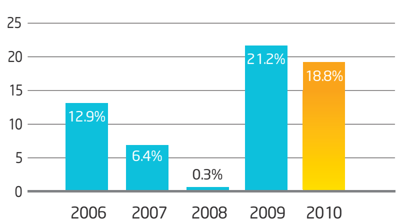
Net Sales by Product Group

Million Euro	2010



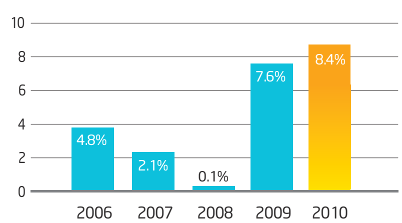
Return on Equity

(%)



Return on Assets

(%)

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Five-Year Consolidated Financial Review

Million EURO	2010	2009	2008	2007	2006
INCOME STATEMENT					
Net Sales	3,487	3,065	3,615	3,764	3,910
Gross Profit	1,040	1,011	1,027	1,036	1,063
Operating Profit	321	348	232	292	255
Income Before Tax	330	268	15	112	202
Net Income	276	234	3	77	162
Depreciation and Amortization	97	84	88	79	87
BALANCE SHEET					
Year-End Cash and Cash Equivalents	643	419	194	235	156
Inventories	482	420	609	758	689
Total Current Assets	2,317	1,925	2,067	2,479	2,272
Property, Plant and Equipment	611	576	594	705	602
Total Assets	3,573	2,975	3,204	3,816	3,445
Total Current Liabilities	1,143	1,472	1,397	1,846	1,555
Total Liabilities	1,910	1,705	2,269	2,562	2,291
Minority Interests	32	20	30	17	18
Total Equity	1,663	1,270	935	1,255	1,154
CASH FLOW					
Cash Flow from Operating Activities	425	836	237	68	-85
Cash Flow from Investment Activities	-104	33	-171	-176	-260
Cash Flow before Financial Activities	321	868	66	-108	-345
Dividends Paid	55	1	54	114	113
Capital Expenditures	127	96	187	191	181
SHARE-BASED FIGURES					
Dividends (Euro)	0.186	0.069	0.013	0.141	0.278
Year-end Share Price (Euro)	3.81	2.71	0.96	4.77	4.51
Price-Earnings Ratio	10.19	6.89	20.70	20.66	10.30
Dividends/Net Income (%)	48.3	17.4	25.1	63.4	61.7
Year-end Market Value	2,572	1,830	385	1,906	1,804
EMPLOYEE INFORMATION					
Number of Employees	18,388	16,931	17,472	17,053	16,201

Shareholders

In accordance with the General Assembly decision dated on March 17, 2010 distribution of dividends began as of on March 24, 2010 over issued capital of 675,728,205 TL in 2010.

The 100,000,000 TL cash dividend distribution was funded from the following:

TRY 1,256,707.58 from exceptional earnings retained in extraordinary reserves allocated before 1999;
TRY 38,402,643.93 from exceptional earnings retained in extraordinary reserves allocated between 1999 and 2003;
TRY 1,386,973.94 from extraordinary reserves allocated from previous years;
TRY 58,953,674.55 from current year other income;
The Company's issued capital in 2010, 675,728,205 TL, was paid in full and the issued capital was divided into 67,572,820,500 registered shares, each having 0.01 TL par value.

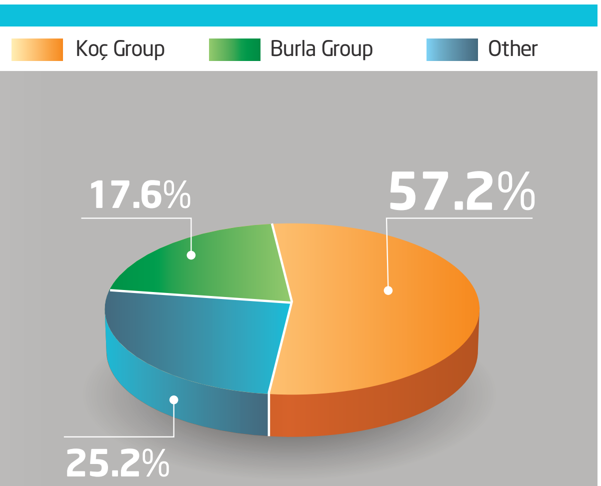
The registered capital of the Company is 1,500,000,000 TL.

There are no preferred shares. Each share with a nominal value of 0.01 TL equals one voting right at the General Shareholders Meeting.

Shareholders	Paid-in Capital (TRY thousand)	Share (%)
Koç Holding A.Ş.	273,742	40.5
Koç Group Other	112,783	16.7
Koç Group Total	386,525	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428	12.0
Burla Ticaret ve Yatırım A.Ş.	37,572	5.6
Other Shareholders	170,203	25.2
TOTAL	**675,728**	**100.0**

Explanations from respective shareholders to the ISE in 2010 pertaining to transactions of privately held shares are as follows:

- Burla Ticaret ve Yatırım A.Ş. sold a part of its shares worth a nominal value of 13,000,000 TL to a prearranged buyer in ISE on October 20, 2010.



Dividends Paid

Distributed dividends on earnings of 2005 through 2009 and their respective distributable earnings and equity ratios are as follows:

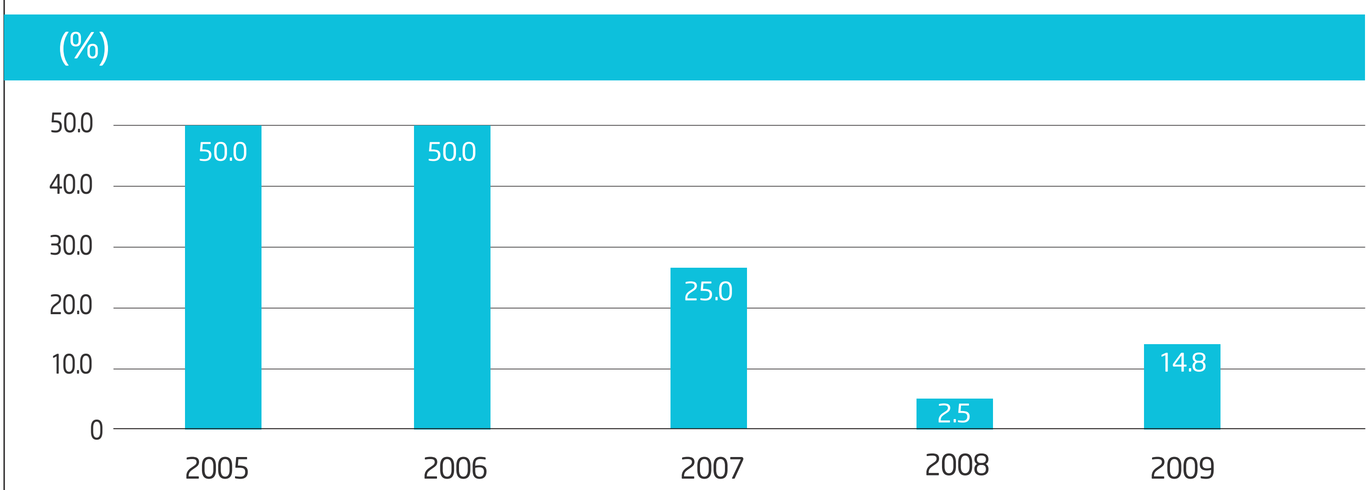
Dividend Term	Issued Capital (TRY Thousands)	Dividends (TRY Thousands)	Gross Share Dividends of 1 TRY in Nominal Value (TRY)	Dividend Ratio (%)	Earnings (TRY) Per share of TRY 1 in Nominal Value
2005	399,960	199,980	0.50	50.0	0.780
2006	399,960	199,980	0.50	50.0	0.81045
2007	399,960	99,990	0.25	25.0	0.39445
2008	399,960	9,999	0.025	2.5	0.0995
2009	675,728	100,000	0.14799	14.8	0.8493

The Ratio of Dividend to Equity Per Year

According to corporate governance principles, Arçelik A.Ş. adopts a dividend policy that seeks a balance between the interests of both the shareholders and the company.

Profit distribution is based on the company's policy that “the average distributed dividend proposed by the board of directors for approval at the General Shareholders Meeting will not be less than 50 percent of the company's distributable profits in the long term, to the extent that applicable regulations and requisite investments allow.”

The Ratio of Dividend to Equity Per Year



Share Performance

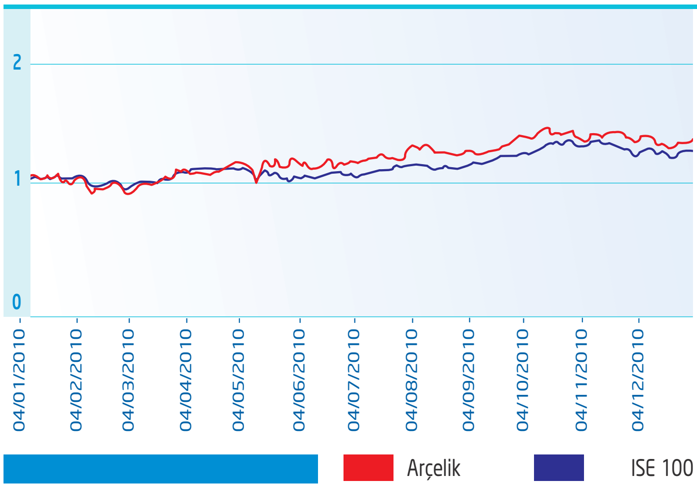
Company shares have been traded on the ISE since January 1986. The chart below summarises the performance of company shares on the ISE for the last five years.

Share Data	2010	2009	2008	2007	2006
Lowest price (TRY) (*)	5.07	1.17	1.01	5.26	5.20
Highest price (TRY) (*)	8.40	5.81	5.54	8.30	8.35
Year end price (TRY) (*)	7.80	5.71	1.50	5.68	5.57
Year end price (TRY)	7.80	5.85	2.06	8.15	8.35
Issued Capital (TRY Thousands)	675,728	675,728	399,960	399,960	399,960
Market value (TRY Thousands)	5,270,680	3,953,010	823,918	3,259,674	3,339,666
Market value (USD Thousands)	3,409,237	2,625,364	544,811	2,798,724	2,375,972

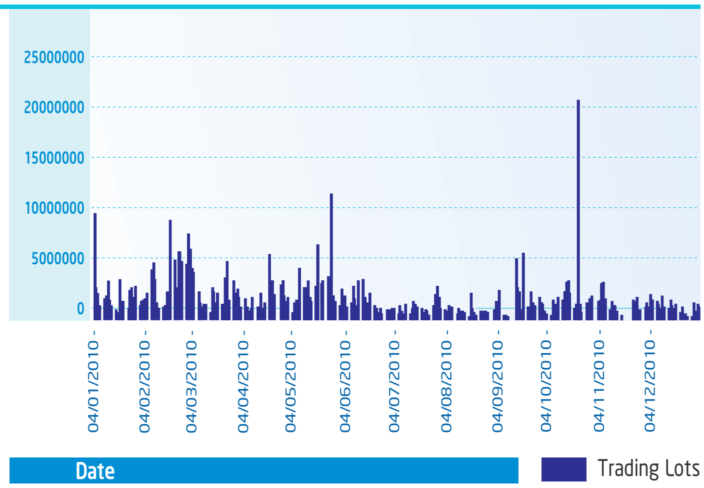
(*) Adjusted for Capital.

The graph below displays share performance for the period January 1, 2010 through December 31, 2010. According to the graph, while the ISE100 index increased 24%, the share price of the Company increased 34%.

Relative performance (Initial value =1)



Daily Trading Volume for 2010



The average daily trading volume of company shares was approximately 2.18 million lots in 2010. Foreign investors hold approximately 80.55% of the Company shares traded in ISE at the end of 2010.

The paragraph below lists the ISE indexes that incorporated the company's stock as of year-end 2010. The ratio of shares held in custody used in index calculations and the weight of the company's stock on the ISE100 index was 25% and 1.2297%, respectively.

The national indexes which incorporate Arçelik A.Ş. in their calculations are the ISE 30, ISE 50, ISE 100, ISE ALL, ISE Corporate Governance, ISE Industrial, ISE Metal Goods, Machinery, and ISE Istanbul.

In addition, the GT-30 Turkish Greek Index also incorporates Arçelik A.Ş.

On July 30, 2010, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş revised the company's corporate governance rating to 8.55 (85.53%) over 10 points from 8.21 (82.09%), initially disclosed to the public in our special case announcement dated July 30, 2009.

Our Company was incorporated in ISE Corporate Governance Index as of July 31, 2009.

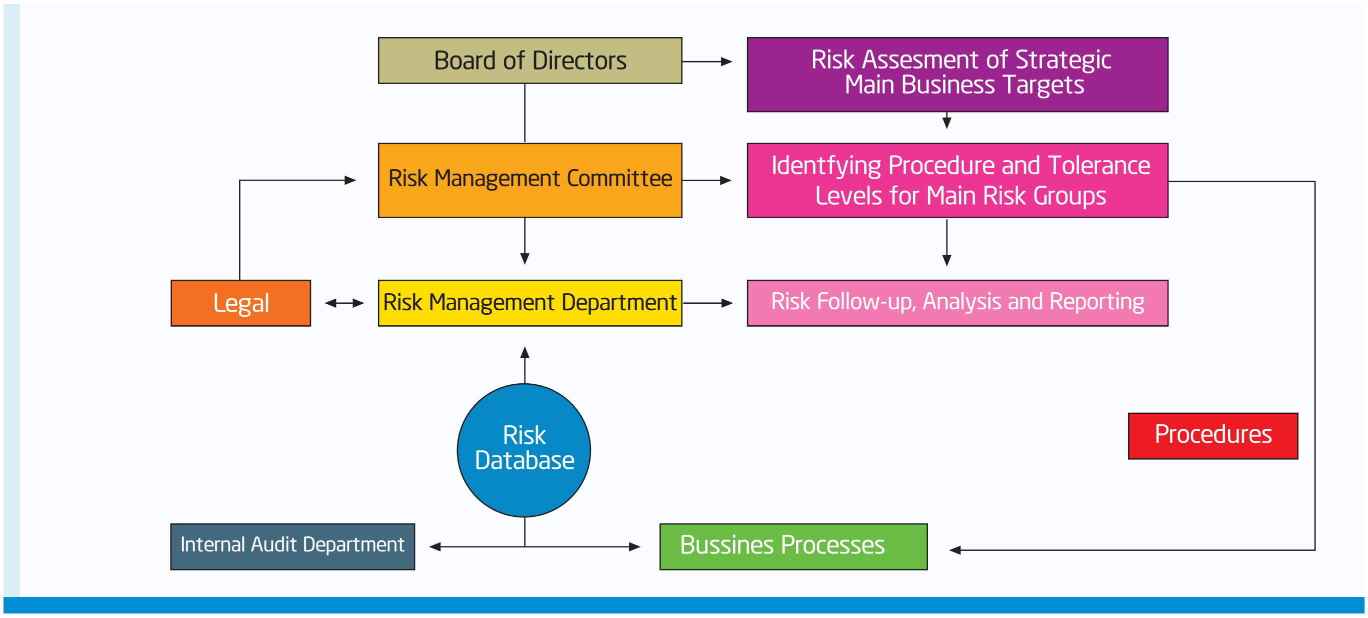
Arçelik A.Ş. employs a holistic approach to risk management. All strategic, operational, and financial risks to include any area of risk in achieving the company's short and long-term targets are assessed from the board level to all levels of the organization. Within this scope, a Risk Management Committee has been formed to advise and recommend to the Board of Directors in subjects including determination, evaluation and estimation of the impact and possibilities of all kinds of strategic, financial, operational, etc., risks that may influence the Company, managing and reporting such risks in accordance with the Company's corporate risk taking profile, considering the same in decision making mechanisms, and establishment and integration of effective internal control systems in this respect. The responsibilities of risk management within Arçelik are summarized in this chart.

Process managers implement these procedures by integrating them into their routine workflows. Moreover, the company's Risk Management Department provides process owners with technical support in managing their risks. The department monitors risks emerging within each group, performs risk analyses using standard methods, and provides reports.

Operational risks, one of the main risk groups, are comprehensively assessed, beginning from raw material procurement to production, sales and after sales.

Receivables risk, another important risk group, is managed by "local credit risk management committees" within the Group companies together with the "central credit risk management committee", which is comprised of the company's top management.

Risk Management Organization and Responsibilities



Risk management is an integral part of all business processes. In other words, managing risks is tantamount to managing business processes. Therefore, practices related to risk management are executed within the company to the extent possible rather than being outsourced to other companies or consultants. Therefore, one of the key tasks of process owners is to manage their related risks. According to the board of directors' assessments and decisions on strategic risks, the Risk Management Committee determines the procedures to be implemented and integrated with the business processes of the main risk groups.

The Group has coverage under consolidated insurance policies for any losses caused by risks related to receivables and to various operational risk branches managed by process owners.

In addition to international policies, different benefit schemes are also available to minimize receivables risk. In addition, financial assets, i.e., letters of guarantee and letter of credits, along with real estate mortgages are also used in this regard.

The principles implemented for financial risks, another main risk group, are as follows:

Liquidity Risk

Sound management of the balance sheet and cash flows eliminates any risk of insolvency. Therefore, the company closely aligns receivables due dates with payables in order to maintain the parent company's balance sheet ratios, i.e., the acid-test ratio, at certain levels to preserve short-term liquidity.

Interest Rate Risk

Due to the impact on rate-sensitive assets and liabilities, interest rate fluctuations create a significant risk pertaining to financial results. The company manages this risk by using various balance sheet methods that match the amounts and tenors of rate-sensitive items or by engaging in derivative instruments whenever necessary.

Consequently, the company emphatically matches the renewal periods of rate gaps in addition to the aging periods of receivables and payables. In order to reduce the impact of interest rate fluctuations, the company carefully matches the rate renewal periods of financial assets and liabilities while observing the intrinsic balance of the fixed/variable rates and short/long terms.

Exchange Rate Risk

Because Arçelik A.Ş. operates a widespread marketplace geographically, the company's business activities involve various currencies. Accordingly, the exchange rate risk constitutes one of the most significant financial exposures. The basic principle in managing this risk is to operate in such a way that currency exchange fluctuations affect the least amount of risk or to maintain an almost zero foreign exchange position.

The company monitors the exchange rate risk in the operating currency of each subsidiary. Targeted limits apply to those positions falling within a given range of the total equity.

In addition to the ratio of exchange position to equity, further risk limits apply to the parent company's financials based on Value at Risk (VAR) calculations. As is the case for other risk categories, the company preferably employs various balance sheet methods to the extent possible in managing the exchange rate risk.

However, the company also engages in financial derivatives if warranted in order to maintain the exchange risk at targeted levels.

Global Purchasing

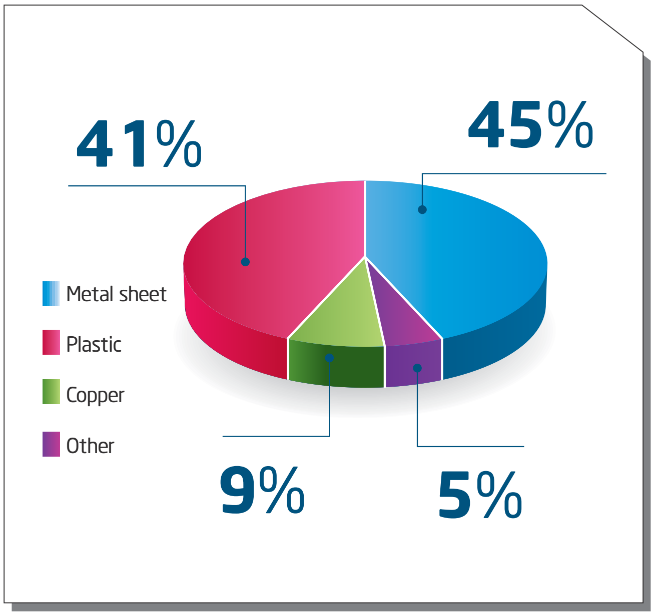
Within Arçelik A.Ş., the central purchasing unit manages the material cost which is also a significant part of product cost. In addition to the direct materials purchasing, indirect material purchasing activities are also carried out within the scope of central purchasing.

This management approach results in greater advantages to the company in various areas, particularly in pricing and cost management on consolidated supply items and on the creation of a global supply pool.

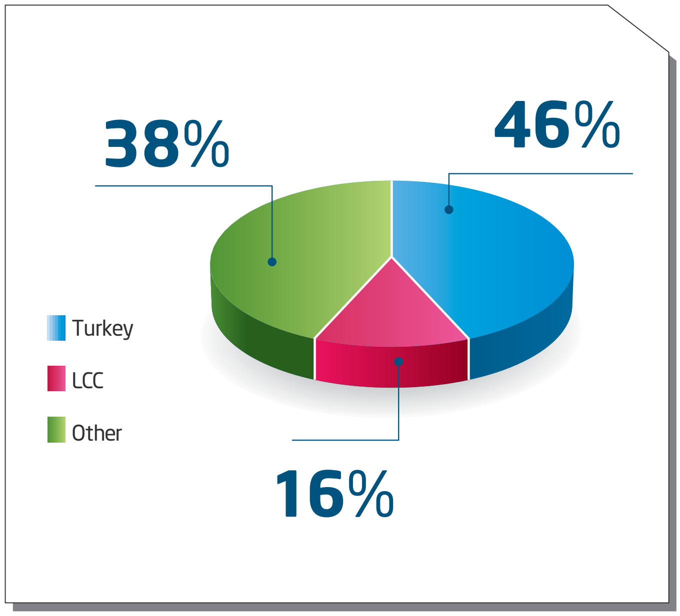
Electronic bidding is widely used in purchasing activities at Arçelik A.Ş. as well as at the Koç Group. This method produces significant gains by creating a competitive supplier pool.

Raw material and components’ cost that constitutes the basis of the product cost in the industry directly affects the profitability of the Company as well. Our Group bought direct materials and raw materials worth 1.6 billion Euro in 2010. Raw materials constitute 28% of these purchases. Great portion of raw material purchases is Sheet Iron.

Distribution of Purchasing of Raw Material (2010)



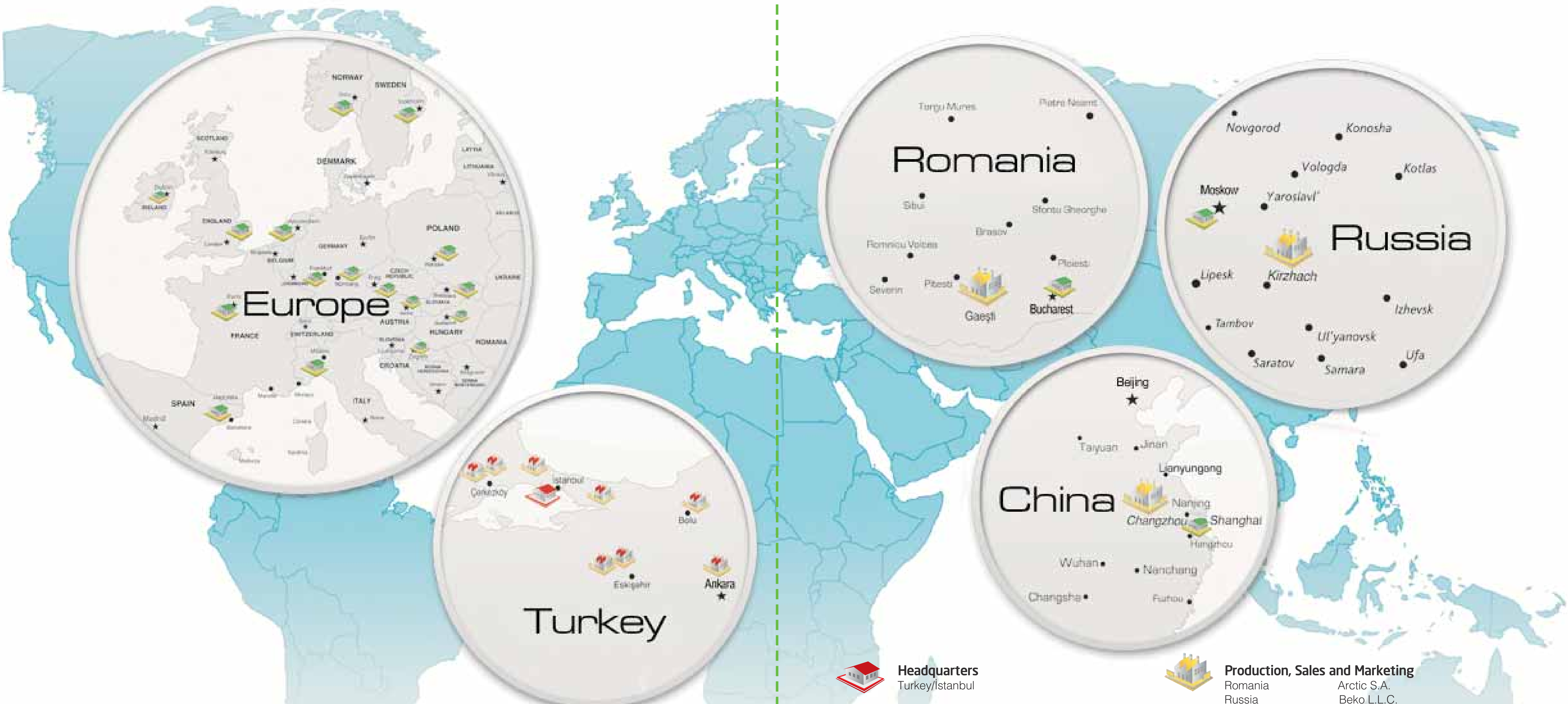
Distribution of Purchasing of Material of the Company (2010)



Raw materials and material costs are managed and stock costs are optimized through purchasing applications such as hedging (periodic fixing of raw material price) and consignment buying. More attention is paid to maintaining alternative suppliers for critical components against the risk of discontinuation of activities due to impacts of global crisis on suppliers. Cost improvement projects managed by production plants and purchasing deparment; provide a competitive edge for the company.

The organization of the Far East Purchasing Office established to manage the supplier pool on the spot was reshaped in 2010. Considering the opportunities likely to be obtained from low-cost regions, the purchasing offices in Russia and China will be expanded in different regions in the years ahead. The purchasing rate from low-cost countries (LCC) has reached to 15.7% in 2010.

Sophisticated electronic communications and data management systems are being used to manage the global supplier network. The supplier portal, which is used for reciprocal communications over the Internet, is constantly upgraded according to evolving needs. A project is started in 2010 to execute supplier activation process via supplier portal. Beginning in the first quarter of 2011, the supplier activation process will be conducted through the Arçelik A.Ş. supplier portal.



11 PRODUCTION FACILITIES IN 4 COUNTRIES

SALES AND MARKETING ORGANIZATION OPERATING IN 19 COUNTRIES

PRODUCTS AND SERVICES IN OVER 100 COUNTRIES

Headquarters
Turkey/İstanbul

International Sales and Marketing

Germany	Beko Deutschland GmbH
Austria	Elektra Bregenz AG
Czech Republic	Beko S.A. Cesko
China (Shanghai)	Beko Shanghai Trading Co.
France	Beko France S.A.
U.K.	Beko Plc.
Spain	Beko Electronics Espana S.L.
Italy	Beko Italy S.r.l
Slovakia	Beko Slovakia S.R.O.
Poland	Beko S.A.
The Netherlands	Grundig Multimedia B.V.*

Production, Sales and Marketing

Romania	Arctic S.A.
Russia	Beko L.L.C.
China	Beko Electrical Appliances Co. Ltd.

Production Facilities

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

* Operates in 5 European countries.


arçelik

arçelik
The leading, innovative, and technologically superior brand in Turkey's white goods market. The first brand that comes to mind in Turkey. An extensive product range including large home appliances, built-in appliances, consumer electronic products, air-conditioners, kitchen furniture, and small home appliances. The strongest sales and after-sales services network in Turkey.

BEKO
A world brand that provides smart solutions to the needs of diverse consumers in more than 100 countries worldwide and in Turkey. A brand that offers free-standing and built-in home appliances, small home appliances, air conditioners, and consumer electronic products - enhancing the quality of daily life.

Blomberg seit 1883
The 128-year-old German brand that combines technology with practical and environmental features. A brand that offers an aesthetic design, giving customers selections of various free-standing and built-in home appliances - with its slogan, “In Harmony with Your Life”.

arctic
Romania's most renowned, long-established local brand; leader in Romania's home appliances market.

GRUNDIG
65-year-old, strong brand with German origin, large product range consisting of consumer electronics and personal care products.

ALTUS

Value brand in durable goods for consumers to meet their needs in the most economic way.

FLAVEL

A home appliances brand in U.K. and Ireland markets.
A free-standing and built-in product range, creating economic solutions for consumers.

elektrabregenz

The 118-year-old, long-established Austrian brand.
One of the best known brands in Austrian home appliances industry.

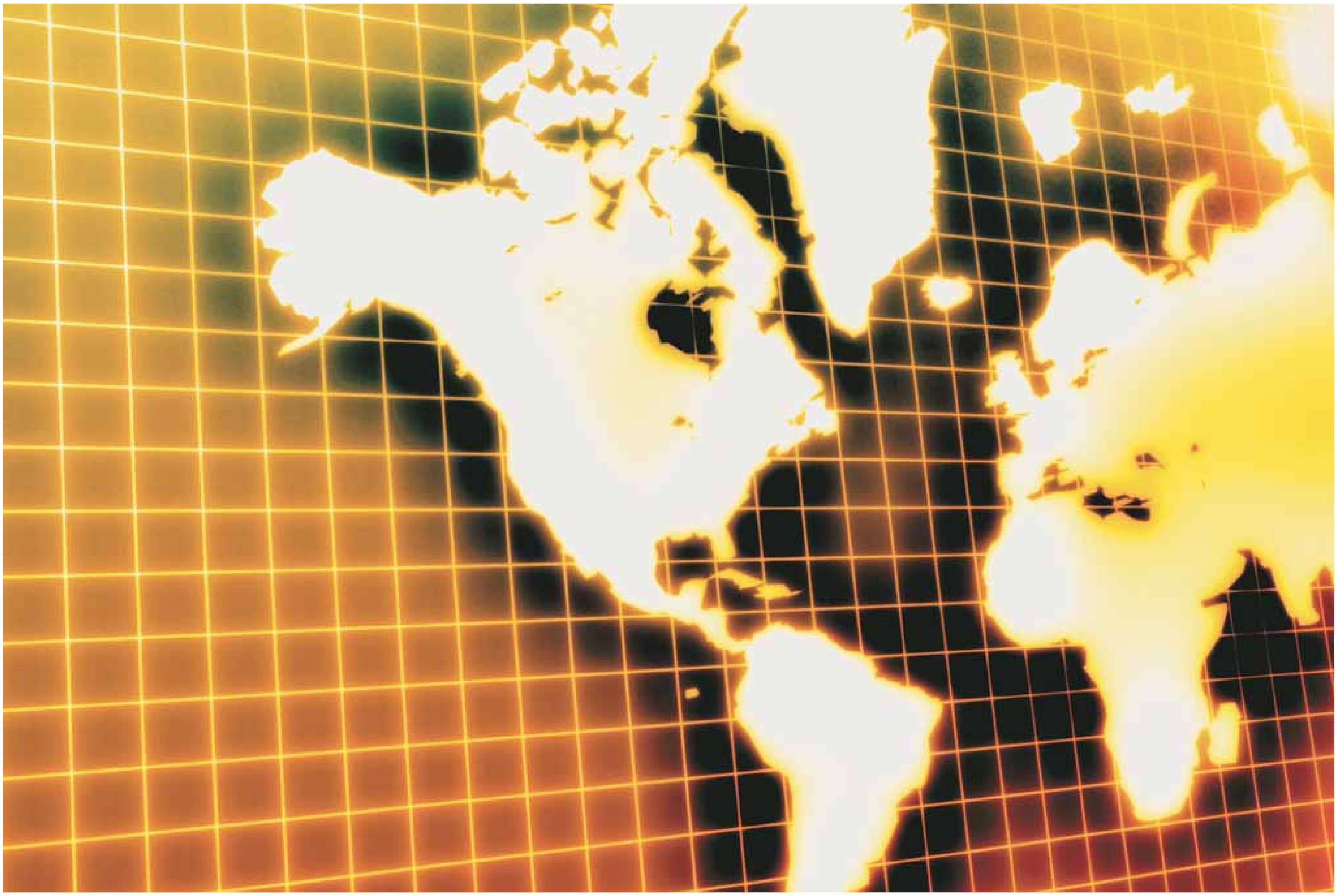
LEISURE

A traditional brand in the U.K.'s free-standing cooker market. Range cookers with gas and/or electric and built-in appliances presenting both traditional and contemporary designs.

Arçelik A.Ş. is the leader of the home appliances sector in **Turkey and Romania** and the second biggest player of the UK market.

Beko brand:

- Among the first five players in **Western** and **Eastern Europe,**
- One of the world's top ten home appliances brands in eight main product segments,
- Leader in total free-standing home appliances market and in refrigerator, freezer and oven product groups in **UK,**
- Second brand in the refrigerator market in **Belgium,**
- In **Poland,** it is the second brand in washing machine and third brand in freezer markets,
- In **Lithuania**, first brand in total home appliances market and in oven and refrigerator product groups.



International Markets

Home Appliances

In 2010, the sales of home appliances increased in Europe, which is one of the main markets of Arçelik A.Ş..This increase was approximately 2.8% in Western Europe and 8.6% in Eastern Europe, according to retail panel data.

Arçelik A.Ş. is among companies that have increased their market share most as it has entered into new distribution channels across its main export markets, especially in Western Europe.

Beko

Beko, Arçelik's international brand, also continued a steady growth in markets around the globe in 2010, in parallel to the general recovery in the world markets.

Beko brand has increased its market share both in Western and Eastern European markets in all product categories in the market: refrigerators, freezers, washing machines, tumble dryers, dishwashers and ovens.

Beko is the leader in the **U.K.** with, **18 %** share in refrigerators, **13 %** in freezers and, **14 % in ovens**

In 2010, Beko continued the communication of "Smart Solutions Series" that has been reshaped to better meet the needs of the export markets and to address the consumer preferences.

In the UK, one of the leading home appliance markets in Europe, Beko holds the leadership position in several categories. Beko has an 18% market share in refrigerators, 13% in freezers, and 14% in the oven product groups. It is also closing in on the lead in the washing machine market as it increased its market share to 20%.

Thanks to high volume sales, Beko reinforced its 2nd position in the UK market and closed the distance with the leader by 2 points, all product groups considered. Reshaped to better meet the needs of the export markets and to address the consumer preferences, Beko's "Smart Solutions Series" continued communication in 2010.

Beko promotes its state-of-art technology products in distinguished fairs worldwide. Beko has been awarded by various prominent international organizations in 2010 owing to innovative design, reliability and environment-friendly technology. The brand is also selected among the best home appliance brands by many respected European consumer magazines.

Having commenced its basketball sponsorships in 2006 by giving its name to Turkish Basketball League, Beko continued to grow and sponsored international events.

Beko became the sponsor of Basketball Bundesliga, one of the leading basketball leagues in Europe continuing its international investments on the basketball platform, which best fits with its dynamic and innovative characteristics. When Beko became title sponsor, the name of German Basketball League "Bundesliga Basketball" was changed to "Beko Basketball Bundesliga" at the start of the season of 2009-2010. According to 6-year sponsorship agreement, the BBL All-Star Day, the BBL Top Four, and the BBL Championship Cup will also be sponsored by Beko.

Beko has maximized its basketball investments as the 'Presenting Sponsor' (the greatest sponsor that presents the championship to the whole world) of 2010 FIBA World Basketball Championship, which is organized in every four years and which brings together the strongest teams in the world.

With this giant sponsorship, Beko, as a "World Brand", became the largest sponsor in one of the most significant sports organizations in the world. It was the first time a Turkish brand undertook the sponsorship of one such a large-scale international sports event. Investing in basketball since 2006, with matching brand values and goals, Beko will remain the "Sponsor of Basketball" in Turkey and in the world.

Arctic

Arctic, Arçelik A.Ş's local brand in Romania, is the long-established and most renowned home appliance brand in Romania and supplies the most fitting solutions to consumer demands and needs.

Arctic reaches out to consumers in Romania with a comfortable, cheerful, family-like and value-added service approach. The brand not only possesses the most widespread distribution points in Romania but has also built the most predominant after sales services network.

Having celebrated its 40th anniversary in 2010, Arctic is now the most reliable brand in the country with the services it offers to consumers.

Arctic is the market leader in Romania with a share of over 30%

25% washing machine market

39% market share in the refrigerator segment

Arctic brand presents a program called "Arctic For you" which aims to maintain on-going communication with consumers. This program includes the pre-sale and post-sale support platform called "Arctic Expert Line". It also includes a series of training materials prepared to assist consumers in purchasing and using products, and a special page on Arctic web site aimed at business partners. This program established Arctic as the first home appliance brand in the local market to offer pre and post sales services to customers through a direct line: the "Arctic Expert Line." With the integrated website and telephone line, Arctic is the first brand in Romania offering support to its customers both before and after the sale. In 2010, thanks to the solutions it offered to its customers, Arctic brand maintained its leadership in market by far with a 30% share. It also outscored its competitors with a 39% and 25% market share in refrigerator and washing machine, respectively.

Elektrabregenz

Elektrabregenz joined Arçelik A.Ş's local brands in 2002, and is a 118-year old, long established Austrian brand that has high brand recognition. Elektrabregenz introduced its renewed concept and logo to consumers in 2010.

Elektrabregenz renewed its product range in 2009 and introduced A++ energy class products to the market in the refrigerator segment. The brand has also added new products to its built-in range to match consumer expectations in the Austrian market. Having introduced the SURF technology to the Austrian market, Elektrabregenz is among the preferred brands in the market thanks to its innovative products especially in the cooker group. With the steampower oven released in 2010, the interactive Anka oven and a dishwasher consuming only 6 liters of water, the company has always been prominent in the fairs.

Elektra Bregenz is widely perceived by consumers as aesthetically creative, technologically superior and long-established award-winning green brand. It is available to customers in every sales channel in Austria.

Blomberg

In 2010, Blomberg celebrated its 127th anniversary. Blomberg introduced its new product range with the slogan "In Harmony With Your Life", aspiring to be in tune with all aspects of life. Blomberg offers products "In Harmony with Nature" with energy and water- efficient green features, "In Harmony with Your Home" with aesthetic designs, "In Harmony with You" with innovative and practical features to make life easier.

Blomberg, when has currently reached 50 markets around the world, has continued new launches and fairs in various countries in 2010. At the launch events held in the United Kingdom, Belgium, Italy, Lebanon, Croatia and Greece, the products immediately catching the eye were the washing machine that consumes 50% less energy than A energy class, the built-in oven that works with innovative SURF cooking technology, the 4-door refrigerator with superior features and the glass-door refrigerator which was granted a design award in the US.

Blomberg has proved its environment-friendly approach once more with the launch its dishwasher that consumes only 7 liters of water.

The "roadshow" activities were carried on throughout 2010. The Blomberg Truck travelled to 14 countries throughout the year and displayed free-standing and built-in products. Consumers showed tremendous interest in the truck in those countries.

Consumer Electronics

Grundig

Grundig was founded in 1945 in Germany and has vigorously represented Germany's overall brand image throughout the years with its product quality and customer approach and it has achieved 94 percent brand awareness in Germany. Grundig reached a market share of 4% in the LCD TV segment in Germany in 2010.

Owing to its long years of experience, Grundig has proved to be a specialist in high performance, quality and durability. The consumer is the focal point for the brand.

The Grundig brand is sold in 63 countries under the umbrella of Arçelik A.Ş. and is among the foremost brands of Germany. Apart from Germany, the brand is also widely recognized in Balkan, Scandinavian and Baltic countries.

Grundig offers, 40” and 46” screen LCD TVs, which are EcoLabel certified for energy efficiency, as well as, a minimum 2 year warranty, refunds and recycles and containing no hazardous materials. Grundig 's environmental sensibility is evidenced by the inclusion of environmentally-friendly products such as 40% less energy consumption, lead-free and mercury-free material usage.

Grundig also continued its superiority and user-oriented approach in terms of technology offering TVs with USB Recording, comfortable small remote control and DVB-S2 technologies.

Having received international awards in 2010, Grundig has once again proved that it sets high design goals.

Data obtained from the Association of Turkish White Goods Manufacturers (BESD) show that white goods sector grew 8 percent in a total of 6 main products in 2010. Retail air conditioner sales grew 20% in particularly due to the drastic demand increase experienced in August. According to the Association of Turkish Electronic Appliances Manufacturers (ECID) data, the LCD TV market grew approximately 30% compared to 2009. Growth in the built-in market is ongoing. BESD data show that the built-in market grew approximately 15% compared to 2009.

Arçelik retained its leading position in the white goods, air conditioner and TV markets in 2010, hosting the largest services network in Turkey with strong dealers and after-sales service points.

Home Appliances

Retail sales growth in white goods experienced between March 15 and September 30, 2009 due to the discount in Special Consumption Tax, was not realized during same period in 2010. Nevertheless, with the impact of invigorating sales campaigns, the growth in the Turkish white goods market continued year-round.

Despite the growth in the refrigerator, washing machine, dryer and dishwasher segments, the full scale oven segment experienced a drop against the rise of the built-in oven market.

Especially with the impact of hot weather in the summer period, the air conditioner market grew in 2010 following declines in 2008 and 2009. The Inverter air conditioner market experienced a nearly 20 percent growth in retail sales owing to superior features such as: A energy rating and silent operation compared to standard models, as well as, the capability of heating even at -15 degrees. With more visible kitchens remodeling of old kitchens with built-in appliances, the transition from free-standing to built-in products accelerated to a great extent.

The built-in product market maintained its consistent growth. The built-in oven and dishwasher segments constitute the fastest growing product groups. Moreover, new residence projects providing built-in kitchens appliances, has played a great role in market growth.

Consumer Electronics

In the TV category, the transition to LCD TVs picked up speed and continued to show market growth. While the CRT TV market declined, LCD market grew. Yet, this growth could not compensate for the general downsizing of the TV market. Rapidly declining LCD panel prices and fierce competition did not allow value growth in LCD TV market despite the growth in size.

Arçelik A.Ş. quickly met consumer expectations in the LCD product group, which is prone to rapid technological advancement, by including the following new products into its product range: the 3D LED Full HD TV, the Eco Panel LCD TV, the high contrast LCD TV, the LED LCD TV, and the 200 Hz Full HD LCD TV. In addition to products receiving digital platform broadcasts, Arçelik A.Ş. also launched new digital satellite receivers for both SD (Standard Definition) and HD (High Definition) broadcasting formats.

In 2010, sales of Grundig brand LCD TVs continued at Arçelik and Beko dealers as well as other sales points. Grundig incorporated the computer and non-TV electronic products range, under the same brand, which were released into the market at Arçelik and Beko dealers.

Under the Grundig brand, the new LCD TV range was also released into the market. This product series won four awards with the FineArts LED TV and the Vision 8 LED TV including both the Red Dot “Honorable Mention” and the Plus X “Ease of Use” for its chic-designed, state-of-the art products.

Both LED TVs by Grundig won awards for designs in “2010 Honorable Mention” category of Red Dot awards.

The Digital Signage broadcasting system was developed to provide high-quality HD image in dealer stores and to create new advertisement and promotion areas in the stores.

However, it has become a unique product used particularly in football stadiums at home and abroad as well as universities and other institutions.

Arçelik

Arçelik has long been the first brand that comes to the minds of Turkish consumers. With “innovation” as the mainstay of its outreach, the company has continually marketed consumer products that are distinguished as the “One and only in the world”. Arçelik led in the energy saving segment with products that respect the environment, supporting global performance with energy efficient products.

Arçelik opened its first concept store that broke new ground once again. Established on a 1,715 square-meter area, the new concept store aims to offer a premium experience to users and consumers through advanced retailing techniques and applications. This model represents Arçelik's innovative approach and sets the standard for future stores.

The 8-kg capacity “the world's least energy consuming washing machine” that consumes 50% less energy compared to a similar A class product, the A+++ Refrigerator which is the world's least energy consuming in its class that consumes 60% less energy compared to a similar A class product, and “the world's most silent built-in oven” that consumes 30% less energy compared to A class were launched.

Also, Arçelik built-in ovens featured with “Surf® - Innovative Oven Technology” launched a new era in cooking technology.

With the release of “Eco-panel LCD TV” and “energy saving Inverter Air-Conditioner”, consumer communications have been incessantly maintained. The company continued to expand the high energy-efficient inverter segment in air-conditioner product range.

In 2010 Arçelik became an innovative pioneer launching the world's most silent and least water-consuming 6-lt dishwasher. The New Ecologist named it “World's Least Water Consuming Dishwasher” because it washes a 13-place normally soiled dinner set consuming only 6 liters of water. With its Economy 6L program, it also boasts an A energy rating and washing performance.

Arçelik A.Ş. manufactured the first 3D television in Turkey and continues to raise consumers' life standards through innovative products. Arçelik 3D LED TV transforms the experience of watching television into an exceptional one, by offering an immersive 3D technology experience in the living rooms,

Beko

New products were launched for the Beko brand following an “Intelligent Solutions” approach.

Beko LED TV combines the state-of-the-art with aesthetic appeal so that games can be enjoyed in another dimension with the thinnest section of 16 mm. The eye-catching Beko LED TV's energy efficiency also stands out. Beko LED TV's green feature is remarkable as it saves up to 40% energy compared to standard LCD TVs. And Beko LED TV's paramount properties of sound and picture distinguishes itself from the competitors. Beko LED TV offers consumers the best picture with its sharpness, vivid colours and perfect imaging as well as the 100 Hz scanning rate per second achieved by Full Motion Plus technology.

Beko 9500 Super Invertech, the world's most silent air conditioner works on R 410A environment-friendly gas and has class A energy level in both cooling and heating. It is 60% more efficient compared to other A class air conditioners. In cooling mode, Beko 9500 Super Invertech air conditioner senses the humidity level in the environment and keeps the humidity at a comfortable level rather than cooling the environment too suddenly. This method also preserves a healthy level of humidity by avoiding potential physical discomforts due to extreme drops.

Beko 9500 Super Invertech air conditioner's built-in anti-allergic filter, which is certified by the world-famous The British Allergy Foundation, changes the protein structure of the allergic particles the air using special enzymes.

In 2010, Beko achieved an increase in built-in sales and moved ahead with product diversity by guiding consumers to preferably higher quality innovative products.

The “dynamic, entertaining and young” character of the Beko brand first met with the technological and animated image of basketball in 2006.

Beko, the international brand of Arçelik A.Ş., became the sponsor of Turkish Basketball League as a "World Brand" in 2006. The annual “All-Star” games of the league are now called “Beko All-Star”. Beko's investments in basketball continue to increase. Also in 2010, as a “World Brand,” Beko became the largest sponsor of 2010 FIBA World Basketball Championship, the most significant international event in basketball.

Plants

Arçelik A.Ş. offers products to consumers in over 100 countries through eleven manufacturing plants in Turkey, Romania, Russia, and China.

With a “sustainable development” approach parallel to its vision, Arçelik A.Ş. focuses on protecting and sustaining the environment and natural resources in all operations.

Arçelik A.Ş. aims to develop and market products that are resource and energy efficient, technologically innovative in design, and easy to use. Arçelik A.Ş. considers control of environmental impact to be a process throughout “the product's life cycle” starting at the design stage; and conducts R&D design studies accordingly.

Arçelik A.Ş. integrates and performs the company's operations together with Quality Management, Environmental Management System, Occupational Health and Safety Management Systems, basing all processes on the Total Quality principle.

Utilizing product design, high production technology and international quality standards, Arçelik carries out projects in cost reduction, quality, and process improvement by implementing Total Productive Management (TPM) and Six Sigma methodologies at the company's plants. A flexible production structure widens the company's competitive advantage each day.

The “Green Production” approach has paved the way for many projects in 2010 aiming to reduce water and energy consumption as well as waste throughout Arçelik A.Ş. Plants.

Arçelik A.Ş. Plants are “Energy Efficient” fields. Within the scope of efficiency works, Arçelik A.Ş's 8 production plants in Turkey have earned a “Gold Certificate” for energy efficiency (Energy Efficiency in Green Factories) which is a first for home appliances industry in the world.

Arçelik has the highest capacity single campus facilities in the world and in Europe. The company’s technology capacity produces the market’s “firsts” and “mosts.” The facilities maintain a production quality recognized by esteemed organizations and manufacture the world’s most energy and water efficient, most silent, and fastest products in diverse categories, from refrigerators to washing machines, from tumble dryers to LCD TVs.

- Refrigerator Plant - Eskişehir, Turkey
- Tumble Dryer Plant- Çerkezköy/Tekirdağ, Turkey
- Cooking Appliances Plant - Bolu, Turkey
- Compressor Plant - Eskişehir, Turkey
- Electric Motors Plant - Çerkezköy/Tekirdağ, Turkey
- Electronics Plant - Beylikdüzü/İstanbul, Turkey
- Dishwasher Plant - Ankara, Turkey
- Washing Machine Plant - Tuzla/İstanbul, Turkey
- Arctic Cooling Appliances Plant - Gaesti, Romania
- Washing Machine Plant - Changzou, China
- Refrigerator and Washing Machine Plant - Kirzhach, Russia

Arçelik A.Ş, standing apart with innovative products and offering added value to the consumers, orients R&D and technology development efforts accordingly. Adopting the company's own product technology in line with recent developments, the R&D Group has introduced numerous innovations to the consumers so far.

As the global changes and environmentalist trends are shaping the industry's approach, products tend to be designed with green features and customer convenience. In this respect, figures of 2010 show that Arçelik A.Ş. released record holding products and obtained successful results with regard to intellectual property rights.

Project outcomes are registered with patent applications and internal reports help to protect the permanence of information within the Company. As is known, Arçelik A.Ş. holds the leading position in Turkey for intellectual property and patent applications. 142 patent applications were actualized in 2010 in parallel to the previous years. In 2010, the Company was awarded;

- Patent League Champion - Highest Number of Patent Applications,
- Patent League Champion - Highest Number of Patent Registrations,
- Golden Patent Award - Highest Number of International Patent Applications; all given by TPI (Turkish Patent Institute) for the applications in the year 2009.

R&D centers closely follow advances in standards and technology that influence the entire industry as well as competitor operations. As an integral part of R&D studies, such research shapes the turn of new and existing projects.

In recent years, fundamental trend in the white goods industry has taken a turn towards energy efficient products. Companies have been successively launching energy efficient products. Arçelik A.Ş., taking note of this inclination of the industry, has prioritised energy efficiency in mid and short-term product development as well.

In parallel, the World's Least Energy Consuming Washing Machine with A-50% energy rating was promoted as “first and unique”. Resting on the know-how and experience attained with this pioneering product, energy efficiency of the entire product range has been raised one step further.

Another groundbreaking product, AutoLogic (SmartWash) washing machine was launched in 2010. SmartWash programme determines laundry type and quantity and selects the wash cycle according to soiling degree with no effort on the side of the consumer.

Also, more silent dishwashers with less energy and water consumption become widespread in the market. Already introduced in 2009, Arçelik's dishwasher that consumes only 7 liters of water created an impression in the market.

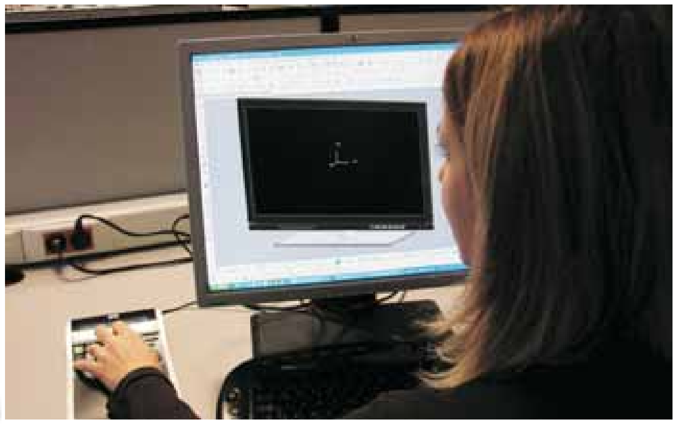
With the following efforts in 2010, the company developed the World's Least Water Consuming Dishwasher.

“Surf® - Innovative Oven Technology” was also promoted in environment friendly and innovative product category. This project constitutes Surf® (Surround Flow) homogenous cooking, the world's least energy consuming and the most silent oven in this class, “Oleophobic Coating” and “Anti-fingerprint” nano technological coating applications, Steampower Oven Technology, User-friendly Interface and Control Algorithms, and Smart Home Technology.

Arçelik A.Ş. was granted “Technology” award thanks to “Surf® - Innovative Oven Technology” in the category of “Large-Scale Products” within “Technology Awards” held by TÜBİTAK, TTGV and TÜSİAD for 9th time this year. Arçelik A.Ş., a company adopting an approach to integrate and ripen technology, deserves this significant award owing to cutting-edge products and practices as well as ingenious accomplishments in research and development.

Among the outcomes of the efforts to reduce energy consumption level is the first A+++ No-Frost refrigerator in it’s category that consumes the least energy with A-60% energy rating. Two years ago, Arçelik A.Ş. had already developed A ++ energy class “Black Orbital” with the least energy consumption. The company has now carried its technology a step forward and developed the refrigerator with A+++ energy efficiency, which even consumes 26% less energy than A++ energy class.

Manufactured at Eskişehir Refrigerator Plant by Arçelik A.Ş.'s ingenious R&D team, “A+++ Black Orbital” has been designed with the implementation of 6 patents owned by Arçelik and the refrigerator's performance had reached above A++ level, which is the highest point in energy saving. Consuming 60% less energy than other A-energy class No-Frost refrigerators with the same volume, “A+++ Black Orbital” can work for 2.5 years using the same amount of energy consumed by A-energy class refrigerators in 1 year. This green perspective is not limited with the products but derived from a management approach as the first prize won by the company in “European Business Awards for the Enviorment Turkey Programmes - Management Category” clearly proves. As another significant indicator, Arçelik A.Ş. has been awarded in “Management” category of “European Business Awards for the Environment 2010 - European Programme.” Arçelik A.Ş. has reached the finals thanks to a management understanding long-established on ecologist principles and social responsibility applied throughout the entire business process. It is a first with Arçelik that a non-European Union company succeeds to become finalist in European Business Awards for the Environment since 1987.



Consumer Electronics

3 main trends in consumer electronics in 2010 were LED TV, internet-connected TV, and three-dimensional TV. Arçelik A.Ş. has been carrying on its research and new product development activities in parallel to newly developed technologies. In keeping with Arçelik's vision, "Respects the Globe, Respected Globally," innovative products are being designed with new generation imaging, sound, broadcasting, and communications technologies pertaining to energy, the environment, and ergonomics.

With the contributions of its staff experienced in research and development activities, Arçelik A.Ş. also makes television designs for leader producers in the worldwide television market along with its own brands.

In connection with the new imaging technologies, LED TVs in all screen sizes that are less energy consuming and thinner products with richer color, contrast and sharpness controls have been released into the market.

Aluminum series products that contain environment-friendly materials and address the higher level product segment have been released into the market in various screen sizes.

In line with the 3D television technology development, Turkey's first 55" 200 Hz Full HD 3D television was released into the market. New generation technologies are being closely followed for 3 dimensional televisions.

Along with the rapid expansion of digital broadcasting, an integrated television has been created that does not require any additional device to receive satellite broadcasting in addition to both cable and terrestrial broadcasting. These quality televisions allow viewing HD quality broadcasts with high-resolution and recording digital broadcasts via USB. The products have been approved by operators in the European market active in various countries.

In order to use current bandwidths of Europe more efficiently, infrastructure works are being carried on for DVB-T2, the new generation terrestrial broadcasting format to which the company plans to switch.

Televisions that support CI + technology which provide protection of content rights and include advanced encoding systems have been put in use. A pioneer role was taken in the market by cooperating with the broadcasters. DivX HD Plus televisions featured with capacity to play high compression HD quality images without needing any additional hardware have been released into the market. Arçelik A.Ş. is one of the firsts in the world granted DivX HD Plus approval.

Televisions with internet TV and internet radio properties that provide receiving of video and music broadcasts via the internet have been developed. These televisions can access optional image and music contents by means of a certain service provider. Access to popular websites such as YouTube and Flickr is possible with these televisions. As for network-connected and internet-connected televisions, the new generation HbbTV infrastructure works are underway. Negotiations with service and content providers in Europe and Turkey are ongoing.

For increasing audio quality, an infrastructure for processing real-time audio signals was formed and the previously developed psycho-acoustic based algorithms have been tested on this infrastructure. These studies will be converted into cost-effective solutions and applied on our products with the cooperation of specialized firms and universities conducting research projects.

We have devised flexible, simple and visual interfaces to provide the viewers with a different kind of television experience. Special professional interfaces were designed for our brands being marketed in Turkey and worldwide.

Innovation and Cooperation in R&D

Successfully achieving university and industry cooperation as Turkey's first example of corporate association, Arçelik A.Ş. has presently contributed to more than 200 (214) B.A., M.A., and doctorate theses by esteemed university lecturers, thus affording opportunities for scientific approaches and academic knowledge to R&D projects, further benefiting both the company and universities.

The Company has undersigned long-term projects with college students beginning as of the internship period. Having completed their theses at Arçelik A.Ş., aided by the knowledge and guidance of their university supervisors, 87 engineers were employed in different departments within the company.

Arçelik's R&D has collaborative experience with universities, institutions, and scientific organizations throughout Turkey and abroad. Arçelik A.Ş. has been one of the leading companies whose R&D departments have attended the EU's research programmes. Arçelik has 5 European Union 7th Frame Programme Projects and 4 EUREKA projects underway in addition to the completed EUREKA and European Union Frame Programme projects. Cooperatively following up advances in technologies in a fast and reliable fashion to apply them on products, R&D centers have been gradually more in demand for the network structures and projects thanks to their laboratory infrastructure, valuable research background and skills.

Actively involved in large-scale consortiums under 7th Framework Programme, Arçelik aims to enhance technology relations with European and other countries in the world, and sustain the company's pioneering position in technology with state-of-the-art product range. Arçelik R&D department, who gained experienced by completing 1 project in each of the 5th and 6th Framework Programmes, now participates in 5 projects underway within the scope of 7th Framework Programme. In the meantime, 12 new project applications are currently in the stage of commission assessment.

Among the projects funded by European Research Council under the 7th Framework Programme, Arçelik takes part in a project of information technology focusing on the compression of 3D videos as well as the projects striving to develop nano-composite coating, to produce and apply new materials and innovative food preserving techniques.

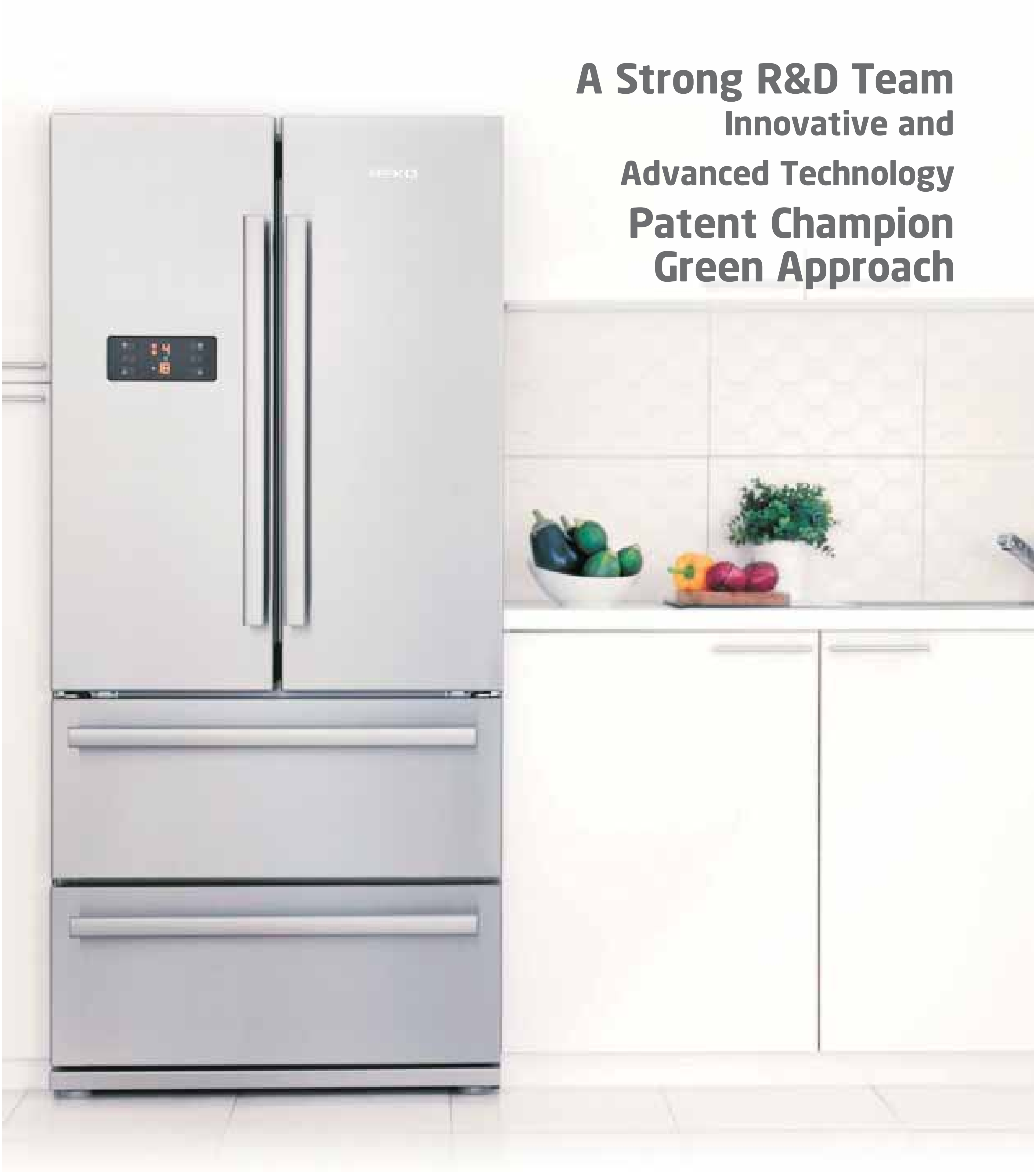
With Vicon project, Turkey participates in a project addressing the users with special needs for the first time. The project targets to develop more effective consumer interfaces with video and audio controls, which are more user-friendly particularly for disabled users. Especially the project proposals concentrating on environmentalist production technologies, new material development and information technologies are currently in assessment stage.

In 2010, the company was actively involved in “Destination Turkey” organized by TÜBİTAK in the US as a part of the 7th Framework Programme. The company's R&D activities and relevant issues were discussed at the meetings held in Boston and Ann Arbor within the scope of the programme and expatriate specialist researches were invited to the country with new opportunities.

Arçelik A.Ş. executes long-term research projects with the partnership of national universities and research institutes as well as foreign universities and supports university-industry cooperation through diverse mechanisms. TÜBİTAK programmes have been supporting certain studies and some are contributed by SANTEZ Programme of Ministry of Industry and Commerce. The company has been actively carrying out various projects with the collaboration of more than 20 universities across Turkey.

Furthermore, R&D centers collaborate with major suppliers to foster material and component designs and to benefit from their knowledge and experience with the purpose of offering value-added products. We are striving to spread advanced technology practices into the products for less energy consumption and lower noise especially in motors and compressors and these advances are turned into benefits on Arçelik products by following the supplier-product road maps.

A Strong R&D Team
Innovative and
Advanced Technology
Patent Champion
Green Approach



4-door No-Frost Inox Combi Refrigerator with 2 Freezer Drawers

- A+ class superior energy performance,
- Fingerprint-free inox doors and sleek door handles.

New No-Frost system (Active Dual Cooling)

- As the air circulating in the compartments are no longer the same, there is no more mixing of unpleasant odours between fridge and freezer compartments.

Hygiene applications:

- Active blue light preserves the freshness of vegetables and fruits in crisper for longer periods.
- Anti-bacterial filter and ionizer eliminates bacteria formation and prevents odours.

INNOVATIVE PRODUCTS

55" 3D LED TV

- Edge LED, FHD + 200Hz latest panel technology offers vivid colors and crystal clear picture,
- 3D experience with Active Shutter glasses,
- USB PVR to pause and start recording of digital broadcasts according to consumer needs,
- DVB-T+C to view both terrestrial and cable digital broadcasting,
- "The Chicago Athenaeum Good Design" Award,
- Aluminum design completed by glass stand.

INNOVATIVE PRODUCTS

Dishwasher

"First A-30% Energy Class Dishwasher in the World"

- Wash 13-place dinner set with 30% less energy than A energy class and use only 10 liters of water.

"Least Water Consuming Dishwasher Programme in the World"

- "World's Least Water Consuming Programme", 6L spends only 6 liters of water in A energy class.

CafeBM Glass Dishwasher

- Commercial dishwasher with 3 baskets and a washing capacity of 90 water glasses or 100 tea glasses in 15 minutes.

Autologic: the world's first laundry-recognizing washing machine with SmartWash programme

- 5 sensors detect laundry type and quantity by meticulous and precise measurement and decide the amount of water, temperature, speed, number of rinsing and programme duration on behalf of you. And deciding all these details takes only 15 minutes.
- Paying maximum care to your laundry, Autologic Programme automatically activates the most ideal programme for your laundry among 36 different washing options and reaches perfect performance.
- Respects the environment by using water and energy only as needed; it is stingy in energy and water consumption.
- Extremely easy-to-use notwithstanding detailed technology for the selection of best wash cycle. All you have to do is to select the soiling degree and enjoy the easiness, delight and reliability of this technological miracle.

Oven

Steampower Cooking Technology

- The first built-in steam assisted oven produced in Turkey,
- Perfect results especially when cooking pastries, bread, meat, chicken and fish thanks to steam-assisted cooking technology,
- Cooking Guide featuring 14 cooking options and 50 different menus,
- Minimum energy consumption with A energy class,
- Easy-to-clean, soil-free, special nano-coated, completely glass interior door.

Built-in Fashion Edition Series

- Electronic controlled, built-in multifunctional oven with 10 cooking functions,
- SURF, cooking system for homogeneous cooking with up to 3 trays,
- Animated LCD Display,
- Minimum energy consumption with A energy class,
- Built-in gas-on-glass hob with 70 cm width,
- Touch control hood with 90 cm width.

INNOVATIVE PRODUCTS

SURF (Surround Flow) Cooking Technology

- Hot air from the rear heater is distributed inside the oven through back and side walls for homogeneous cooking - perfect for baking,
- Specially designed back and side walls, with horizontal hot air circulation above and below oven trays, allow cooking three separate dishes simultaneously without mixing flavours and comes with detachable side walls for easy cleaning,
- Large-scale Product Award with Surf® - Innovative Oven Technology.

Oleophobic Nano Coating

- An innovative and pioneering technology with no similar applications in the white goods industry; the interior glass of the front door with oleophobic nano coating is easier to clean and comes with a dirt-repellent feature.

Corporate Social Responsibility Approach

The companies as well as individuals, governments and non-governmental organizations (NGOs) must do their share in using the globe's limited resources more cautiously in order to cultivate and sustain these resources. Hence, the company takes on the responsibility in the company's operations of leaving a more habitable world to younger generations.

The company's concept of corporate social responsibility entails principles of accountability for “Sustainable Growth” with sensitivity towards the environment and society and with operations completely compatible with laws, moral values and human rights.

The Company draws strength from the belief of our founder, the late Vehbi Koç, who said that “I exist as long as our country exists.” Therefore, the company strives to fulfill its responsibilities together with employees and business partners.

Arçelik A.Ş. publishes a yearly “Sustainability Report” as a part of the company's operations in economic, social and environmental areas. This report covers the company's development and manufacture of innovative and green products, the improvement of social standards, effectual corporate governance, human rights and ethical work principles as well as the company's sustainable profitability.

Corporate Governance Approach

Arçelik A.Ş. is guided by the company's corporate values and culture, moral principles, concepts of effective governance and the principles of ethics in business.

Accountability, responsibility, openness and transparency, and equality are the four principles comprising Arçelik's corporate governance. In parallel with international business standards, these principles safeguard the trust between stakeholders and institutions and undoubtedly amplify the company's productivity and success.

Arçelik A.Ş. realizes that “right” corporate governance is quintessential to keeping the promises made to the company's stakeholders, especially to investors in order to maintain trust and stability. Meetings with corporate investors are a clear demonstration of Arçelik's successful implementation of corporate governance principles. The company not only capitalizes on its financial results and sound financial structures to achieve profitability targets but also manages its “corporate reputation,” an important asset cultivated over many years.

Corporate Governance Principles Compliance Report

1.1. Compliance with Corporate Governance Principles

Implementing and putting into practice the Corporate Governance Principles issued by the Capital Markets Board (CMB), effective July 4, 2003, by Resolution No. 35/835 and announced in July 2003, are vital particularly to the credit-worthiness and financial capability of publicly-traded companies. Arçelik A.Ş. has adopted these principles, exemplifying the quality of corporate governance. According to the CMB Resolution No. 48/1588, dated December 10, 2004, companies must disclose their compliance with corporate governance principles in annual reports and on their web sites, if any, starting with the 2004 annual reports for companies listed on the Istanbul Stock Exchange (ISE). Subsequently, Arçelik A.Ş. set up a task team to investigate compliance with these principles; as a result, new information has been disclosed in the company's annual reports and on its web site since 2004. The company's effort to establish full compliance on some of the issues is still in progress. When OECD revised its 1999 corporate governance principles in 2004, the CMB updated its principles accordingly to ensure consistency with the OECD. Therefore, Arçelik A.Ş. prepared its 2010 Corporate Governance Principles Compliance Report in line with these revised corporate governance principles. On July 30, 2010, Saha Corporate Governance and Credit Rating Services, Inc. (SAHA) revised the company's corporate governance rating to 8.55 (85.53%) out of 10 points. This rating was previously 8.21 (82.09%) as the first rating announced in material event disclosure dated July 30, 2009.

Our Corporate Governance rating has been determined under four main titles (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) weighted basing on the Capital Market Board's Corporate Governance Principles; and the updated distribution under main titles are as below.

Main Titles	Weight	2009 Rating	2010 Rating
Shareholders	0.25	8.55	8.87
Public Disclosure and Transparency	0.35	8.71	9.22
Stakeholders	0.15	9.52	9.52
Board of Directors	0.25	6.37	6.73
Total	**1.00**	**8.21**	**8.55**

SAHA's report drafted about corporate governance rating can be accessed in our Company's website at www.arcelikas.com.tr. Above-mentioned increase in rating is based on the following main factors:

- Improvements to inform the shareholders and protect their rights throughout the preparation process and during General Assembly, and a briefing document presented for the information of shareholders concerning General Assembly.
- A more comprehensive and extensive annual report.
- A more comprehensive Information Disclosure Policy presented for the information of General Assembly,
- Basing upon the principles of information policy, disclosing the list of the managers who may have access to information with an impact on the value of Company's stock exchange instruments,
- Amendments in the Articles of Association in order to ensure better compliance to the Corporate Governance Principles,
- Announcement of important decisions of the Board of Directors to the public in the Company's website, and
- Corporate Governance Committee, established and started to operate with the first meeting.

Our Company has been incorporated in ISE Corporate Governance Index as of July 31, 2009.

1.2. Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of full compliance to corporate governance principles. However, full compliance has not yet been achieved due to challenges in implementing some of the principles together with ongoing discussions in Turkey and in international platforms on compliance with certain principles and the failure of current markets and corporate structures to meet these principles in the proper manner.

A corporate governance action plan was prepared for the areas open to improvements in corporate governance applications determined in the SAHA's Corporate Governance Rating Report, and works for full compliance to the corporate governance principles were carried on. Actualized corporate governance principles and principles not yet complied with are given in the sections below.

1.3. Compliance Efforts within the Period

Arçelik A.Ş. continued its efforts and made the following major improvements towards compliance with Corporate Governance Principles throughout 2010.

The first major improvement was that Ordinary General Assembly of Shareholders approved to add the following resolution into the Articles of Association on March 17, 2010:

(Article 12) The persons who are nominated and elected to the Board of Directors shall have knowledge and experience in the company's areas of business; be able to analyze financial statements and reports; have basic knowledge of legal regulations under which the company is governed; and shall preferably possess university educations.

Other important developments realized for compliance to Corporate Governance Principles are establishing the Corporate Governance Committee, Risk Management Committee and Investment and Business Development Committee founded in 2010 after the current Committee Responsible for Auditing established to provide consulting and coordination to the Board of Directors.

On March 22, 2010, Board of Directors resolved that a Corporate Governance Committee should be established within the Company in accordance with the Corporate Governance Principles issued by Capital Markets Board with the purpose of observing Company's compliance, carrying out improvement efforts on this matter, and proposing solutions to the Board of Directors.

Corporate Governance Committee held 2 meetings in 2010.

With the Resolution of Board of Directors dated July 16, 2010, a Risk Management Committee has been formed to give advice and recommendations to the Board of Directors in subjects including determination, evaluation, effects and possibilities of all kinds of strategic, financial, operational, etc., risks that may influence the Company, managing and reporting such risks in accordance with the Company's corporate risk taking profile, considering the same in decision taking mechanisms, and creation and integration of effective internal control systems in this respect. The Risk Management Committee held 4 meetings in 2010.

With the Resolution of Board of Directors dated July 16, 2010, an Investment and Business Development Committee has been formed to generate ideas and strategies, to provide coordination between relevant departments, and accordingly advise and recommend to the Board of Directors with the purpose of devising and planning new projects and investments on the special areas of the industries of our Company, as well as to follow the governance of the agreed strategies and projects. Investment and Business Development Committee held 3 meetings in 2010.

Furthermore, to comply with Corporate Governance Principles in 2010;

- Important Board Resolutions were put on website,
- Our voting procedure in the General Assembly was announced to the shareholders verbally,
- Shareholders were given information about the new Board Member, who has been elected in General Assembly,
- Information disclosure policy has been revised to include data and documents to be discussed in the General Assembly,
- Annual report has been revised to include future activities, general information regarding the industry and the company's position in the industry, and foreseeable risks related to macro-level operations.
- List of possible “insiders” has been added in our annual report and disclosed to the public,
- A secretariat has been established to provide communication within the Board of Directors,
- Audit committee reported that new independent auditing institution does not have any issues that may infringe its independence.

The Board of Directors decided to apply for corporate membership to the Turkish Corporate Governance Association (TKYD) on April 30, 2010 with the affirmative opinion of the Corporate Governance Committee, and the company became a member of TKYD on June 28, 2010. Operating to improve corporate governance understanding in Turkey since 2003, TKYD is an association supported by 455 individual and 8 corporate members. TKYD aims to increase cooperation between companies listed in ISE Corporate Governance Index, to enhance activities for promotion and development of the index, and to strengthen communication with regulating institutions. The company participated in TKYD Capital Markets Work Group to prepare TKYD's view concerning the update of the Capital Markets Board's Corporate Governance Principles.

Taking part in TÜSİAD Corporate Governance Work Group and Capital Markets Work Group, the company contributed to the preparation of TÜSİAD's views to present to the CMB and public regarding the regulations drafts for corporate governance and capital market regulations. In 2010, we also attended in the training courses, seminars and presentations held by TÜSİAD and TKYD related to the capital markets and corporate governance.

2. Investor Relations

Compliance with legislation, the Articles of Association, and internal regulations are observed when shareholders exercise their rights, and measures are taken to protect these rights. Arçelik manages shareholder relations through the Assistant General Manager of Finance and Accounting. The primary objective of the company regarding this issue is to ensure that shareholders fairly and reliably exercise their right to obtain information. The company exercises shareholder rights stemming from the partnership as a whole and without delay. Primary Responsibilities of Investor Relations are:

- Ensuring that shareholder information is maintained and updated in a secure and reliable manner,
- Responding to shareholders' written or verbal inquiries of company information with the exception of confidential information and trade secrets not disclosed to the public,
- Ensuring that the General Shareholders Meeting is conducted according to law, the Articles of Association and internal regulations,
- Preparing all necessary documents for the General Shareholders Meeting,
- Recording voting results and sending the results to shareholders upon request,
- Observing and monitoring all issues regarding public disclosures including applicable legislation and the company's disclosure policy,
- Attending meetings held at the company headquarters as well as other domestic and international meetings arranged by various organizations and informing investors accordingly,
- Informing analysts evaluating the company,
- Responding to information inquiries from academics who are researching the company and the industry,
- Preparing Turkish and English versions of the investor relations page on the company's corporate website (www.arcelikas.com); updating the page whenever necessary; and ensuring simple and quick online access to company information for shareholders,
- Filing material event disclosures with the ISE through the Public Disclosure Platform (PDP), according to CMB Communiqué Serial VIII, No. 54,
- Following changes in the legislation related to the Capital Market Law and submit these to the attention of the related units in the Company,
- Represent the Company at the Capital Market Board, Istanbul Stock Exchange, and Central Registry Agency. (CRA)

Arçelik A.Ş. staff members in charge of investor relations:

Dr. Fatih Kemal Ebiçlioğlu		
Assistant General Manager, Finance and Accounting	0212 314 31 00	fatih.ebiclioglu@arcelik.com
Türkay Tatar		
Finance Director	0212 314 31 84	turkay.tatar@arcelik.com
Bülent Alagöz		
Capital Markets Regulation Compliance Manager	0212 314 31 03	bulent.alagoz@arcelik.com
Turhan Sarı		
Capital Markets Regulation Compliance Specialist	0212 314 31 15	turhan.sari@arcelik.com

Fax : 0212 314 34 90
Email : yatirimciiliskileri@arcelik.com - investorrelations@arcelik.com

Summary of Actions to Provide In-depth Information to Investors on the Company's Operations in 2010:

• Number of investor meetings participated at home and in abroad	9
• Number of investors met with	245
• Number of teleconferences disclosing 2009 year-end and 2010 first-half results	4
• Number of press meetings organized at home and in abroad	6

3. Exercising Shareholder Rights to Obtain Information

There is no difference between shareholders in terms of accessing and examining company information.

To improve the shareholders' rights to access information and to ensure reliability in shareholders exercising their rights, financial statements and other related information and documents are continuously updated and provided on the company's web site (www.arcelikas.com) both in Turkish and in English.

During this accounting period, information requests by shareholders were answered orally or in writing according to the Capital Markets Law and without preferential treatment to any shareholder. In 2010, action was taken on behalf of 43 shareholders who were not able to receive their dividends and had not participated in capital increases in previous years.

According to the PDP, material event disclosures required by the ISE along with financial statements and other information regarding the company are sent via electronic environments with electronic signatures.

Arçelik A.Ş. dematerialized the company shares traded on the ISE after registering with the CRA, an agency established to observe dematerialization of securities. Moreover, the company entered into an agreement with Yapı Kredi Yatırım Menkul Değerler A.Ş. to complete shareholder functions with the CRA. The company's operations are periodically audited by an independent auditor, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, (a member of the Ernst & Young Global Limited) as well as by the auditors elected at the General Shareholders Meeting. The Articles of Association do not contain provisions for appointing a special auditor. During the reporting period, no request was made of the company to appoint a special auditor.

4. General Shareholders Meeting Information

All shares comprising the company's capital are nominative. A briefing document regarding the agenda is prepared and announced through the company's web site prior to the General Shareholders Meeting. General Shareholders Meetings are held as open to the public including the stakeholders and media without the right of active participation in accordance with the Articles of Association. The Company organized only 1 General Shareholders Meeting in 2010. The company's 2009 operations were discussed at the Ordinary General Shareholders Meeting held on 17 March 2010 and of the 67,572,820,500 outstanding shares, 53,925,657,033 (79.80%) were represented at the meeting. The company's shareholders (either directly or by proxy), stakeholders, and the media attended the meeting. Several intermediaries and representatives of banks providing settlement and custody services also attended as observers. Questions from shareholders were answered during the meeting.

- According to the Articles of Association, the General Shareholders Meeting was announced three weeks in advance in two national newspapers, in the Turkish Commercial Registry Gazette, and on the company's web site in an effort to reach the highest possible number of shareholders.
- All announcements comply with corporate governance principles.
- Starting on the invitation date of the General Shareholders Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, the text and justification of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the web site for the convenience and open review of shareholders.
- The company prepares a clear agenda of the General Shareholders Meeting to avoid any misunderstandings.
- Sample power of attorney statements are announced and posted on the company's web site for shareholders represented by proxy.
- Voting procedures are announced to shareholders in the meeting and electronically before the date of the General Shareholders Meeting.
- In 2010, the company did not receive requests from shareholders for any additional items to be included on the agenda.

Arçelik has not planned any future significant changes in the company's management or operational organization. All changes are disclosed to the public according to law.

The company holds General Shareholders Meetings at a minimum cost to its shareholders. In this respect, the company is also committed to implementing the simplest procedures so as not to encourage inequality among shareholders. Measures are taken to enable the easy participation of shareholders residing both in the country and abroad.

Also, all documents which the foreign shareholders may need to be informed about the General Assembly and agenda texts are translated into English and they are sent via banks performing barter and holding transactions of such shareholders and also posted in the website. The company makes every effort to hold meetings close to the city center for greater participation and convenience. The number of participants over a period of years is tracked, and the meeting location is determined based on the number of participants.

The Ordinary General Shareholders Meeting on March 17, 2010 was held at "Divan City, Büyükdere Cad. No:84 Gayrettepe İstanbul". The venue is capable to allow participation of all shareholders. Invitations to the General Shareholders Meeting are given by the board of directors according to the provisions of the Turkish Commercial Code (TCC), Capital Markets Law and the Articles of Association. The decision by the board of directors to convene the General Shareholders Meeting is announced to the public via disclosures filed with the ISE.

CMB regulations require that financial statements are disclosed within 14 weeks of the fiscal period's closing. However, Arçelik A.Ş. discloses its financial statements shorter than this deadline. The 2010 year-end financial statements were disclosed within the 7th week. Following the disclosure of financial results, the company starts preparations for the General Shareholders Meeting and upon completion of the necessary legal procedures, the meeting is held. The General Shareholders Meeting convenes within three months following the end of the fiscal period. The company scheduled March 23, 2011 as the date of General Shareholders Meeting to discuss company operations for 2010.

At the General Shareholders Meeting, agenda items are communicated to shareholders in a manner that is detailed, objective, and comprehensible. These agenda items are discussed with shareholders, providing them equal opportunity to make any inquiries and share their views.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's board directors and top officers.

Shareholders who place themselves on the blocked shares list may attend the General Shareholders Meeting to express their opinions, ask questions and have these questions answered. The shareholders' votes on the agenda items are recorded in the meeting minutes. Each agenda item is voted separately.

The General Shareholders Meeting is held under the supervision of a representative of the Ministry of Industry and Trade. The General Shareholders Meeting has authorized the board of directors to purchase, sell and lease material assets as well as to make donations and grants. The Articles of Association include relevant provisions permitting this authorization. Because of the impracticality of holding a meeting for every transaction, this authorization is more viable so that transactions may be expedited in competitive markets to avoid missed opportunities.

The minutes of the General Shareholders Meeting are posted on the company's web site and are also made available to shareholders at the company's headquarters. The shareholders are provided with a copy of the minutes upon request.

5. Voting and Minority Rights

Arçelik A.Ş. announces voting procedures to shareholders at the beginning of all General Shareholders Meetings. The company avoids procedures that would make voting difficult and provides each shareholder, including those living abroad, with the opportunity to exercise their voting rights in the simplest and most convenient way.

The company's Articles of Association do not provide any special privileges for voting. Each share equals a single vote. The shareholders do not include any legal entity that is a subsidiary of Arçelik A.Ş. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy. Minority shareholders attend the General Shareholders Meetings and comprise the company's management in the same manner as majority shareholders. The Articles of Association do not provide for cumulative voting.

6. Dividend Distribution Policy and Deadline

According to corporate governance principles, Arçelik A.Ş. adopts a dividend policy that seeks a balance between the interests of both the shareholders and the company.

Company has determined its dividend policy as follows: "To the extent permitted by applicable legislation and our investment requirements, long-term average dividends proposed at the General Shareholders Meeting by the board of directors should not be less than 50 percent of the company's annual distributable profit." The company's dividend policy is reported in the annual report and announced on the company's web site.

The company distributes its profit according to the TCC and the Capital Markets Law and within statutory time limits. A gross dividend rate of 14.799% (net 13.459%) according to 2009 year-end results was decided to be distributed at the General Shareholders Meeting dated 17 March 2010 and this distribution was actualized as of 24 March 2010. The Articles of Association do not grant any special privileges regarding dividend distribution.

According to the Articles of Association, the board of directors may distribute dividends in advance, provided that this action has been authorized by the General Shareholders Meeting and complies with the requirements of the Capital Markets Law and CMB regulations. The authority to distribute dividends in advance, granted to the board of directors by the General Shareholders Meeting, is limited to the year when the authorization was issued.

7. Transfer of Shares

The Articles of Association do not include any provisions complicating or restricting the transfer of shares.

8. Company Information Disclosure Policy

Arçelik A.Ş. disclosure policy for informing the public was brought to the shareholders at the Ordinary General Shareholders Meeting on March 25, 2009 and published on the company's web site. The disclosure policy is updated in light of new regulations.

Purpose

Being one of the most important actors of the domestic and global Consumer Durable Goods Sector, Arçelik pursues a policy of informing the shareholders and stakeholders about all the activities related to the company management in an equal, transparent, full, accurate and comprehensible manner in accordance with the provisions of the Capital Market Law and other laws. The purpose of the disclosure policy is to define rules for sharing the past performance, future expectations, strategies, goals and the vision of the company with the public, the authorities, existing and potential investors and shareholders in an equal manner; for announcement of the financial information in an accurate, fair, timely and detailed manner within the framework of the generally accepted accounting principles and the Capital Market Law; and to share the same with continuous, efficient and open communication.
While pursuing an active and transparent disclosure policy, Arçelik complies with the Capital Market Legislation and the regulations of the Istanbul Stock Exchange (ISE) in all practices of informing the public and aims to implement the most efficient communication policy within the framework of the Capital Markets Board's Corporate Governance Principles.

Power and Responsibility

Company's disclosure policy is created upon the recommendation of the Board of Directors. At Arçelik, it is the responsibility of the Board of Directors to pursue, supervise and develop the disclosure policy. Finance Directorate and Corporate Communication Directorate are responsible of coordinating the disclosure function under the supervision of the Assistant General Management of Finance and Accounting. These parties fulfill their responsibilities in close coordination with the Board of Directors and the Audit Committee.

Methods and Tools

Within the framework of the Capital Market Legislation, Istanbul Stock Exchange (ISE) regulations and the Turkish Commercial Code, Arçelik A.Ş. decides that the following methods and tools shall be employed while determining the public disclosure policy:

1. Disclosures on special events to the ISE (English translations of the mentioned disclosures are also distributed to the foreign investors and they are announced on the website in Turkish and English)
2. Financial statements and footnotes, independent audit reports and statements are periodically delivered to the ISE (These reports are also available on the website. Annual reports and financial presentations are disclosed by electronic means and website.)
3. Annual reports (Made available in hard copy as well as soft copy through the website.)

4. Corporate website (www.arcelikas.com.tr)
5. Announcements and declarations made through Turkish Commercial Registry Gazette and daily newspapers
6. Press statements made periodically through the press and visual media in parallel with the important developments in the year
7. Statements to the data distribution organizations such as Reuters, Foreks, Bloomberg
8. One on one meetings or teleconferences with investors and analysts
9. Communication methods and tools such as phone, e -mail, telefax etc.
10. Prospectus, circular, announcements and other documents that are required by the Capital Markets Regulations.

Disclosures on Special Events

Arçelik A.Ş. disclosures on special events are prepared by the Finance Directorate and Legal Consulting Department; and in principle, they are signed by any of the two among the General Manager, Assistant General Manager of Finance and Accounting and Finance Director and notified to the ISE. In case the relevant parties' absence, the other Assistant General Managers and Accounting Directors are authorized to sign. Disclosures on special circumstances are delivered to ISE electronically as KAP notices.

Disclosure of the Financial Statements to the Public

The financial statements of Arçelik A.Ş. are prepared in accordance with the provisions set out by the Capital Markets Board and are audited according to the International Audit Standards and publicly announced. Before the financial statements and footnotes are publicly disclosed, they are submitted to the Board of Directors for approval upon the positive opinion of the Audit Committee within the framework of the Capital Market Legislation. The statements, footnotes and independent audit report are delivered to the ISE after the declaration of accuracy is signed by the General Manager, Assistant General Manager of Finance and Accounting or Accounting Director in parallel with the Capital Market Law and Istanbul Stock Exchange regulations. The financial statements and footnotes are accessible in Turkish and in English retrospectively on the official website in the Arçelik Investor Relations section. Moreover, Investor Relations Department periodically issues memorandums or presentations relating to financial data and ratios which are distributed electronically on the website in order to ensure better understanding of the financial information.

Annual Report

The Annual Report is prepared in accordance with the international standards, Capital Markets Board legislation and corporate governance principles of the Capital Markets Board. After the Annual Report is prepared, it is approved by the Board of Directors and announced publicly in Turkish and in English. Moreover, the hard copies and the soft copies in the CD format may be provided from Arçelik A.Ş. Investor Relations Department.

Corporate Website

Arçelik A.Ş. website has the nature of a user friendly platform where it is possible for all the stakeholders to monitor the most detailed and updated data with its contents in depth and as well as its tools (i.e. graphics, calculators). The regularly updated data such as analyses, evaluations, retrospective information and corporate history on the website are provided in both Turkish and English. The most important titles that can be monitored on the website are summarized below:

- Detailed information of corporate identity
- Vision and main strategies
- Information about the members of the Board of Directors and top management of the company
- Important decisions of the Board of Directors
- Organization and shareholder structure
- Articles of association
- Trade registration data
- Financial data, indicators and analysis
- Press statements
- Disclosures on special events as required by Capital Markets Board
- Data, graphics and calculators for share performance
- Investor presentations
- Information regarding the analysts assessing the company and analyst reports
- Date and agenda of the General Assembly and comments on the items on the agenda
- Minutes of the General Assembly and the list of attendants
- Sample power of attorney
- Corporate governance practices and compliance report
- Profit distribution policy, history and capital increments
- Disclosure policy
- Frequently asked questions
- Detailed information regarding corporate social responsibility
- Ethic rules disclosed publicly within the framework of the disclosure policy

Announcements and statements made through Turkish Trade Registry Gazette and daily newspapers

The announcements regarding General Assembly, capital increment and dividend payments are announced both in Turkish Trade Registry Gazette and in daily newspapers in accordance with Capital Market Law, Turkish Commercial Code and our Articles of Association. The announcements regarding General Assembly Meeting are done by newspapers and website at least three weeks before in order to inform more shareholders.

Annual report, financial statements, profit distribution suggestion, briefing document for the agenda of the General Assembly, changes on the Articles of Association are disclosed in the company headquarters and website for the shareholders. The agenda of the General Assembly is clear to understand. The agenda includes approval of the financial statements, the acquittal of the Members of the Board of Directors and Auditors for the operations of the Company, election and deciding the remuneration of the Board of Directors and Auditors, the approval of the Independent Auditor Institution selection, profit distribution and its policy, change of the Articles of Association, corporate governance compliance report and information disclosure policy. The sample power of attorney for the General Assembly is announced on the newspaper and website.

Press statements are made through the press and media both in parallel with the important developments in a year and periodically

Arçelik A.Ş. Corporate Communication informs the public in details by providing controlled information to the press and media in parallel with the important developments in a year. Arçelik A.Ş. organizes meetings to inform the press and the public in parallel with the nature of the developments in a year. During these meetings, the General Manager of Arçelik A.Ş. or the relevant representatives from the top management make a detailed and disclosing presentation to the members of the press and media about the performance of the companies and general developments related to Arçelik A.Ş. and answers their questions. In addition to the routine meetings, written press releases are sent to the press in cases of various developments that need disclosure of accurate and controlled information to the public. Such disclosure may also take place through a press briefing as well depending on the nature of the development.

Any questions or demands for disclosure from the press in relation with the various developments and general flow are taken into consideration in writing and they are absolutely answered in negative or positive.

Statements given to the data distribution organizations such as Reuters, Foreks, Bloomberg

All statements shared with media and press by the Arçelik A.Ş. Corporate Communications Department are submitted to the above mentioned organizations which are also invited to all press briefings with appropriate content.

Meetings and Contacts with Investors and Analysts

Arçelik A.Ş. has an Investor Relations Department formed to regularly handle the relations with both existing and potential shareholders, to respond to the questions of the investors in the most efficient manner and to exercise the efforts for enhancing the company value under the Assistant General Manager of Finance and Accounting. The relationships with the shareholders are carried out by this department.

In order to ensure that Arçelik's operational and financial performance, vision, strategy and goals are communicated in the best manner to the shareholders, the top management of the company and Investor Relations Department frequently meet with the intermediary firms, analysts and investors and they prepare presentations, questions/answers schedules and summary information. Any meeting demands of the shareholders are responded positively and an opportunity is provided for a meeting with the highest possible management. It is also ensured that the shareholders and analysts can keep a close eye on the developments relating to the company through the periodically updated website and memorandums distributed online to the shareholders.

For this purpose domestic and international investor meetings are attended. In these meetings and in the headquarters of the company, meetings are done with the investors and their questions are answered.

Teleconferences and investor presentations are done after disclosure of financial statements and important special events. Details of these disclosures are presented to the public through website.

Explanations for Forward Looking Statements

Arçelik may at times make forward-looking statements in relation with disclosure policies. The forward-looking statements contained in the written documents of the company are provided based on certain assumptions; the actual results may be considerably different from the results expected in the declarations due to risks, ambiguities and other factors; the investor society is warned in this respect.

Folow up of the News and Rumors about the Company

The Company monitors press and media daily through the contracted domestic media monitoring agency. The relevant coverage is reported to the top management every morning and the contents of the coverage are checked. Moreover, the domestic and international news coverage is also monitored through data distribution companies such as Reuters, Bloomberg and IBS subscribed by the top management, employees of the investor relations department and corporate communication department.

If the company wishes to make an announcement about the coverage and rumors about the Company , which is covered in press and media but which does not imply a liability for an announcement, the matter may be brought to the agenda by the Assistant General Manager of Finance and Accounting.

If the news does not have significance in terms of insider information, in principle no announcement is issued. However, Corporate Communications Department evaluates whether there is value added in making an announcement on such a subject, which does not require the issuance of a material disclosure as per the Communiqué.

Unfounded News and Rumors

In principle, Arçelik A.Ş. does not comment on news that clearly appear not to be sourced from Arçelik A.Ş., or that clearly appear to be gossip, rumor and unfounded. However, if deemed necessary, Arçelik A.Ş. may decide to comment on such unfounded news in order to protect the interest of the shareholders.

News Pertaining to Information Whose Announcement is Postponed

In principle, if there is news appearing on the media on information, the announcement of which is postponed to protect the lawful interests of Arçelik A.Ş., despite all measures that have been taken to protect the confidentiality of the subject information, Arçelik A.Ş. remains silent. However, Arçelik A.Ş. may decide to make an announcement if deemed necessary to protect the interest of the company and the investors. In the postponement stage, no further comments are made and no statements are issued that contradict the information. It may be expressed that no information will be provided on the process and that the public will be informed when the developments are clarified.

Measures to Protect Insider Information until Public Announcement

Arçelik A.Ş. employees who are in a position to have insider information and the other relevant parties are informed about their liability to protect insider information between the time when the information subject to a material disclosure develops until it is announced to the ISE.

As a general principle, Arçelik A.Ş. and the persons who work in the name and on account of Arçelik A.Ş. cannot, by any means, share information that is not publicly available and that may qualify for a material disclosure, with third parties. If it is determined that insider information has unintentionally been shared by these people with third parties, if it is concluded that the confidentiality of the information cannot be protected, within the scope of Capital Market legislation, then a material disclosure is made. If the public disclosure of such information is postponed, a list is drawn up including the names of the persons who have access to the subject information at the time of postponement and "Arçelik A.Ş.'s List of Individuals Who Have Access to Insider Information" is updated accordingly. The necessary work is completed to inform these people and the other parties who have access to the subject information and reasonable precautions are implemented.

The Criteria Used in Determining the People with Administrative Responsibility

People with administrative responsibility in access to insider information are determined depending on the scope of the information accessible by them. Accordingly, a manager and other staff who have detailed information about only a portion of the company business and whose information on the whole is limited shall not be considered within the scope of people with access to insider information.

However, Members of the Board of Directors, General Manager and Assistant General Managers and some senior staff employed mostly at the headquarters, who have detailed information about the entire company and related to not only the present but also future plans, shall be considered within the scope of the people with access to insider information.The list prepared according to such criteria is shared with the public in accordance with the provisions of the relevant communiqués of the Capital Markets Board.

Ensuring Confidentiality for the Information that Should Be Disclosed to the Public

In order to balance transparency and company interests, the employees are pursued to observe and apply the rules regarding the use of the insider information. All necessary precautions are taken in order to prevent the use of the insider information. The "Principles of Business Ethics", documented and published throughout the company, clearly set out the codes of conduct for the employees of Arçelik A.Ş.

The Company information acquired during employment, which the Company does not want to disclose to anybody except concerned parties and which are qualified as trade secrets, are considered as "Proprietary Information". All employees preserve Proprietary Information during and after their employment at Arçelik A.Ş. and they do not use such information directly or indirectly. No employee of the Arçelik A.Ş. may engage in an activity to create gains by means of purchasing and selling shares of Arçelik A.Ş. or any other company of the Koç Group based on the insider information received during employment.

Arçelik adopts a "Silence Period" practice, which means that the company representatives avoid sharing the information to be disclosed with the public before any official announcement regarding the periodical results. Silence Period starts three weeks before the announcement of the year-end results and two weeks before the announcement of the quarterly results.

Election and assignments of the Company's Board of Directors and Top Management in 2010 disclosed to the public by a material event announcement are as below.

Board of Directors	
Rahmi M. Koç	Chairman
Mustafa V. Koç	Vice Chairman
Dr. Bülent Bulgurlu	Member of Board of Directors
O. Turgay Durak	Member of Board of Directors
Robert Sonman	Member of Board of Directors
Semahat S. Arsel	Member of Board of Directors
Temel K. Atay	Member of Board of Directors
Ömer M. Koç	Member of Board of Directors
Ali Y. Koç	Member of Board of Directors
A. Gündüz Özdemir	Member of Board of Directors
Levent Çakıroğlu	Member of Board of Directors
Members of Auditing Board	
İnanç Kiraz	
Serkan Özyurt	

The Board of Directors and Board of Auditors were elected at the Ordinary General Shareholders Meeting by resolution on 17 March 2010.

Committee Members assigned by the Board of Directors are:

Committee Responsible for Auditing	
Temel K. Atay	Member
Robert Sonman	Member

Corporate Governance Committee	
Dr. Bülent Bulgurlu	Member
O. Turgay Durak	Member
Fatih K. Ebiçlioğlu	Member

Risk Management Committee	
Rahmi M. Koç	President
Semahat S. Arsel	Member
Dr. Bülent Bulgurlu	Member
Temel K. Atay	Member

Investment and Business Development Committee	
Mustafa V. Koç	President
Ömer M. Koç	Member
Ali Y. Koç	Member
O. Turgay Durak	Member
Levent Çakıroğlu	Member

Top Management	
Levent Çakıroğlu	General Manager
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics
Tülin Karabük	Assistant General Manager - Marketing
Hakan Hamdi Bulgurlu	Assistant General Manager/ Sales - Europe, America, Asia-Pacific
Cemal Şeref Oğuzhan Öztürk	Assistant General Manager - Purchasing and Supply Chain

Levent Çakıroğlu

General Manager

Mr. Çakıroğlu began his professional life at the Ministry of Finance as an assistant accounting specialist in 1988. In 1998 he joined Koç Group as Accounting Coordinator. He served as Koçtaş General Manager between 2002-2007, and Migros General Manager between 2007-2008. He has been serving as the General Manager of Arçelik A.Ş. since August 2008.

İsmail Hakkı Sağır

Assistant General Manager, Production and Technology
Mr. Sağır began his career as a project engineer at the Arçelik A.Ş. Refrigerator Plant in 1980 and has been working at Arçelik A.Ş. as the Assistant General Manager of Production and Technology since May 2009.

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager, Finance and Accounting

Dr. Ebiçlioğlu began his career at the Ministry of Finance as an assistant accounting specialist. He has been working at Arçelik A.Ş. as the Assistant General Manager of Finance and Accounting since 2005.

Şirzat Subaşı

Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics

Mr. Subaşı began his professional life at Beko Ticaret A.Ş as sales representative in 1986. He has held his current position since May 2009.

Tülin Karabük

Assistant General Manager - Marketing

Ms. Karabük began her career as the regional manager of the Eastern Block Countries at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987 and has been serving as Assistant General Manager - Marketing at Arçelik A.Ş. since 1 September 2010.

Hakan Hamdi Bulgurlu

Assistant General Manager/Sales-Europe, America, Asia-Pacific

Commencing his business career at Ram Dış Ticaret in 1995, Mr. Bulgurlu has been serving as Arçelik A.Ş.'s Assistant General Manager for Sales - Europe, America, Asia-Pacific since 1 September 2010.

Cemal Şeref Oğuzhan Öztürk

Assistant General Manager - Purchasing and Supply Chain

Commencing his business career at ITU Materials Science School in 1982, Mr. Öztürk has been serving as Assistant General Manager-Purchasing and Supply Chain at Arçelik A.Ş. since 1 September 2010.

Appointments

Assistant General Manager - Marketing - Tülin Karabük
(Appointed to this position as of 01 September 2010.)

Assistant General Manager, Sales (Europe, America, Asia-Pacific) - Hakan H. Bulgurlu
(Appointed to this position as of 01 September 2010.)

Assistant General Manager - Purchasing and Supply Chain - C.Ş. Oğuzhan Öztürk
(Appointed to this position as of 01 September 2010.)

All material event disclosures are published on the company's web site in Turkish and English simultaneously.

The company's top management or with their knowledge and sanctioning and authorized personnel in the Finance Directorate respond to inquiries from outside the company. Presentations provided to analysts for easy assessment are released to the public via the company's web site following the disclosure of financial statements. According to Capital Markets legislation, securities traded within the last year are disclosed and published on the company's web site when these transactions are performed by the Board of Directors, Managers or shareholders who directly or indirectly hold a 5 percent share of the company. The company prepares consolidated financial statements and their footnotes according to the Capital Markets Board, Communiqué Serial. XI, No. 29, and discloses them to the public following an independent audit.

Annual Reports are prepared according to Capital Markets Legislation and Regulations and the CMB Corporate Governance Principles, Chapter II, Article 3.2.2.

9. Material Event Disclosures

The company made 17 material event disclosures in the fiscal period. There were no requests for additional explanations from the CMB and/or the ISE regarding 2010 disclosures. The company is not required to make any material event disclosure other than those made to the ISE since the company does not have any securities listed on foreign stock exchanges. The company made all material event disclosures on time and therefore was not subject to any sanctions by CMB.

10. The Company's Web Site and Content

In an effort to maintain effective and fast communications with shareholders, the company actively uses its corporate web site at www.arcelikas.com, according to the requirements of the CMB. All the information stipulated in CMB Corporate Governance Principles, Chapter II, Article 1.11.5 is available on the web site.

Website was arranged with the content and form as set forth by CMB Principles in Turkish and English. Preparation of Investor Relations Section of the website, updating changed information and including additional information, are under the responsibility of the Finance Directorate.

Every effort is extended to ensure uninterrupted web site operations.

11. Disclosure of Sole Proprietorship and Ultimate Controlling Shareholder(s)

A disclosure of Sole Proprietorship and Ultimate Controlling Shareholder(s) would be of no consequence. Information of the Koç family members as ultimate controlling shareholders is common knowledge.

12. Disclosure of Insiders

Arçelik A.Ş. places great emphasis on the use of insider information in order to maintain a balance between transparency and protecting the company's interests. All precautionary measures are taken to prevent the use of insider information. "Principles of Business Ethics," documented and distributed to all employees, clearly articulates appropriate business ethics for all Arçelik A.Ş. employees.

Any information acquired during the course of employment or belonging to the company, or deemed undesirable to share with third parties or considered commercial secrets are regarded as "company information." All employees are required to protect company information during and after their employment with the company. Moreover, they may not use this information either directly or indirectly. Employees at Arçelik A.Ş. are prohibited from engaging in activities that would generate commercial gains from trading shares of Arçelik A.Ş. or other Koç Group companies based on insider information obtained during the course of employment.

Company managers are required to make disclosures to the public about trading shares if their positions in the company allow access to information that may affect the value of capital market instruments. These disclosures are also published on the company's web site.

List of Persons Who May Obtain Insider Information

Name & Surname	Position
Rahmi M. Koç	Chairman
Mustafa V. Koç	Vice Chairman
Dr. Bülent Bulgurlu	Member of Board of Directors
O. Turgay Durak	Member of Board of Directors
Robert Sonman	Member of Board of Directors
Semahat S. Arsel	Member of Board of Directors
Temel K. Atay	Member of Board of Directors
Ömer M. Koç	Member of Board of Directors
Ali Y. Koç	Member of Board of Directors
A. Gündüz Özdemir	Member of Board of Directors
Levent Çakıroğlu	Member of Board of Directors
İnanç Kiraz	Auditor
Serkan Özyurt	Auditor
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics
Tülin Karabük	Assistant General Manager - Marketing
Hakan Hamdi Bulgurlu	Assistant General Manager/Sales-Europe, America, Asia-Pacific
C. Ş. Oğuzhan Öztürk	Assistant General Manager - Purchasing and Supply Chain
Ali Tayyar	Accounting Director
İhsan Somay	Accounting Director
Sibel Kesler	Budget - Reporting and Analysis Director
Türkay Tatar	Finance Director
Ertuğrul Evren	Accounting Manager
Gökhan Otaç	Accounting Specialist
Kemal Ersalıcı	Accounting Specialist

Rest of the List of Persons Who May Obtain Insider Information is as below:

Name & Surname	Position
Alparslan Görgülü	Consolidation Manager
Özgür Ölmez	Consolidation Specialist
Erdem Topoyan	Consolidation Specialist
Nesrin Cengiz	Budget Manager
Hande Sarıdal	Treasury Manager
Levent Arasıler	Financial Markets Specialist
Hümeyra Özener	Reporting Manager
Burcu Bekar	Reporting Staff
Bülent Alagöz	Capital Markets Regulation Compliance Manager
Turhan Sarı	Capital Markets Regulation Compliance Specialist
Beril Egemen	Assistant to the General Manager
Elif Kırlangıç	Consolidation Staff
Ertan Ayhan	Independent Auditor, Responsible Partner, Chief Auditor
Tuğhan Semih Özden	Independent Auditor's Staff
Mehmet Can Altıntaş	Independent Auditor's Staff
Tolga Koyuncu	Independent Auditor's Staff
Özgün İpeker	Independent Auditor's Staff
Mehmet Düzgün	Independent Auditor's Staff
Özcan Hınçal	Certified Public Accountant

13. Disclosure to Stakeholders

Third parties directly involved with Arçelik A.Ş. are the company's stakeholders. The company advises its stakeholders on matters of interest through meetings or via communication channels. Fully aware of the long-term benefits associated with stakeholders, the company respects and protects their rights established by legislation, mutual agreements, and charters. The company's corporate governance structure allows all stakeholders, including employees and representatives, to express their concerns regarding illegal or unethical practices. A network of nearly 3,600 dealers constitutes a major stakeholder group directly connected to the company. Arçelik holds regular Authorized Dealers Meetings throughout the year to keep dealers up to date on policies, targets and economic developments as well as to foster a more advantageous system by listening to their concerns. Besides, there are approximately 3500 suppliers in direct business relation with the Company. The company also shares financial results of the previous year and Arçelik strategies, policies, targets and expectations for the current year with its suppliers through meetings, visits, inspections, and the supply portal.

Employee relations under collective bargaining is managed through union representatives. Arçelik A.Ş. is a member of the Turkish Metal Industrialist Union (MESS) for employers.

The company's blue-collar workers are members of Union of Metal Workers of Turkey (TURKMETAL). A Collective Bargaining Agreement covering September 01, 2010-August 31, 2012 period was signed in November 2010 between MESS and Turkish Union of Metal Workers.

14. Stakeholders Participation in Management

Supportive mechanisms and models have been created to encourage stakeholder and especially employee participation in the Company's management without interfering company operations.

Participation of stakeholders in the management is supported by instruments such as “proposals” and “surveys”. Arçelik A.Ş. involves the workers union in decision making processes and obtains their approval regarding operational changes in work conditions, the environment, and employee rights. Dealers in close contact with the company through the Authorized Dealers Meetings are also encouraged to participate in company management.

15. Human Resources Policy

Respects the globe, respected globally! This vision rallies the company towards becoming global. We embrace our employees as “our most vital asset” and value them as the driving force behind a long-lasting legacy.

Arçelik A.Ş. fashioned the company's human resources policy in 2006 in harmony with the company's shared values, work ethics, and strategies. This policy have been documented and distributed to subsidiaries in Turkey and abroad.

Our fundamental principles directing the Human Resources Policy are given below and these principles are taken as the basis of actions for Human Resources (HR) applications.

- There is a global / local balance between HR systems and practices. As a global company, Arçelik A.Ş respects local laws, practices and requirements. If a conflict with HR policies arises, relevant local laws take precedence.

- All HR policies are aligned with Arçelik A.Ş. business strategies and include future needs in addition to daily organization requirements.

- All HR processes and practices are obliged to respect and support human rights in principle and these principles call for non- discrimination and creating equality within the company. Arçelik A.Ş. does not discriminate on account of ethnicity, race, nationality, disability, political affiliation, religion, age, gender or sexual orientation.

- Fairness, consistency and reliability are the main principles of HR practice.

- HR practices are systematically and regularly revised to continuously improve standards and the processes are restructured in accordance with feedbacks and latest developments.

- Employees' personal data is protected to ensure confidentiality under legislation.

Industrial Relationships

Within the framework of industrial relations policy, Arçelik A.Ş. respects employee rights in terms of getting organized in unions. On the basis of mutual trust between employees and unions, the company diligently preserves the peace at the workplace by acting in conformance to laws and collective bargaining agreements. Conditions, customs, and practices indigenous to regions and countries where the company operates are considered, even if not stated in the agreements. Industrial policies of the company regard unions as social stakeholders but not antagonists. Arçelik A.Ş. places great emphasis on maintaining good relations with unions and acting in concert with them. Providing better working conditions for its social stakeholders is an important goal of the company. Accordingly, areas of social assistance such as better working conditions, occupational health and safety, maternity, marriage and meals as well as adherence to laws are provided in the agreements and are implemented.

Employee Rights of Arçelik A.Ş. Employees in Turkey According to Collective Bargaining Agreements:

- Arçelik A.Ş. pays 4 months salary to its employees as a bonus every year.
- Payment for heating requirements,
- “Vacation allowance” before annual vacation,
- “Holiday allowance” before religious holidays,
- Monthly child allowance,
- Allowances for occurrences such as childbirth, marriage, death, military service and education.
- Non-cash assistance for transportations and meals at company locations.
- Employee annual holidays in the company according to collective bargaining agreements. Vacation entitlements longer than legal periods provided to all employees both union and non-union.
- Implementation of starting positions and wages for union employees based on the type of work performed according to collective bargaining agreements.

The Collective Bargaining Agreement valid for 1 September 2010-31 August 2012 and covering all trade union members in all Arçelik plants was signed in November 2010.

Occupational Health and Safety

Following the corporate vision "employee is valuable", Arçelik A.Ş. integrates the company's Occupational Health and Safety Policy with relevant laws and business practices; and encourage the implementation of systematic standard applications.

Arçelik A.Ş. Occupational Health and Safety Policy

As Arçelik A.Ş. and its employees, we obey the national and international legal procedures and regulations and create a healthy and safe working environment within the scope of a Occupational Health and Safety Management System which is based on continuous improvement.

- *We perform our activities to analyze and decrease the occupational health and safety risks arising in the working environment,*
- *Conduct training activities in order to develop and increase the awareness in occupational health and safety issues,*
- *Take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity,*

Accompanying the Quality and Environmental Management Systems, we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

In accordance with this policy, occupational health and safety issue is included and followed in sectional and individual targets within the scope of Performance Management System. As a result of works carried out with this understanding, serious improvements were achieved in occupational health and safety indicators. In 2010, compared to the previous year;

- 20% improvement in work accident frequency, and
- 25% improvement in work accident weight rate have been achieved.

Also, thanks to the decrease in work accidents and workday losses, labor force efficiency could be increased. Arçelik A.Ş. consistently provides guidance to its employees regarding occupational health and safety and also supports communications among employees and managers.

In accordance with the procedure requirements pertaining Heavy and Dangerous Works, training of 4,061 workers was completed in 2010. Within the scope of professional trainings which was realized as 74,012 man-hours, 21,340 man-hour training was given on Occupational Health and Safety.
In addition, apart from the requirements pertaining Heavy and Dangerous Works, 45,183 man-hour training was given for Occupational Health and Safety. Thus, 66,523 man-hour training was given in total in 2010 for Occupational Health and Safety.

Targeting to achieve "zero work accident and zero occupational disease", Arçelik A.Ş. goes on working with the participation of employees from every level and allocation of the required resources.

When fulfilling both present and future requirements for employees, the company offers equal opportunities to all candidates who possess the appropriate training, knowledge, skills, competencies and experience. Having employees from 81 different universities clearly indicates the importance the company places on equality.

Total number of employees in Turkey and abroad as of 2010 year end:

Number of employees as of 2010 year end	Total
Turkey	14,219
Abroad	4,210
Arçelik Group Total	18,429

The average seniority of employees in Turkey is 7.5 years and the average age is 33.2.

The company's approach to training and development aims for greater improvement in the company's and individual performances through continuous professional development. The company emphasizes the efficient and productive use of internal resources when planning both the current and future development needs of employees.

In 2010, 205,325 hours in total were allocated to training of employees with an average of 15 hours per person. 14% increase was achieved in actual training hours in total compared to the previous year. Arçelik believes that organizational success results from individual success. Various professional development systems are instrumental in improving employee performances compatible with the company's targets. The remuneration management approach is defined within an equitable and competitive employment policy.

The company works to heighten employee motivation, loyalty and productivity as the company aspires to implement the best processes and to encourage critical competencies. In this respect, the company recognizes achievements, inventions and suggestions and promotes them throughout the company.

A work life evaluation survey is conducted each year to build better working conditions for employees. The survey measures employee satisfaction, loyalty and dedication to the company. The results are shared with the employees, and after listening to their opinions an action plan is implemented.

16. Information on Relations with Customers and Suppliers

Costumer and supplier satisfactions are high priority and essential targets for the company. Customer satisfaction is monitored and reported regularly. The confidentiality of information pertaining to customers and suppliers is invaluable and reserved as trade secrets.

Respecting the company's operations and investments, the primary aspiration of Arçelik's Call Center is to achieve customer satisfaction at the highest level possible. The call center operates with modern services seven days a week, twenty-four hours a day with seamless communication with consumers and fast response to suggestions and requests. An additional fundamental responsibility of the call center is to contribute to the development of new products that meet customer expectations by providing an unrestricted flow of suggestions and criticisms.

The Arçelik Call Center boasts of a technological infrastructure whose capacity outperforms competitors. This becomes especially evident by the varied communication channels with the company's consumers. Consumer requests coming through conventional channels such as fax and letter in addition to modern communication channels such as telephone and e-mail are evaluated and a significant part of incoming requests is instantly replied at the moment of the call (First Line Support). Raising the bar every passing day, the Arçelik Call Center also conducts surveys to better understand what actually happens in the field and uses feedback as a way to improve its operations.

Arçelik Call Center has maintained the highest level of dialogue and customer satisfaction with the company's domestic customers since 1991. From Turkey location, the center has now started presale and after sales services for

- Austria - Elektrabregenz, Beko and Altus in 2008,
- Germany - Grundig in 2009
- Germany - Beko in 2010

And the center expands service network abroad to become an international call center.

Furthermore, voices of foreign markets in addition to the domestic market were also listened by consumer satisfaction surveys in countries where our market shares are increasing gradually such as the United Kingdom, Serbia and Denmark and their suggestions and expectations were evaluated.

In 2010, Consumer Services working under the Consumer Services Directorate provided support at nearly 580 authorized services in 10 regional management operations countrywide with 5,250 vehicles and 11,000 employees whose 5,400 employees are technicians. Technicians are certified by Technical Services and Training Management working under Consumer Services.

Authorized services are capable of providing 9 million services annually for Arçelik A.Ş. brands. One of the distinctions of the company's services organization is the ability to handle both the delivery and installation of a product with a single service call.

17. Social Responsibility

Arçelik A.Ş. believes that corporate social responsibility is essential to the company's core business and works for “sustainable growth”.

The company's social responsibility is illustrated by high quality and innovative products and services, a moral disposition respecting laws and human rights, and awareness of environmental and social needs in every industry where the company operates and with every responsibility undertaken for “Sustainable Growth.”

Arçelik performs the company's operations with full compliance to laws, moral standards and human rights and was one of the first companies to sign the Code of Conduct prepared by the European Committee of Domestic Equipment Manufacturers (CECED).* The code of conduct guarantees sustainable performances regarding working conditions, environmental laws, and standards set forth by international agreements.

Arçelik operates with an approach focused on protecting the environment and natural resources with its partners in production and non-production processes while developing and manufacturing innovative products. During its operations, the company abides by all domestic and international legal liabilities intent on protecting the environment and human health. Arçelik regularly organizes training programs for employees to raise awareness of the environment and conducts projects with government organizations and with NGOs. The company's "sustainability" approach drives Arçelik to create and implement projects for the development of the younger generations in countries where the company operates. These projects continue with the support of both employees and partners. Exemplary of this approach to social responsibility is the "Standing United for Education with Arçelik A.Ş." programme, whose goal is to foster the individual growth of students in elementary boarding schools in Turkey.

In addition to projects in education, culture and the arts, the company also sponsors sports events, contributing greatly to the growth of the community. The annual report describes these policies and operations in the "Sustainable Life" and "Innovation" sections. In 2008, Arçelik A.Ş. prepared the 2007 Sustainability Report for employees, shareholders, authorized dealers, authorized services, suppliers and all social partners as a part of the company's operations in economic, social and environmental areas. The Sustainability Report for 2008 and 2009 was drafted in accordance with Global Reporting Initiative, Sustainability Reporting Principles, which is the accepted reporting standard in the world. The Sustainability Report mentions operations of Arçelik A.Ş. that focus on innovative product development and production for the protection of natural resources, improvement of community living standards, effective corporate governance, human rights and ethical work principles.

Both the annual report and sustainability report are shared with the public on the company's web site at www.arcelikas.com

* CECED was founded in 1959 and represents European manufacturers of domestic electrical appliances. The CECED organizes all industry activities pertaining to legal regulations and practices in Europe and manages the cooperation between members. Arçelik A.Ş. has been a member of CECED since 2002.

18. Structure and Composition of the Board of Directors and Independent Members

Arçelik A.Ş. is managed by a Board of Directors comprising a minimum of three members elected among the shareholders according to the provisions of the TCC and by resolution of the General Shareholders Meeting. The General Manager of the company may be elected as a member of the Board of Directors. The Board of Directors is composed of eleven members for the year 2010. Mr. Levent Çakıroğlu is the executive member in the Board of Directors.

Members of the Board of Directors		
Rahmi M. Koç	Chairman	Nonexecutive
Mustafa V. Koç	Vice Chairman	Nonexecutive
Dr. Bülent Bulgurlu	Member	Nonexecutive
O.Turgay Durak	Member	Nonexecutive
Robert Sonman	Member	Nonexecutive
Semahat S. Arsel	Member	Nonexecutive
Temel K. Atay	Member	Nonexecutive
Ömer M. Koç	Member	Nonexecutive
Ali Y. Koç	Member	Nonexecutive
A. Gündüz Özdemir	Member	Nonexecutive
Levent Çakıroğlu	Member	President of the Durable Goods Group - General Manager

The chairman and vice chairman of the board are elected following the election of the Board of Directors at the General Shareholders Meeting. Article 315 of the TCC is applied for vacancies on the board during the term.

According to Articles 334 and 335 of the TCC, the chairman and members of the board seek the consent of the General Shareholders Meeting to engage in, either directly or indirectly, or to own shares in any business similar to the business of the company.

The company's Board of Directors does not have an independent member. All members have been elected as representatives of certain shareholders. All of the members of the board have worked in various industries for many years and are experienced in the areas of business in which the company is involved. The company takes full advantage of the knowledge and experience of the board members. The members of the Board of Directors are free to voice their opinions openly without pressure. The company has affiliates and subsidiaries operating in various industries. Trusting that the participation of the Board of Directors in the management of related companies serves the interests of the company, the board members are not subject to any rules or restrictions when assuming responsibilities in the other companies. Their roles in these companies, whose industries may be linked to Arçelik A.Ş. are considered beneficial to the interests of the company.

19. Qualifications of Board Members

The Board of Directors is structured for absolute competence and effectiveness. The Board of Directors possesses qualifications according to the Corporate Governance Principles of the Capital Markets Board, Chapter IV, Articles 3.1.1, 3.1.2, 3.1.3 and 3.1.5. Following provision is included in our Articles of Association in relation with the qualifications of Board Members."The persons who are nominated and elected to the Board of Directors shall have knowledge and experience in the company's areas of business be able to analyze financial statements and reports; have basic knowledge of legal regulations under wich the Company is governed and shall preferably possess university educations."

20. The Mission, Vision and Main Targets of the Company

Company mission: Protect the values, targets and strategies of the Koç Group while developing, manufacturing, and introducing products in the market and while offering after sales services for products that simplify domestic life and that are easy to own and use and be reliable. Ensure customer and employee satisfaction and long-term loyalty, use resources efficiently, and meet stakeholder expectations while continuously improving and growing in target markets.

Company vision is "Respects the Globe, Respected Globally." "Respects the Globe" - We are green company. We appreciate people. We are aware of our responsibilities. "Respected globally" - because our aims are higher, reaching beyond.

Main Targets of the Company are as below:

- To maintain sustainable growth and enlarge our market share in the home appliances industry worldwide,
- To maintain profitability level enabling sustainable growth,
- To improve capabilities to offer pioneering, innovative, and green products and solutions that add value for the customer
- To develop a global organization and competencies by managing diversity.

The Board of Directors evaluates and approves the company's vision and main targets. These targets are announced to the public in the annual reports, on the web site and through informative meetings or statements by means of appropriate communications channels.

During the Board of Directors meetings, made periodically according to the Articles of Association the company's targets are compared and assessed with actual outcomes, including the previous year's. The current status of the company is examined and new targets and strategies are created if necessary.

21. Risk Management and Internal Control Mechanisms

Risk Management Committee has been formed to advise and recommend to the Board of Directors in subjects including determination, evaluation and estimation of the impact and possibilities of all kinds of strategic, financial, operational, etc., risks that may influence the Company, managing and reporting such risks in accordance with the Company's corporate risk taking profile, considering the same in decision making mechanisms, and establishment and integration of effective internal control systems in this respect.

The Risk Management Department is established under the Finance Directorate to track, report and manage risks in the company. The Department continues to work proactively regarding financial risks, loan risks and elementary risks.

Financial Risks: The company continually tracks risks of exchange rates, interests and liquidity and reports these risks at certain intervals. The Treasury Department is responsible for managing financial risks reported by the Risk Management Department, according to the risk criteria.

Loan Risks: Consolidated international receivables are collateralized and reported. The company often purchases insurance policies and uses bank guarantees, factoring and Eximbank guarantees for this purpose. The Sales Accounting Directorate manages the process of guaranteeing domestic receivables. When products are delivered to authorized dealers, guarantees such as mortgages, letters of guarantees from banks, customer deeds, stocks or currency are received in return. Factors affecting risks are processed online in the system. Transactions such as dispatch orders or draft collections are shown on accounts immediately, therefore changing the risk factors.

Elementary Risks: Includes processes such as determining consolidated fixed assets, product and manager responsibilities, transportation, product recall, coverage of insurance policies and their purchase and managing processes related to claims.

Moreover, to establish viable internal control mechanisms, the Internal Audit Department is established under the Assistant General Manager of Finance and Accounting. The audit committee constantly monitors the processes and effectiveness of the system and if necessary reports issues and suggests solutions for risk management and internal control mechanisms to the Board of Directors.

22. Authority and Responsibility of the Members of the Board of Directors

The Articles of Association clearly defines the authority and responsibility of the Board of Directors. Authorizations are given in detail in the signatory circular of the Company. These documents can also be found on the Company's website in addition to the authorized institutions required by law.

23. Main Activities of the Board of Directors

According to the Articles of Association, the Board of Directors meets when necessary to manage the company's business. The board must convene at least four times a year. The Board of Directors is required to convene upon request of the chairman or two board members.

Reasons for any opposing opinions or votes are recorded in the minutes of the board meetings. Detailed reasons for opposing votes are disclosed to the public. However, a disclosure was not made in 2010 since no opposing votes or opinions were recorded at any of the four meetings of the Board of Directors.

The agenda for a meeting of the Board of Directors is determined whenever related departments report issues to top management or to the board that specifically require a resolution by the Board of Directors. The meeting also occurs when a member of the board calls for a resolution pertaining to a significant issue. The Assistant General Manager of Finance and Accounting collects and consolidates the issues and prepares the agenda.

The Arçelik A.Ş. Assistant General Manager of Finance and Accounting has been appointed to set the agenda for meetings, prepare resolutions according to TCC Article 330/II, inform members and establish communications.

The Board of Directors meetings convene at the company's headquarters or at a convenient location in the city center. Significant resolutions are announced to the public through PDP and on the company's web site in Turkish and English.

24. Prohibitions of Transactions or Competition with the Company

According to Articles 334 and 335 of the TCC, the chairman and members of the Board of Directors seek consent at the General Shareholders Meetings to engage in, either directly or indirectly, or own shares in any business similar to the business of the company.

25. Ethical Rules

The Company aims customer satisfaction, to offer products and services in universal quality and standards by efficient use of rare natural resources, and to contribute in economic and social developments.

In this way, the company endeavors to exemplify reliability, perseverance and respectability for national and international customers, shareholders, employees, suppliers, dealers and authorized services - shortly, for all its partners.

With the Code of Conduct based on our founder Vehbi Koç's principles;

- The Customer is the focus of everything we do,
- Our indispensable aim is to always be the best,
- Our most important capital is our human resources,
- Creation of wealth for continuous development is our key objective,
- We aim to empower the Turkish economy, which we derive our power from,
- Our guiding motto is to abide by work ethics and honest working principles,

We aim to lead our employees and those acting on behalf of our Company in their decisions and behavior.

All employees are expected to display attitudes and behaviors that will ensure corporate cultural integrity and to protect and develop the reputation and corporate structure of our Company. All employees including temporary workers are obliged to obey the Code of Conduct.

All partners are expected to obey the work ethics and all application principles that support these rules.

General headlines included in “Arçelik Code of Conduct” are given below:

- Company- Employee Relations,
- Relations outside the Company
    - Partners, Shareholders, State, Customers, Suppliers, Agencies, Authorized Dealers, Authorized Services,
    - Competitor and Competition Relations,
    - Social Responsibility,
    - Global Responsibility,
- Code of Conduct to be obeyed by the Employees,
- Occupational Health and Safety Understanding,
- Code of Conduct and Principles in Application,
    - Liability of Infringement Notification,
    - Board of Ethical Behavior
    - Disciplinary Practices.

Notifying all employees about Code of Conduct, getting employees to obey and to pay importance to these rules, and displaying required efforts and leadership for observing Code of Conduct are among the principal duties and responsibilities of the management.

26. The Number, Organization and Independence of Committees Created by the Board of Directors

According to the Articles of Association, the Board of Directors may create committees or sub-committees for consultation, coordination or other purposes when deemed necessary.

The company has established an “Audit Committee” to ensure that the Board of Directors fulfills its duties and responsibilities in a reliable manner. Board of Directors assigned Temel K. Atay and Robert Sonman as members to the Audit Committee for 2010; the Audit Committee was formed by two Board Members who were not assigned to execution. The Audit Committee performs its activities in compliance with the Capital Markets Law and the CMB Corporate Governance Principles. The members of these committees are not independent members.

On March 22, 2010, the Board of Directors decided to establish a Corporate Governance Committee within the Company in accordance with CMB Corporate Governance Principles in order to observe Company's compliance, carry out improvement efforts, and to propose solutions to the Board of Directors in this respect. Dr. Bülent Bulgurlu, O. Turgay Durak and Fatih K. Ebiçlioğlu were assigned as Members of Corporate Governance Committee. Whereas Fatih K. Ebiçlioğlu is responsible for executive works, the other two members are not; and the committee does not have independent members.

With the resolution of the Board of Directors dated July 16, 2010, Risk Management Committee has been formed to give advice and recommendations to the Board of Directors in subjects such as determination, evaluation, effects and possibilities of all kinds of strategic, financial, operational, etc. risks that may affect the Company, managing and reporting such risks in accordance with the Company's corporate risk taking profile, considering the same in decision taking mechanisms, and creation and integration of effective internal control systems in this respect and it has been decided that this committee be composed of 4 members and Mr. Rahmi M. Koç was selected as the president there to and Semahat S. Arsel, Dr. Bülent Bulgurlu and Temel K. Atay were assigned as the members. The members of this committee are not assigned to execution tasks; and the committee does not have independent members.

With the Resolution of the Board of Directors dated July 16, 2010, Investment and Business Development Committee has been formed to generate ideas and strategies, to provide coordination between relevant departments, and accordingly advise and recommend to the Board of Directors with the purpose of devising and planning new projects and investments in the special areas of the industries of our Company, as well as to follow the governance of the agreed strategies and projects. It has been decided that this committee be composed of 5 members and Mustafa V. Koç was assigned as the president and Ömer M. Koç, Ali Y. Koç, O. Turgay Durak and Levent Çakıroğlu as the members. Whereas Levent Çakıroğlu is in charge of execution, other members are not; and the committee does not have independent members.

27. Remuneration of the Board of Directors

According to the Articles of Association, the General Shareholders Meeting determines the rights to be granted to the Board of Directors. On March 17, 2010, the General Shareholders Meeting decided to pay a monthly salary to the members of the Board of Directors. In this context, Chairman and Members of the Board of Directors shall be paid a gross monthly salary of 1,435 TL. Furthermore, the executive members shall also receive remuneration based on their performances. The board members and managers are not allowed to borrow or receive loans other than advance payments granted in compliance with the company's internal procedures. No surety is granted in favour of board members or managers.

Basing on the vision “Respects the Globe, Respected Globally", Arçelik A.Ş. integrates "sustainability" approach to main business operations. Main business goals determined in line with the company vision represent three aspects of sustainability in economic, environmental and social dimensions.

The “Sustainable Development” strategy of Arçelik A.Ş. aims to preserve the environment and natural resources by environment-friendly operations and highly efficient, low energy and resource consuming products.

Based on the principle of Total Quality Management (TQM) philosophy, Arçelik A.Ş. implements all related international product and management standards, mainly being ISO 9001 Quality Management System and ISO 14001 Environmental Management System Standards.

Arçelik A.Ş. initially received BS 7750 Environmental Management Systems Standard in 1994 for its Dishwasher Plant just two years after it was introduced as the first Environmental Management System Standard of the world.

Arçelik A.Ş. has started to apply ISO 14001 Standard of Environmental Management Systems since publication of BS 7750 Standard as ISO 14001 in 1996.

Arçelik A.Ş. guarantees to control the environmental impacts, comply with all applicable legal and other requirements, sustainable development, and prevent environmental pollution by implementing ISO 14001 Standard.

The efficiency and continuity of management systems are assured by Internal System Audits carried out regularly as well as the inspections by independent organizations.

Arçelik's environmentally responsive approach, control of the environmental impacts of “product life cycle” and the technological superiority it has achieved are the outcome of its management systems.

The environmental objectives and targets are defined, the environmental performance is followed to control environmental impacts, to decrease source usage in order to leave a clean and healthy environment for future generations.

Compliance with National and International Environmental Regulations

Arçelik A.Ş. continually controls compliance with all national and international environment legislations, directives and regulations for the entire product lifecycle. Compliance with legal regulations is monitored through ISO 14001 Standard for Environmental Management System.

Within this scope, Arçelik A.Ş. exactly complies with the following European directives:

- Directive on Waste Electrical and Electronic Equipment (WEEE),
- Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS); and the significant amendments planned by European Union,
- Directive on Ecodesign Requirements for Energy-Using Products (EuP),
- Regulation of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

WEEE - Directive on Waste Electrical and Electronic Equipment

In February 2003, European Commission issued WEEE Directive 2002/96/EC regulating the disposal, recycling, recovery and reutilization of the products launched by electrical and electronic equipment manufacturers.

To comply with WEEE Directive in EU member countries, Arçelik A.Ş. fulfills its legal liabilities via the mechanisms of collection and recycling. Arçelik A.Ş. is the member of many collection systems that collect and dispose the goods at the end of their service life. Arçelik A.Ş. encourages compliance with the WEEE Directive in the non-EU markets.

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

Put into force for European Union countries in 2006, RoHS Directive 2002/95/EC restricts the use of hazardous substances in electrical and electronic equipment.

Performing necessary tests within the company and at accredited laboratories, Arçelik A.Ş. has achieved full compliance even before the effective date of directive by establishing the Compliance Management System to ensure that the suppliers are in full compliance with this directive.

EuP - Directive on Ecodesign Requirements for Energy-Using (Related) Products

Energy-Using Products (EuP) Directive by European Commission aims to improve environmental performance of the products throughout their entire "product lifecycle" by systematically integrating environmental characteristics even from the initial stages of design. Arçelik A.Ş. manufactures its products in compliance with the EU Directive.

REACH - Regulation of the Registration, Evaluation, Authorisation and Restriction of Chemicals

One of the most extensive legal regulations of EU and effective since 2007, REACH Regulation regarding the management of chemicals sets targets through all the stages of production and distribution chain from producers of raw materials to the retailers.

Arçelik A.Ş. adopts and supports REACH Regulation as one of the most important legal procedures to protect environment and human health as the Regulation aims to register and control all chemical substances used in the production; to monitor their chemical safety data by registering from the manufacturer to the industries as well as communicating the related data to the consumers.

At Arçelik A.Ş., REACH implementations are carried out by Energy and Environmental Management composed of an expert team.

All required preparations are being coordinated by this unit; maintaining constant communication with the suppliers, this unit ensures to develop a perfectionist process in compliance with REACH Regulation.

For detailed information about Arçelik A.Ş.'s operations concerning REACH, please contact reachinfo@arcelik.com.

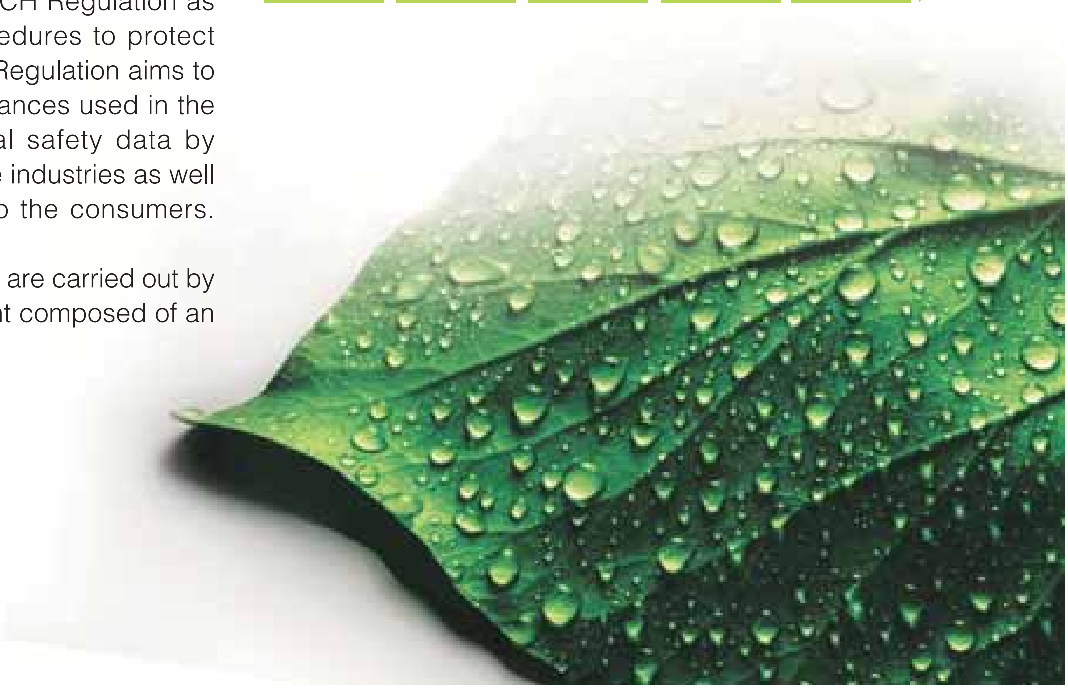
To ensure the protection of environment and human health, Arçelik A.Ş. has formed manifold procedures basing on the legislations and environment policy and has been operating in full compliance with these procedures.

Leaderships in Compliance

In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. began manufacturing low energy consuming products long before these directives are adopted in Turkey.

Arçelik A.Ş. was also the first Turkish household appliances company to produce refrigerators (in 1995) without ozone-depleting CFC gases much earlier than 2006, deadline set for Turkey in Montreal Protocol.

CFC12 ended	R134a started to use	R600a started to use	R134a ve R600a started to use	R134a ve R600a started to use
1995	1995	1997	2008	2010



GREEN PRODUCTS

Washing Machine

Economist

- A first in the World, "The Least Energy Consuming Product in the World" with 50% less energy consumption than class A with 8-kg capacity
- More efficient than the most efficient A+++ energy labeling defined in Europe at the end of 2010.

Refrigerator

New Black Orbital

- 60% less energy consumption compared to current Class A No-Frost products with the same capacity,
- The World's Least Energy Consuming first A+++ No-Frost Refrigerator in "Tropical" product category, according to energy labeling defined in Europe at the end of 2010,
- Low noise level with 40 dBA,
- Utilization of environment-friendly refrigerant R600a,
- Active Dual Cooling technology that allows for storing food for longer periods while preserving their freshness by reducing dehydration.

GREEN PRODUCTS

Dishwasher

6 litre "New Ecologist"

- "World's Least Water Consuming Program", Eco6L uses only 6 liters in A energy class.
- The world's most economical dishwasher, washing 13-place dishes with 30% less energy and 10 liters of water compared to the machines in A energy class.
- A+++ energy labeling defined in Europe at the end of 2010.

Oven

- First and Least Energy Consuming Built-in Oven; Turbo Cooking feature consumes 690 W/h energy and provides 30% energy saving compared to A energy class,
- The Most Silent Built-in Oven in the World with 43 dBa noise level,
- Electronic control systems compatible with Standby feature,
- Dirt-free "Oleophobic Nano Coating" reduces the use of abrasive cleaning agents.

32”40”46”55” LCD TV

- Aluminum design complete by glass stand, 40% less energy consumption
- Lead-free and mercury-free green technology,
- EcoLabel certified with extra energy saving in 40” and 46” screen sizes, minimum 2 years of warranty, product return and recycling and usage of no hazardous substances.

Energy Star

- Grundig’s first LCD TV to receive “Energy Star” approval in Europe.

Environmental Awards and Achievements

- Beko DFN 71042 S dishwasher - Plus X Design, Ease-of-use and Ecology Awards.
- Beko DRW 11400 FB heating drawer - Plus X Design and Ecology Awards.
- Beko XL9 WMB 91242 LC washing machine - Plus X Ease-of-use and Ecology Awards.
- Blomberg TKF 7459 A dryer - Plus X Ecology Award.
- Blomberg Greenplus GSN 9582 XB7 dishwasher - Plus X Ease-of-use and Ecology Awards.
- Blomberg WNF 8447 A50 washing machine - Plus X Ease-of-use and Ecology Awards.
- Blomberg Greenplus BEO 9761 X built-in oven - Plus X Design and Ecology Awards.

Corporate Awards and Achievements

- Arçelik A.Ş. - Turkish Patent Institute's first prize and golden patent award in the categories “Company with the highest number of patent applications”, “Company with the highest number of patent registrations" and "Company with the highest number of international patent applications".
- Eskişehir Refrigerator Plant - TPM Productive Management Special Award.
- Bolu Cooking Appliances Plant - TPM Award of Excellence.
- Beko LED TV - Red Dot Design Honorable Mention.
- Arçelik A.Ş. - First prizes of “European Business Awards for the Environment Turkey Programme” in “Management” category for its contributions to sustainable development and in “Product” category for Economist washing machine.
- Beko WME 7247 washing machine - Which? Consumer Magazine "Best Buy".
- Award for the “Most Successful Thesis and Organization” granted by Technology Development Foundation of Turkey (TTGV) for University and Industry Cooperation in the name of Dr. Akın Çakmakçı.
- Arçelik A.Ş. is awarded in “Management” category by “European Business Awards for the Environment European Programme”.
- Leisure Cookmaster CM101FRKP - Which? Consumer Magazine "Best Buy".
- Grundig Fine Arts TV has received “good” rating from Home Vision Test Magazine.
- Grundig 40'' FineArts LED TV and Grundig Vision8 LED TV - Red Dot Honorable Mention and Plus X Ease-of-usage Awards.
- Beko 4 More GNE 114610 FX refrigerator - Plus X Design and Ease-of-use Awards.
- Beko One Touch DFN 1000 X dishwasher - Plus X Design and Ease-of-use Awards.
- Beko OCM 25500 X compact built-in oven - Plus X Design and Ease-of-use Awards.
- Blomberg BGM 15320 DX PR professional solo oven - Plus X Design Award.
- Grundig Vision8 LED TV and Grundig FineArts LED TV - Plus X Ease-of-use Award.
- Blomberg TKF 8439 A dryer - Plus X Ease-of-use Award.
- Blomberg BEO 9770 X built-in oven - Plus X Design and Ease-of-use Awards.
- Blomberg 4-door Side-By-Side KQD 1360 X refrigerator - Plus X Design and Ease-of-use Awards.
- Beko Plc. “Best Durable Goods Company” and “Fastest-Growing Company in the Industry” in the UK.
- Beko WM7335W washing machine - Which? Consumer Magazine "Best Buy".
- Beko LLC, by Russian Energy Agency - “Best Company of Energy Saving Products”.
- Beko Plc. Euronics and Currys (DSG) - “White Goods Supplier of the Year” in the UK.
- Arçelik A.Ş. ranks 3rd company in Capital 500 for the “largest employment” category and 2nd for the “highest export”.
- Arçelik A.Ş. ranks 3rd in Capital's Survey for the Most Admired Companies in Turkey.
- Blomberg Domino Cooker Series, Built-in Oven, Grundig 40” Rom LED TV and 40” Vision8 LED TV - "The Chicago Athenaeum" (Architecture & Design) “Good Design” Awards.
- Arçelik Built-in Domino Cooker Series and Arçelik 4-Door Refrigerator with Joker Compartment - “Good Design” by Design Turkey.
- The toaster designed by DesignUM for Arçelik - Superior Design Award by Design Turkey.
- “Surf® - Innovative Oven Technology” project - TÜBİTAK, TTGV and TÜSİAD 9 Technology Awards, "Large-Scale Product" category Technology Award.

In 2010 we added new awards to the hundreds that we have accumulated over the years from world's renowned corporations and competitions

Finalist in the Management category at the "European Business Awards for the Environment 2010, European Programme", organized by the EU Commission

The first and only home appliance manufacturer to receive "Gold Certificate" for "Energy Efficiency in Green Factories" with 8 of its production facilities

Beko four-door refrigerator and two washing machine models were selected "Best Buy" by Which? Magazine

Beko received 6 "Plus X" Awards in technology and design categories with refrigerator, built-in oven, warming drawer, washing machine and two dishwasher models

Beko LED TV received the Good Design Award

Beko LED TV received the Red Dot - Honourable Mention Award

Beko LLC received the "Best Company Award for the Production of Energy Efficient Products" in Russia

Recipient of the 9th TUBITAK Technology Product Award - Large Scale Company

Beko Plc received "The Home Appliance Supplier of the Year" Award from Currys and "The Domestic Appliance Supplier of the Year" Award from CIH-Euronics in the UK

The first home appliance manufacturer to receive "TPM Special" Award after "Excellence" Award for Eskişehir Refrigeration Plant from the Japan Institute of Plant Maintenance

Plimsoll Portfolio Analysis declared Beko Plc as "The Best Durable Goods Company" and "The Fastest Growing Company" in its sector in the UK

Supply Chain Planning and Optimization

Supply chain management has turned into an important opportunity and gained a central role in company strategies owing to the boost in international commerce, new information technologies, and customer demands for faster and more reliable services as well as globalization in operations and markets. In the face of globalizing network of production and consumption, the company has adopted supply chain policies to provide customer satisfaction, increase productivity and support sustainable growth in parallel to the vision “Respects the Globe, Respected Globally”. Effective Supply Chain Management, integrating main processes in material and product flow, targets to deliver right product to the consumer in the right time, place and quantity for the lowest possible cost and price.

Supply Chain planning operations focus on flexible production and delivery optimization to respond customer orders in the shortest time possible. Accordingly, the organization closely follows up timely material supply as well as customer service levels for the breakdown cases in production and delivery. Utilized to measure customer service level in 2010, the percentage of delivery on time and in full has increased to 92% (despite strikes, adverse weather and road conditions, etc.). On the other hand, consolidated stock amounts significantly declined.

The second phase of Supply Chain Transformation Program will commence soon to ensure demand planning actions across all markets as inputs for supply plans, to prepare production and supply plans for demand and maximum capacity in weekly periods and revise the same daily. Dynamic routing processes realized with the help of handling and loading equipment changes in the warehouse, warehouse network distribution optimizations and software activated in 2010 ensure minimum distance coverage by the vehicles under maximum load. While the gas emissions hazardous to the environment were reduced by this approach, the level of customer service was raised with the efficiency obtained. Logistic requirements were consolidated by central tender approach, and substantial savings were achieved with the synergy provided in round trip transportations. Seventy percent of Turkish exports are transported by sea. Upon arrival at destinations, Arçelik prefers railways and river transports operating with green technology whenever possible. Moreover, a concerted effort to make direct deliveries results in eliminating unnecessary transportation and depot space. All links of the supply chain are managed in a rapid, efficient and profitable way and the saved sources thanks to decline in costs and increase in productivity are used for other areas. Furthermore, timely production, storage, transportation and delivery provide a competitive advantage.

Global Purchasing

Within the framework of sustainability, expectations from suppliers are defined along with processes to ensure that their compliance has been put into operation. Sectoral changes are closely monitored, and environmental legislations, laws, and regulations like RoHS, WEEE or REACH are integrated into the company's purchasing processes to provide environmental compliance of materials. The audits and evaluations of suppliers also take the environmental performance criteria in to consideration.

Established in 2010, Arçelik A.Ş.'s Energy and Environmental Management and Purchasing Directorate maintain constant coordination to reflect the advances in environment approaches onto purchasing processes.

To supply the materials and components necessary for producing less energy consuming, environment friendly innovative products, the cooperation of R&D department and suppliers are encouraged and the involvement of suppliers to design projects is required. Enviormental impact is taken into consideration in the efforts for the use of alternative materials. In 2010, nano technology was introduced to save energy and produce lower waste, and thus allowing to utilize painting methods with less chemicals. The product range has been expanded to include more green products and consume less materials with the use of motors that consume less energy and lower noise level in addition to premium performance and sensitive control features. Similarly, efficiency levels in purchased compressors and fan motors were increased continuously on yearly basis to create a positive trend in reducing power consumption. A new project was started in 2010 to perform the supplier approval process through the supplier portal which is already being used for communication. Beginning from the first quarter of 2011, the supplier approval process will be carried on via Arçelik A.Ş. supplier portal. This project will enhance communication among production facilities, suppliers and the Purchasing Directorate; and it will substantially cut down the consumption of natural resources thanks to lower paper usage as all forms and documents are transferred to electronic environment for supplier activation/updating supplier information and supplier deactivation.

Consumer Services

Arçelik A.Ş. has increased customer satisfaction since incorporating the company's services for white goods and consumer electronics. The company has achieved this without compromising quality of service and has begun to provide service from one location for all products. Whereas the minimum warranty period required by law is two years in Turkey, Arçelik A.Ş. has been giving three-year warranties since 1998.

Customer satisfaction continues to be the highest priority in all other operations as well. Arçelik provides after sales services with its own customer service organizations in 11 countries and through its distributors in other countries. Records of services are maintained to be used for upgrading products and the quality of service. The company markets products in over 100 countries with customer-focused after sales services. One of the primary targets of the company is to expand even further in the international arena through the experience garnered in Turkish markets and through the dedication and high standards of quality and services the company has demonstrated to customers domestically.

Respecting the company's operations and investments, the primary aspiration of Arçelik's Call Center (444 0 888) is to achieve customer satisfaction at the highest possible level. The call center operates with modern services seven days a week, twenty-four hours a day with seamless communication with our consumers and fast response to suggestions and requests. An additional fundamental responsibility of the call center is to contribute to the development of new products that meet customer expectations by providing an unrestricted flow of suggestions and criticisms.

Call Center won the “Best Call Center Award” in its own category at III. IMI Conferences Istanbul Call Center Awards where big players of the sector are present, thus put forth its competitive power thanks to technological infrastructure, service, process quality and customer-oriented approach; the center also displayed its commitment to provide the best working atmosphere for employees by winning the “Best Work Environment Award”.

The Arçelik Call Center boasts of a technological infrastructure whose capacity outperforms competitors. This becomes especially evident by the varied communication channels with the company's consumers.

Consumer demands coming through different channels are evaluated and a significant part of incoming demands is instantly replied at the moment of the call (First Line Support). Raising the bar every passing day, the Arçelik Call Center also conducts surveys to better understand what actually happens in the field and uses feedback as a way to improve its operations. The Arçelik Call Center has maintained the highest level of dialogue and customer satisfaction with the company's domestic customers since 1991. The center started presale and after sales services for Austria Elektrabregenz, Beko and Altus in 2008, Germany Grundig in 2009, Germany Beko in 2010. And the center expands service network abroad to become an international call center.

Furthermore, voices of foreign markets in addition to the domestic market were also attended by consumer satisfaction surveys where the suggestions and expectations of consumers of different cultures were evaluated.

The company manages the entire process from product sale to the installation and all stages in-between are observed with an exclusive software system. The vehicle tracking system provides utilization of the most suitable vehicles, thus reducing the release of greenhouse gases into the environment. Moreover, low emission vehicles are used by the company's authorized services and customer services, and vehicles older than five years are continually replaced to improve the fleet emission levels. The use of hand-held computers in authorized services increases service quality and efficiency by optimizing job distribution to technical personnel in the field.

To improve customer satisfaction constantly, consumer surveys are conducted when installing the product within the scope of CRM project and sales and marketing channels share the information on consumer preferences. In addition, specialization in services of built-in products and combi boilers sets the company apart with select services and higher customer satisfaction.

Developed and put into practice for the management of services, the performance evaluation system deals with the issues such as organizing and abiding customer appointments, allocation of enough time, solving the problem in the shortest time, compliance with corporate principles, employment of qualified employees and cost management, avoiding complaints and consequently achieving customer satisfaction.

Considering the limited energy resources for the increasing energy demands in our country and in the world, efficient use of energy becomes eminent. Especially insulation/illumination and HVAC (Heating, Ventilation and Air-conditioning) issues have gained importance in the buildings. Taking these requirements into consideration, commercial acclimatization products have become more important for Arçelik A.Ş. To go beyond retail sales, B2B marketing and service infrastructure must be initiated for professional decision-makers. For this aim, sales representatives, installation and after sales service personnel as well as business partners who are authorized dealers and services are given theoretical and hands-on training for the VRS Multi-Ace Air Conditioning System at the Arçelik Air Conditioner Training Academy.

106 firms in total were briefed on various subjects at Air Conditioner Academy between 2009 and 2010. In 2010, 55 sales employees and 106 service technicians were trained and certified.

Furthermore, 5 engineers out of technical support team for system air conditioner were granted the energy manager certificate by EIE (Electrical Power Resources Survey and Development Administration). The company applied to EIE with a project to obtain certification as Energy Efficiency Consultant.

Besides, HVAC projects are carried out in newly constructed or renovated areas in Arçelik plants to install high-energy efficient Arçelik Multi Ace products.

In 2010, the sales department invited guests from Ministry of Health and Istanbul Metropolitan Municipality to the academy for product briefings

In the light of corporate values and culture, Arçelik A.Ş. works diligently to create projects that uplift the standards of society and that offer solutions as part of the company's social responsibility to benefit “Sustainable Development.”

Standing United for Education with Arçelik Program - Turkey

To reach desired development level across the country, the crucial condition is raising an effective and common awareness about education. Through education, it is possible to solve many social problems in advance and provide significant contributions to the country regarding resources utilization.

Knowing that individual development must be supported in the early stages of childhood, the Company started the "Standing United for Education with Arçelik A.Ş." project in 2004. Conducted jointly with the Ministry of Education, this project targets primary school students. With this project, the Company aims to improve the education and development standards of 200 thousand children, who come from disadvantaged families and study at 300 regional primary boarding schools, as well as to ensure that these children become valuable members of society.

Standing United for Education with Arçelik Projects

Our Rooms

Our Rooms project aims to foster education by creating diverse surroundings where students, growing up away from their families, may take advantage of their free time and engage in cultural and arts activities - a time to just relax and have fun as they learn through educational materials provided for them.

Education Scholarship

This project grants scholarships to students who are top graduates at regional primary boarding schools and who do not have the financial resources to further their education in high school.

Support and Education for Teachers

A series of seminars and workshops are organized to support the personal and vocational development of teachers and administrators working in regional primary boarding schools.

They Were Once Children

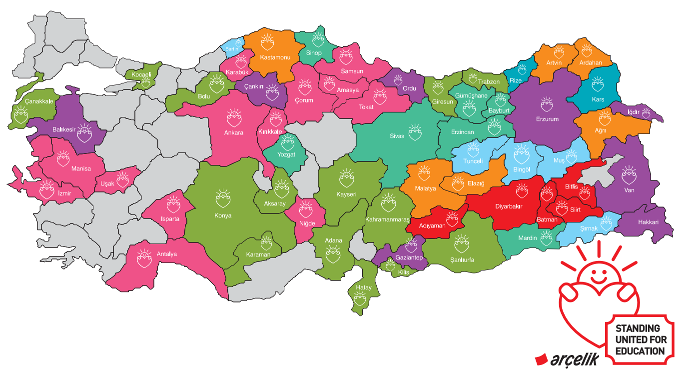
Children follow the examples of people around them as they grow up. These role models play an integral part in shaping these children's personalities and future ambitions. This project sets examples of successful role models for these children and conveys the message that children are an indispensable asset to the future of the country. Furthermore, the project encourages them to grow into successful and self-confident individuals in pursuit of their dreams.

Volunteer Family Association

One of the core values of Arçelik A.Ş. and the Volunteer Family Association is "social volunteering" which has become wide-spread around the globe and in Turkey in recent years. The most essential aspect in sustaining this project is the contributions and commitments from local volunteers. The Volunteer Family Association is a group of volunteers acting as mentors and assistants at regional primary boarding schools.

Provinces Covered by the Program

- 2004-2005 Academic Year Pilot Provinces: Van, Hakkâri, Iğdır, Erzurum, Ordu, Gaziantep, Kars, Rize, Çankırı, Balıkesir.
- 2005-2006 Academic Year: Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun, Kilis.
- 2006-2007 Academic Year: Ağrı, Artvin, Ardahan, Kastamonu, Malatya, Elazığ.
- 2007-2008 Academic Year: İzmir, Manisa, Uşak, Antalya, Isparta, Amasya, Tokat, Ankara, Kırıkkale, Niğde, Çorum, Karabük, Samsun.
- 2008-2009 Academic Year: Sinop, Sivas, Bayburt, Erzincan, Gümüşhane, Mardin, Yozgat.
- 2009-2010 Academic Year: Adıyaman, Batman, Diyarbakır, Siirt, and Bitlis.



- **Target for the 2010-2011 Academic Year**

  The Standing United for Education with Arçelik program will add to its coverage the provinces of Şırnak, Tunceli, Muş, Bingöl and Bartın and will reach 41 regional primary boarding schools in 5 provinces as well as 299 regional primary boarding schools in 60 provinces all over Turkey.

Arçelik A.Ş. Family and Volunteerism

Arçelik believes that “people” are the key to finding viable solutions to social issues. When people with a strong sense of awareness come gather to volunteer, permanent solutions to these issues become possible.

The company itself is an extended “volunteer family” with its employees, authorized dealers, services, suppliers and business partners in every country where the company operates. Arçelik draws strength from this extended family to bring solutions to problems through social commitment and volunteerism.

Forming Volunteer Teams, the Arçelik family embraces the company's values and principles in contributing to social projects that add value to the community by using their expertise, time and energy.

“Let’s Protect Our Environment and Natural Resources” Competition

Set up by Arçelik employees within the framework of social responsibility, Arçelik Volunteer Teams support various activities aimed at increasing the social and cultural awareness of students enrolled at the schools covered by the Standing United for Education with Arçelik program and aims to educate new generations that look at our country's future with confidence.

As part of its activities in 2010, Arçelik Volunteer Family organized the 2nd annual contest of poetry, essay and painting with the theme “Let's Protect Our Environment and Natural Resources” The contest aims at creating awareness for the protection of depleting natural resources and as well as water and energy saving.

Almost 450 meticulous works in three different categories from regional primary boarding schools participated in the competition. First assessments on the works were made by the school management and teachers and each school sent their first three works in essay, poetry and painting categories to Arçelik A.Ş. Works selected by the jury of Arçelik A.Ş. employees were then presented to the evaluation of over 2500 employees in all the offices in Turkey and worldwide via surveys on the internet. Successful students and school administration were invited to Istanbul as the guests of “Arçelik Volunteer Family” on May 3-6, 2010 to attend the award ceremony. Students and school administration from different parts of Anatolia had a chance to visit significant cultural and historical places in Istanbul after the award ceremony.

A book titled Standing United for Education with Arçelik Corporate Social Responsibility Program was published to include all the works, essays, poems and paintings since the first day.

Meaningful Visit to Elazığ by Arçelik A.Ş. Volunteers

Arçelik A.Ş. Volunteers Team met with the students of Elazığ Central and Maden Regional Primary Boarding Schools and Şehit Nadir Ozan Primary School students. At Elazığ Central and Maden Regional Primary Boarding Schools, Arçelik A.Ş. Volunteers visited and chat with students in Our Rooms established to contribute to the development of students.

Support for National Blood Donation Campaign "For My Country"

In 2010, another important country problem was handled within the scope of Koç Holding's "For My Country" project and a "National Blood Donation Campaign" was conducted jointly with the Turkish Red Crescent. Arçelik A.Ş. employees, authorized dealers and services intensely supported this campaign which aimed to register the highest number of regular donors to the Red Crescent and continuation of the volunteer blood donations even after the campaign by creating awareness in the society regarding the importance of blood donation.

8,300 Arçelik A.Ş. employees attended the briefings held at Company's campuses with the support of the Red Crescent as a first step of the campaign. Blood donation days in the June-July period were repeated in the October-November period in order to support the regular donor identification of the campaign. 5,775 people applied to the campaign conducted in two stages by the doctors at blood donation stations established by the Turkish Red Crescent. 4,849 units of blood was collected within the scope of the campaign in which healthy Arçelik A.Ş. volunteers donated blood. Arçelik and Beko authorized dealers and services also supported the campaign coordinated by Provincial Sales Region Managements and For My Country Ambassadors.

Arçelik A.Ş. Volunteer Family "Vocational High School Coaches"

"Vocational Schools, a National Issue" of Koç Holding is a social responsibility project also supported by Arçelik's employees, authorized dealers and services. Arçelik Volunteers act as "vocational high school coaches" to guide and mentor students' development.

Volunteer Coaches keeping the communication constant; get together with the students to share their knowledge and experiences. The number of academic scholars increased to 896 and "Volunteer Coaches" to 28 during the 2009-2010 academic year.

"Vocational High Schools - a National Issue" Project held a competition titled "Future of the Vocational Training is your Future" to raise the knowledge, skill and competency levels of students in 2009-2010 academic year.

Arçelik Vocational High School Coaches worked with the students in the competition and supported them during the process of team formation, detailing, planning and application. Kocaeli Gebze Trade Vocational High School led by Arçelik A.Ş. Vocational High School Coaches won the competition with their "E-Intern" project.

ÜLKEM İÇİN!
DÜŞÜNMEYE VE ÜRETMEYE DEVAM...

For My Country Project-National Blood Donation Campaign

International support activities

Arçelik A.Ş.'s Refrigerator and Washing Machine Plant Beko LLC operating in Russia and Washing Machine Plant Beko Electrical Appliances Co. Ltd., operating in China not only create new employment opportunities but also organizes many projects in education, health, the environment, and sports to contribute to the social development of the region.

Beko Russia

Beko LLC donated white goods for more than 70 families after the fire in the Vladimir region close to Kirzhach city. Funding sport projects, Beko LLC organized a training course at "Fregat" military camp in Kirzhach region for the youth to teach the fundamentals of soldiering and patriotism.

Beko LLC supported numerous events promoting tea and coffee culture by its Samovar and Telve products at "Petersburg Samovar 2010", Russian leg of "V Festival".

Beko China

Arçelik A.Ş.'s washing machine plant in China, Beko Electrical Appliances Co. Ltd. gave donations to Changzhou Children Welfare Institute where orphans are looked after and educated with the purpose of contributing to social development.

Putting its mark on another international sponsorship in 2010 with EXPO 2010 Shanghai, Beko became the technology sponsor of Turkey Pavilion to promote the country via technology products.

Beko UK

Beko Plc., Arçelik A.Ş.'s sales and marketing company operating in the United Kingdom became the sponsor of 16th London Turkish Film Festival in 2010.

Beko Basketball League - Turkey

So it comes as no surprise that Arçelik A.Ş. is moving forward to become the "Sponsor of Basketball" not only in Turkey but across the globe by its investments in basketball since 2006 in parallel to Beko's "innovative", "young" and "dynamic" values and targets. Acting with this approach, Arçelik A.Ş. has extended sponsorship agreement with Turkish Basketball League in 2010.

Arçelik A.Ş. believes this long-term cooperation between Turkish Basketball Federation and Beko brand will have a significant contribution to raise the players of future and proudly represent Turkey in the international platform. The Company is the sponsor of annual "All Star" event organized to encourage sportspersons in Turkey and introduce this sport branch to more youngsters. The company also hosts the "Player of the Year" selected through the votes of basketball enthusiasts and coaches. The "Beko All Star" event of 2010 was held in Kayseri.

2010 FIBA World Basketball Championship

Beko was the major sponsor in the greatest sport organization hosted by Turkey, the 2010 FIBA World Basketball Championship.

Beko Basketball Bundesliga-Germany

Beko took the brand's investments to an international level with its "World Brand" slogan. Being the title sponsor of German Basketball League in 2009, Beko subsequently sponsored Beko Basketball Bundesliga All Star Day, Beko BBL Top Four, Beko BBL Champions Cup and Beko Super Cup 2010.

Beko Basketball League - Russia

Finally, Beko has undertaken title sponsorship of the Russian Basketball League following Turkish and German Basketball Leagues.

Blomberg - Germany

Blomberg sponsors HSG Blomberg Lippe Women Handball Team in Germany.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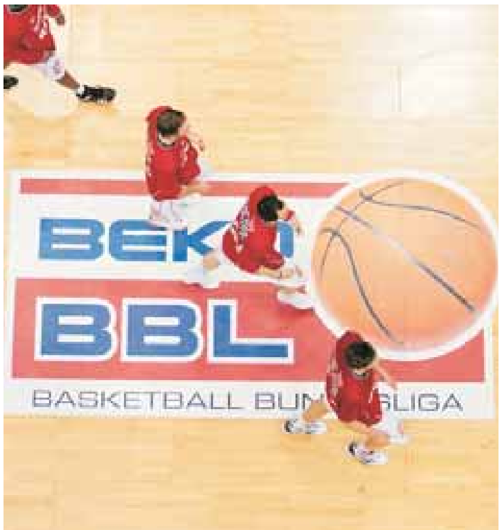
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DEUTSCHER BASKETBALL-MEISTER 2010
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Arçelik A.Ş. aims to enhance employee competencies and build a creative corporate culture strengthened by geographical and cultural diversity, in parallel with the corporate vision “Respects the Globe, Respected Globally”

For the systems and tools of human resources to reach the same advanced level in locations where the company operates, each process is handled individually and prioritized to perform necessary actions within the framework of operational plans.

Reinforcing the company's global competitive position with more ambitious targets every year through the strength and trust of its employees, Arçelik A.Ş. deploys various approaches in human resources to promote employee development:

- Integrated Human Resources systems and tools,
- Fostering creative and innovative work environments,
- Talent management and career planning,
- Continuous employee development.

Integrated Human Resources Systems and Tools

Arçelik maintains sustainability and growth in the company and improves human resources through efficient management by using standard assessment and improvement methods such as performance management and 360-degree assessments of employee competency, potential and leadership competency. The results of assessments provide inputs for the processes of development planning, career management and salary management and facilitate the integration between corporate development and employee development.

Fostering Creative and Innovative Work Environment

In today's world where major changes are witnessed, Arçelik A.Ş. constantly renews itself and generates new strategies and business models. The synergy in a cross-cultural work environment and a matrix organizational structure afford greater opportunities to various groups to come together and generate projects, allowing creative ideas to emerge and flourish.

Applying innovative approaches distinguishes products and services offered to customers in a competitive environment. With an R&D team of over 700 employees, Arçelik A.Ş. continues to develop and manufacture green products that are technologically innovative which in turn upgrade the living standards of customers.

Talent Management and Career Planning

In the company's growing organization, Arçelik A.Ş. aims to improve competencies by employing the most qualified young people and experienced professionals that will move the company forward.

Arçelik A.Ş. believes that personal achievement is a must for organizational achievement. Accordingly, the company utilizes various professional development management systems to improve the performances and competencies of employees.

Critical positions and potential employees, who will take the company into the future, are identified at a Human Resources planning meeting held each year. Meanwhile, performances of potential employees are tracked to provide improvement opportunities as needed.

Arçelik A.Ş. believes that the company and employees share the responsibilities for personal development and career management. In this context, 'Internal Announcement System' informs the employees about the vacant positions within the company and urges them to take initiative in their career path.

Development Management

The company's approach to training and development processes is to improve performances through continuous development principles in parallel with the company's vision and business targets.

Current and future improvement needs of employees are planned according to the company's global organizational requirements, targeting the effective and capable use of internal resources.

Considering organizational and personal needs starting from the date of recruitment, various development programmes are planned for the employees such as orientation programme and trainings of sales, marketing, leadership, management and foreign language education. Employees are included in development programmes prepared for different levels and different contents to get them ready for tougher future positions they will be assigned to within the global organization structure.

Leader and Work: A programme to prepare and support potential managers for a higher role when they are not in management role yet.

Developing Management Skills Programme: A programme to facilitate newly assigned managers' quick adaptation to their new roles and support their development.

Leader and Strategy/Leader and Human: A programme to support development of potential managers for senior management positions.

Functional Leadership Development Programmes: Development programmes addressing different functions/processes. (For example: Finance, Marketing, Human Resources, etc.)

In addition, we are currently working on 'International Management Development Programme' to be kicked off next year to support improvement and preparation of candidates for international assignments and roles.

Business Excellence

As the winner of the "European Foundation for Quality Management (EFQM) Excellence Award" and the owner of the "Turkish Quality Association's (KalDer) National Quality Award", Arçelik A.Ş. has adopted the Total Quality Management (TQM) approach to excellence in every processes leading to a finished product. Total Quality Management enhances efficiency in all systems. As a result, customers are able to receive higher quality goods and services with more favorable conditions within the company, a common language between departments and employees has been created while team spirit and communication have advanced continuously at every step in the quality journey. Employees' awareness of their individual contributions to success has reinforced Arçelik's corporate culture to much greater extent.

Initiated in 1993, the company's self-assessment programme based on EFQM Excellence Model ensured the continuous improvement and enhanced adaptive, proactive approaches in internal and external conditions under the Quality Management, Environmental Management, Occupational Health and Safety Management systems and business processes extending from suppliers to customers.

Based on the principles of TQM's philosophy and motivated by team spirit, the company strives to achieve both organizational and departmental objectives and maintain continuous improvement and growth in target markets. Activities involving quality, environment, and occupational health and safety are initiated and monitored under the company's Five-Year Strategic Quality Plan.

Arçelik A.Ş. certifies and continuously improves the Quality and Environmental Management Systems to comply with the requirements of ISO 9001 and ISO 14001 Standards. Arçelik A.Ş. consistently aligns both domestic and international activities in the consumer durable goods sector with the company's quality, environmental, and occupational health and safety policies.

The Company's Central Calibration Laboratory was accredited in 2008 and the Washing Machine Plant's EMC Laboratory was accredited in 2010 by Turkish Accreditation Agency (TÜRKAK) according to ISO 17025 Laboratory Quality Management Standard. Work is ongoing to ensure that the standards of Plant Calibration Laboratories are aligned with those of the Central Calibration Laboratory.

Under the continuous improvement approach, Arçelik A.Ş. works with data and uses the Six Sigma Methodology to reach excellence by increasing the productivity of its business processes to meet international competition.

Six Sigma mainly seeks to ensure excellence for simple and lean products and processes. Arçelik A.Ş. took the first initiative to apply Six Sigma in production and technology processes in 1998. And the use of Six Sigma has been extended to other processes as well since 2002.

Today, the Quality Systems and Six Sigma Department coordinates Six Sigma activities throughout the Company in production and transactional processes.

Six Sigma projects are determined and implemented with coordination of the Six Sigma Leaders. The Company organizes regular training courses for the deployment and sustainability of Six Sigma. There are nearly 150 employees with Six Sigma certified belts at Arçelik A.Ş.

Arçelik A.Ş. has adopted the Six Sigma in order to:

- Improve processes,
- Make the processes transparent and manageable,
- Create decision making mechanism based on data,
- Develop a platform for continuous growth in profitability,
- Harmonize its organizational targets and process objectives,
- To achieve a customer-oriented approach,
- To form a common language; and
- Increase creativity.

Another approach to optimize productivity in business processes is the Total Productive Maintenance (TPM) methodology which is based on team work at all levels.

Applied in Arçelik A.Ş. plants since 1996, the goal of TPM methodology is to provide the optimal use of resources by eliminating all factors that negatively affect efficiency, either directly or indirectly.

International System Standard Compliance Certificates

TS EN ISO 9001:2008, TSE
ISO 14001:2004, SGS
TS EN ISO/IEC 17025:2005, TÜRKAK

Product Standard Compliance Certificates

TSE - Turkey
CE - EU
TÜV, VDE - Germany
ITS, BEAB, INTERTEK - UK
GOST R - Russia
UL - USA
SEMKO - Sweden
IRAM - Argentina
KUWAIT STD. - Kuwait
SASO - Saudi Arabia
SINGAPORE STD. - Singapore
ISCIR, ICPE - Romania
CCIB, CCC - China
KETI - South Korea
POLAND STD. - Poland
AFNOR - France
AGA, AS - Australia
ÖVGW - Austria
CSA - Canada
UkrSEPRO - Ukraine
SII - Israel
Kvalitet - Serbia
ZIK - Croatia
ELOT - Greece
HDMI (TV) - All Regions
Dolby (TV) - All Regions
SRS (TV) - All Regions
USB (TV) - All Regions
DVD Forum (TV) - All Regions
DivX HD (TV) - All Regions
CI+ (TV) - All Regions
Digitenne (TV) - Netherlands
Levira (TV) - Estonia
TDT - Spain
DGTVi (TV) - Italy
Boxer (TV) - Sweden
RiksTV (TV) - Norway
Digital-Tick (TV) - UK


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Rahmi M. Koç - Chairman

A graduate of Johns Hopkins University in Business Administration, he joined Koç Group in 1958 at Otokoç and held various senior positions at Koç Holding. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. He was the President of the International Chamber of Commerce between 1995-1996. In addition to his role as Koç Holding Honorary Chairman, Rahmi M. Koç also serves as Vice Chairman of the Board of Trustees of Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of Vehbi Koç Foundation American Hospital, Honorary Chairman and Founder of TURMEPA (Turkish Marine and Environment Protection Association), Honorary President of the High Advisory Council of Turkish Industrialists' and Businessmen's Association, Honorary Member of the Foreign Policy Association, Honorary Member of the NY Metropolitan Museum Board of Trustees and Member of Allianz AG International Advisory Board.

Mustafa V. Koç - Vice Chairman

After graduating with a B.A. degree in Business Administration from George Washington University in 1984, he joined Koç Group in Tofaş. In 1992, he moved to Koç Holding and served as Vice President and President of various business groups. He became a Member of the Board of Directors in 2001 and Vice Chairman in 2002. He was appointed as Chairman of Koç Holding Board of Directors on 4 April 2003. He is a Member of Vehbi Koç Foundation Board of Directors, Board of Trustees of Turkish Volunteers for Education Foundation, Advisory Board of Kuwait International Bank, Rolls-Royce Advisory Board and JP Morgan International Council. He also serves as the Honorary Consul General of Finland for İstanbul.

Dr. Bülent Bulgurlu - Member

He graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti İnşaat in 1977 as Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager and General Manager. He has worked at Koç Holding since 1996 as President of Tourism and Services Group, President of Tourism and Construction Group and President of Consumer Durables and Construction Group. He was Koç Holding CEO between May 2007 - April 2010. He is a Member of Koç Holding Board of Directors since May 2007. He is also a Member of Turkish Industrialists' and Businessmen's Association, TURMEPA (Turkish Marine and Environment Protection Association) and Turkish Tourism Investors Association.

O. Turgay Durak - Member

He completed his undergraduate and graduate degrees at Northwestern University in Mechanical Engineering, joining Koç Group in 1976 at Ford Otomotiv as design engineer for product development. He was appointed as Assistant General Manager in 1986, became Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as the President of Automotive Group at Koç Holding between 2007-2009. Durak was appointed Koç Holding's Deputy CEO in May 2009 and became CEO and Board Member in April 2010. He was the Chairman of the Board of Directors of Automotive Manufacturers' Association between 2004 - 2010.

Robert Sonman - Member

He has undergraduate and graduate degrees in architecture from McGill University in Canada. He serves as the Chairman and Vice Chairman of the Board of Directors at Burla Group Companies, a shareholder of Arçelik A.Ş. He has been serving as a Member of Board of Directors of Arçelik A.Ş. since April 1994. He is fluent in English and French.

Semahat S. Arsel - Member

A graduate of American College for Girls İstanbul, she studied German at Goethe Institute and is fluent in both English and German. She began her career in 1964 as a Member of Koç Holding Board of Directors, a position she continues to hold. In addition, she is the Chairman of the Board of Directors of Vehbi Koç Foundation, Chairman of the Tourism Group Board of Directors, Chairman of Semahat Arsel Nursing Education and Research Center and Second Chairman of Florance Nightingale Foundation. She is also the Founder of Koç University School of Nursing.

Temel K. Atay - Member

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000-2001. He has been a Member of the Board of Directors since 1996 and was named Vice Chairman in 1998.

Ömer M. Koç - Member

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his MBA at Columbia University in 1989, he worked at Ramerica International Inc. He joined Koç Group in 1990 and worked at Gazal A.Ş. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. He has been a Member of Koç Holding Board of Directors since 2004 and Vice Chairman since May 2008. He is also the President of Turkish Educational Foundation and Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Tüpraş Board of Directors.

Ali Y. Koç - Member

He graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. He attended the American Express Bank Management Trainee program between 1990-1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992-1994. He held various senior positions at Koç Holding such as the New Business Development Coordinator and President of Information Technology Group between 1997-2006. He was the President of Corporate Communications and Information Technology Group between 2006-2010. He was appointed as a Member of Koç Holding Board of Directors on 30 January 2008.

A. Gündüz Özdemir Member

He completed his university education at Istanbul Academy of Economics and Commercial Sciences. He joined the Koç Group in 1972 at Beko Ticaret. Following his positions as Assistant General Manager and General Manager in the Company, he became the Vice President of the Koç Holding Consumer Durables Group and the Arçelik Turkey Marketing and Sales Group Director in 2000. After becoming the General Manager of Arçelik in 2003, he was appointed President of Koç Holding Consumer Durables Group in May 2007, while serving as General Manager at Arçelik. He served as President of Consumer Durables between August 2008 and April 2010 at Koç Holding. He has been a Member of the Board of Directors of Arçelik A.Ş. since April 2005.

Levent Çakıroğlu - Member

He graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his M.A. degree from University of Illinois. He commenced his business career in the Ministry of Finance in 1988 as an assistant accounting specialist. He served as a part-time Lecturer at Bilkent University and Vice Chairman of the Financial Crimes Investigation Board at the Ministry of Finance between 1997-1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş General Manager from 2002 to 2007, and Migros General Manager from 2007 to 2008. He was appointed Arçelik General Manager in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.

Serkan Özyurt - Auditor

He has a degree in economics from Ankara University, Faculty of Political Sciences. He started his career as an Accounting Specialist in the Ministry of Finance in 1990. He served as the Chief Accounting Specialist from 1999 to 2002. He was Vice President of the Istanbul Group Accounting Specialists Department from 2002 to 2003 and Vice President of Accounting Specialist Department respectively from 2003 to 2004. He joined the Koç Group in 2005 and is the Coordinator of Auditing Group.

İnanç Kiraz - Auditor

He graduated from the University of Istanbul, Department of Economics and completed his MBA degree in business administration from Koç University. Commencing his business career at Koç Holding A.Ş. Audit and Finance Group as a Management Trainee in 1998, Mr. Kiraz served as an Auditing Expert from 2001 to 2005 and as the Auditing Group Manager from 2005 to 2008. He has been the Audit Coordinator at Koç Holding A.Ş. Audit Group since January 2009 and is responsible for the Durable Goods Group and the Food & Retailing Group.

Authorities and Limits of the Members of the Board of Directors and the Board of Auditors: The Board of Directors and the Board of Auditors were elected at the Ordinary General Shareholders Meeting by resolution on March, 17, 2010 for one year. Chairman and Members of the Board of Directors are entitled the authorizations specified in TCC and Articles 11-16 of the Articles of Association. Members of the Board of Auditors are entitled the authorizations defined in Article 25 of CMB's Communiqué Serial: X, Nr. 22.

Levent Çakıroğlu

Arçelik A.Ş. General Manager

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager - Finance and Accounting

Mr. Ebiçlioğlu has a degree in economics from Ankara University, Faculty of Political Sciences, Department of International Relations. He earned his Finance-MBA from Virginia Commonwealth University and Ph.D. from Ankara University, Faculty of Political Sciences, Department of Accounting-Finance. He began his business career in the Ministry of Finance as a Junior Accountant in 1989 and served as an Account Expert, and Head Account Expert. He joined the Koç Group in 2002 and served as the Coordinator of the Koç Holding Finance Group. He has been the Assistant General Manager in charge of Finance and Accounting at Arçelik A.Ş. since April 2005.

İsmail Hakkı Sağır

Assistant General Manager - Production and Technology

Mr. Sağır has a graduate degree from the Middle Eastern Technical University, Department of Mechanical Engineering, and started his career as a Project Engineer at the Arçelik Refrigerator Plant in 1980. And served as the Quality Manager, Assistant Production Manager, Production Manager, Plant Manager, Compressor Product Manager, and Refrigerator Product Manager respectively. He has been the Assistant General Manager in charge of Production and Technology at Arçelik A.Ş. since May 2009.

Tülin Karabük

Assistant General Manager - Marketing

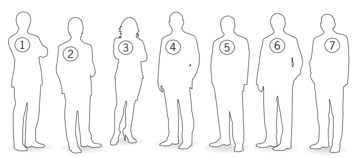
Mrs. Karabük completed her university education at the Bosphorus University, Department of Business Administration in 1986. She began her business career at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987. Then she served at various management and senior management positions at 3M A.Ş., KVK A.Ş., and Turkcell Group respectively. In September 2009, she started as the Assistant General Manager in charge of Sales in Europe, America, Asia-Pacific at Arçelik A.Ş. She has been the Assistant General Manager in charge of Marketing at Arçelik A.Ş. since September 2010.

Şirzat Subaşı

Assistant General Manager - Sales Turkey, Middle East, Africa and Turkic Republics

Mr. Subaşı completed his university education at the Istanbul Technical University, Department of Management Engineering. He started his career at Beko Ticaret A.Ş. in 1986 and served as the Regional Sales Manager, Assistant Sales Manager, Sales Manager, Beko Sales Director, the Director of the Turkey Marketing and Sales Group, and Assistant General Manager of Turkey Marketing and Sales, respectively. He has been the Assistant General Manager, Sales Turkey, Middle East, Africa and Turkic Republics at Arçelik A.Ş. since May 2009.

Hakan Hamdi Bulgurlu 1
Şirzat Subaşı 2
Tülin Karabük 3
Levent Çakıroğlu 4
Dr. Fatih Kemal Ebiçlioğlu 5
İsmail Hakkı Sağır 6
C.Ş. Oğuzhan Öztürk 7



Hakan Hamdi Bulgurlu

Assistant General Manager - Sales Europe, America, Asia-Pacific

After completing his undergraduate education at Texas University, Department of Economics and Mechanical Engineering, Mr. Bulgurlu, completed a joint MBA program of the Northwestern University, Kellogg School of Management and the Hong Kong University of Science and Technology. He began his business career at Ram Dış Ticaret as a Salesperson in 1995 and, following his role as Ram Pacific Sales Director; he worked in the departments of Production, Strategic Planning and Marketing at Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret. Then, he served as Ram Pacific Company Director, Ram Pacific General Director, and Arçelik-LG Klima A.Ş. General Director, respectively. He has been the Assistant General Manager in charge of Sales Europe, America, Asia-Pacific at Arçelik A.Ş. since September 2010.

C. Ş. Oğuzhan Öztürk

Assistant General Manager - Purchasing and Supply Chain

Mr. Öztürk, gained his undergraduate degree at ITU, Department of Aeronautical Engineering and his masters degree at ITU, Department of Mechanical Engineering. He began his business career at ITU, Institute of Materials Sciences as a Research Assistant. He started working at Arçelik A.Ş., Eskişehir Compressor Plant as a Quality Control Engineer in 1987. Following his various managerial positions in quality, production and product development processes at Arçelik A.Ş. Compressor and Refrigerator Plants, he was appointed Refrigerator Product Director of Arçelik A.Ş., S.C. Arctic S.A. General Manager, Arçelik A.Ş. Washing Machine Product Director, Grundig Elektronik A.Ş. General Manager, and Arçelik A.Ş. Supply Chain Director respectively. He has been Assistant General Manager - Purchasing and Supply Chain at Arçelik A.Ş. since September 2010.

Ahmet İhsan Ceylan	Supply Chain Director
Ali Tayyar	Accounting Director - Headquarters/Plants
Barış Orbay	Marketing Director - Turkey
Brigitte Petit	Country Manager France - Beko France S.A. General Manager
Buket Çelebiöven	Human Resources Director
Cemal Can Dinçer	Sales Director-Europe, America, Asia-Pacific
Clayton Witter	Country Manager UK - Beko Plc General Manager
Dilek Temel	Corporate Relations Coordinator
Dr. Cemil İnan	Research and Development Director
E. C. Murat Büyükerk	Sales Director - Middle East, Africa, Turkic Republics
Ercüment Gül_en	Beko Sales Director
Erkan Duysal	Product Director-Electronics
Federico Mangiacotti	Country Manager Italy - Beko Italy S.R.L. General Manager
Hakan Kozan	Product Director - Dishwasher
Hakan Turan	Costumer Services Director
Hasan Ali Yardımcı	Strategic Planning Director
Hilmi Cem Akant	Country Manager Spain - Beko Electronics España S.L. General Manager
Hüseyin Öner	Information Technologies Director
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Kürşat Coşkun	Country Manager China - Beko Electrical Appliances Co. Ltd. General Manager
Kamil Uğur Kayalı	Business Development Coordinator
Maciej Mienik	Country Manager Poland, Czech Republic, Slovakia - Beko Polska General Manager - Beko S.A., Beko Cesko S.R.O., Beko Slovakia S.R.O. General Manager
Mehmet Savaş	Product Director - Dryer and Electric Motors
Melis Mutuş	Corporate Communications Coordinator
Monica Iavorschi	Country Manager Romania - S.C. Arctic S.A. General Manager
Murad Şahin	Grundig Multimedia B.V General Manager
Mustafa Türkay Tatar	Finance Director
Nihat Bayız	Product Director - Refrigerator
Polat Şen	Purchasing Director
Rauf Candan Oğuzkan Şatıroğlu	Country Manager Russia - Beko LLC General Manager
Salih Arslantaş	Product Director - Washing Machine
Serdar Sözenoğlu	Country Manager Austria - Elektra Bregenz A.G. General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Product Planning and Coordination Director
Tevfik Adnan Tüfekçi	Product Director - Cooking Appliances
Turgut Karabulut	Arçelik Sales Director
Zafer Üstüner	Country Manager Germany - Beko Deutschland GmbH General Manager

- Agenda
- Profit Distribution Proposal
- Amendments to the Articles of Association
- Resolution of Board of Directors
- Auditor's Report
- Consolidated Financial Statements and Independent Auditor's Report

ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY
MARCH 23, 2011

1. Opening and the Election of Presidential Board,

2. Reading the Report of the Board of Directors, the Report of the Auditors and the summary of the Report of the Independent Audit Institution Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited), concerning the operations and accounts of the year 2010, discussing these reports; acceptance, acceptance after modifications or refusal of the proposal of the Board of Directors for the Balance Sheet and Income Statement of year 2010,

3. The acquittal of the Members of the Board of Directors and the Auditors separately for the operations of the Company in 2010,

4. The approval, approval with amendment or refusal of the Board of Directors' suggestion for the distribution of 2010 profits and the date of profit distribution,

5. In accordance with Corporate Governance Principles, informing our Shareholders about "Profit Distribution Policy" of the Company for 2011 and following years,

6. In accordance with Corporate Governance Principles, informing our Shareholders about "Company Information Disclosure Policy",

7. On condition that necessary permissions are obtained from Capital Markets Board and T.R. Ministry of Industry and Trade; the approval of amendments in Article 3 named "Purpose and Subject" in the Articles of Association of the Company,

8. Determination of the number of members of the Board of Directors and election of the members in accordance with the determined number,

9. Determination of the number of Auditors and election of the Auditors in accordance with the determined number,

10. Determination of gross monthly salaries of the members of the Board of Directors and Auditors,

11. Informing the General Assembly about the donations and aid which the Company provided to social welfare foundations and associations during 2010 for social relief purposes,

12. Informing our Shareholders about the transactions conducted with related parties during the year,

13. Approval of Independent Audit Institution selected by the Board of Directors upon the suggestion of Auditing Committee, in accordance with the Communiqué of Independent Audit Standards in Capital Market, issued by Capital Markets Board,

14. Authorization of the members of the Board of Directors to perform the business, related to the operations of the Company in person or on behalf of other persons and to become partners to the companies, performing such operations and to perform other transactions, in accordance with Articles 334 and 335 of the Turkish Commercial Code,

15. Authorization of the Presidential Board to sign the General Assembly Meeting Minutes on behalf of the Shareholders and to settle with this,

16. Wishes and opinions.

Esteemed Shareholders,

According to the financial tables for the accounting term January 1, 2010 and December 31, 2010, prepared by our Company within the framework of the Communiqué of the Capital Markets Board, Series: XI, Number: 29, and in compliance with the International Financial Reporting Standards, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited); a "(Consolidated) Net Income" of TL 549,247,388.36 has been provided of which TL 517,093,298.54 is net income attributable to the equity holders of the parent. Prepared on basis of the long-term group strategy, the capital requirements of our company, our affiliates and subsidiaries; investment and finance policies as well as profitability and cash position, our proposal for profit distribution has been explained below. The payment of dividend will commence on March 29, 2011 in accordance with the decision to be adopted by the general assembly.

In accordance with Capital Market Law and Capital Markets regulations, it was established that distributable profit of TL 517,093,298.54 has been obtained, the sum of TL 526,544,797.86, which includes the addition of TL 9,451,499.32 consisting of the donations, made to the tax-exempt foundations and associations, is the first dividend amount and in official records there is a total distributable profit of TL 855,740,055.48, including TL 304,866,374.69 as net profit after tax.

It is resolved to suggest that from the consolidated profit calculated according to Capital Markets Board Legislation

TL 250,000,000.00		As gross dividend to the shareholders,
TL 21,621,358.98	10%	as 2nd Group Reserve

and the remaining amount as extraordinary reserve,

Based on our legal records;

To pay distributable cash dividend of TL 250,000,000.00 and second group reserve of TL 21,621,358.98 from the legal profit of current year,

- To pay a gross=net cash dividend of TL 0.36997 at a rate of 37.0 % for one share with a nominal value of TL 1.00, to full taxpayer institutions or to limited taxpayer institution shareholders, who provide dividends through a workplace or permanent represantative in Turkey,
- To pay other shareholders cash dividends for a gross amount of TL 0.36997 and a net amount of TL 0.31449 for one share with a nominal value for TL 1.00 and at a rate of 37.0%;

To propose abovementioned to General Assembly.

May 2011 be a prosperous year for our country and our company.

With our best regards,

Rahmi M. Koç
Chairman of the Board

REASON FOR AMENDING ARTICLE 3-B REGARDING PURPOSE AND SUBJECT

Commitment services consist of the entire service package including

- determination of customer demands and needs that are specific to the project,
- offering consultancy service in the light of technical data and projects providing solutions to meet such demands and needs,
- supplying of products required to realize the solution in the specific project/location
- application and installation of these products at the specific location complying with the required conditions
- setting up the required infrastructure of the field and work site such as electrical, static, mechanical works and communication and etc.,
- coordination of sub-teams to implement the project and process management for various stages of the project,
- presenting prepared infrastructure and product implementations to the customers by certain periods and by the means of progress payment, and the customer's approval of conformance with project qualities,
- providing training on usage and post-sale support within definite periods after the completion of site installation and implementation,
- fulfilling periodical maintenance services within certain periods,
- supplying necessary spare parts, repair and service within legal warranty periods,

Our Company's System Air Conditioner and Kitchen Sales teams offer solution and service packages differing from retail sales definition. In system air conditioners, selection of air conditioning system to be implemented in a building requires evaluation and project design of the building in terms of engineering. Implementation of air conditioning systems also requires to implement mechanical, static, electrical and communication infrastructure at the worksite of the project in addition to products. Selling system air conditioner, rather than selling one product, is to provide the customers with an entire package of air conditioning solutions and services. Products marketed by our company constitute only one part of this solution and service package; our corporate customers (B2B) demand us to offer this solution and service package as a whole. Otherwise, abovementioned commitment services concerning infrastructure are provided by different units and this leads incompatibilities, delays and deficiencies in the customer's worksite and project process management. Therefore, in main discipline areas such as air conditioning, electrical works and mechanics; the customers demand entire process to be managed by one party under the main titles including logistics, human resources, supply and coordination of consumables and infrastructure materials.

In ready-made kitchen; it is required to determine customers' architectural and aesthetical expectations and demands specific to the project, to design the project in the light of this determination, to provide the customers with consultancy services concerning architectural, mechanical and electrical infrastructure needs. Designed kitchen solution package should be implemented with respect to both infrastructure and superstructure in compliance with other systems in worksite/field. Moreover, the customers demand the entire process management, including logistics, human resources, supply of materials, product installation and etc., to be undertaken by one party.

It seems to have crucial importance to adopt a profile with the capability of completely fulfilling the abovementioned solution and service packages in order to be able to market our products to B2B customers, to whom we strive to serve in the field of corporate sales. Competitor companies in the market have such a profile of commitment services that it provides them competition advantage. Therefore, we would like to add “commitment” job in the 3rd article of our Articles of Association, regarding Purpose and Subject.

REASON FOR ADDING PARAGRAPH M TO ARTICLE 3 REGARDING PURPOSE AND SUBJECT

In Turkey, within the scope of Energy Efficiency Law 5627; the work of conducting energy efficiency services in existing buildings and/or industrial sector are assigned to energy efficiency consultancy companies, which have been authorized by General Directorate of Electrical Power Resources Survey and Development Administration (EIE) under the Ministry of Energy and Natural Resources. A company may only serve in either building sector or industry sector, or it can receive authorization for both areas. To obtain this authorization, the company should employ mechanical and/or electrical engineers, who own the certificate of building energy manager and training-survey-project certificate, in a certain number stated in laws and regulations.

As per “Regulation on Increasing Efficiency in the Use of Energy Sources and Energy”, Article 6 and Clause 4 and Paragraph (c); “company's purpose/subject” in the Company's Articles of Association must include the following phrase concerning the company's subject of operation: “Give energy manager training, prepare and implement energy studies and efficiency increasing projects (VAP), provide consultancy and energy manager services for buildings,”

In line with the abovementioned legislation, this clause will be added into our Articles of Association, Article 3 “Purpose and Subject” as the paragraph M.

Energy efficiency consultancy services' main contributions to our Company are the following:

- Increasing sales volume by marketing our energy efficient products to the right persons
- Giving Energy Identity Card for the buildings for which we implement projects by obtaining Energy Manager certificate ,
- Using "We design A class buildings" slogan in sales launch,
- Offering energy management services to our customers to whom we already give service and maintenance,
- Including "Energy Management" trainings to give to our dealers and services at Arçelik Air Conditioner Academy
- To provide our dealers and services with energy management, survey - project training and authorization.

OLD TEXT
PURPOSE AND SUBJECT

Article 3- Subject of the Company is to perform all commercial and industrial activities related with production, sales, marketing and leasing, in virtual environment included, import and export of refrigerators, deep-freezers, washing machines, dish washers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, Radios, Televisions, Audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar household appliances operating with or without electric power or other power source, bath tub and ready-made kitchens, home furnitures, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors,carburrators, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobil telephone lines and components electrical devices and their parts and components; transportation and passenger vehicles and their motors and other parts; power production, utilisation, transmission and distribution equipments.

The company may perform these activities included in its subject singularly as well as perform production activities jointly with another company; It may realise the production under its own brand names as well as for and on behalf of others under their brand names,

Related with its purpose and subject the Company, in the country and abroad, may:

A) Operate as an agent, broker, representitive and Dealer and authorise others to do same.
B) Establish marketing, transportation, warehousing and entrepot organisations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly with others.
C) Establish companies or participate in already established companies; use forms or partnerships and other forms of cooperation; realise partnerships and cooperations with others provided that requirements of the Legislation are fulfilled.
D) Acquire trade marks, models, pictures, special production and manufacturing methods, know-how, patent rights; exercise its rights on the same.
E) Import and export, participate in tenders; realise these together with domestic and foreign partners
F) Use its knowledge and experience, build plants and installations for others in the country and abroad.
G) It can buy securities including bonds and shares in the country and abroad as well as depository receipts, contracts of future delivery, derivatives listed in the financial markets, structured financing elements and can make disposition of the foregoing, can also buy and/or dispose of when necessary the share certificates of commercial banks, financial leasing, consumer loan and factoring companies for affiliation purposes provided that such services would not constitute intermediary activities or portfolio management.
H) Participate and when necessary terminate its participation in companies providing Radio, Television Program Production and Broadcasting Services, companies operating Television Studios, and companies manufacturing and selling necessary equipments.
I) Involve in buying and selling and import and export activities of all types of raw materials, semi finished and finished products.
İ) Set up and/or have others set up all kinds of Laboratories and Research centers required for Research and Development activities
J) Give aids and grants to Foundations established with social objectives, Associations, Universities and similar institutions provided that these aids and donations given in the year do not create results which may be included in the scope of Article nr. 15 of Capital Market Board, and such is submitted to the information of the shareholders and the required special circumstances are explained at the General Assembly.
K) In compliance with the legislation relating to the power market and within the framework of auto-producer licence, and with the main aim of meeting its own need for electricity and heat energy; it may conduct activities relating to built production facilities, produce electricity and heat energy, in case of production exceeding its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers, and to import all the necessary equipment and fuel for non-commercial purposes.
L) As long as adapting to the principles of Capital Markets Board, the Company can give warranty, bailment, assurance in favor of on its behalf or third parties or build right of pledge including mortgage .

If other activities deemed beneficial other than the ones specified above are intended to be ventured then such shall be submitted for approval to the general assembly by the Board of Directors and after raising a resolution in that respect the company will be able to undertake the activity desired. However application of such decision which is an amendment to the Articles of Association by nature shall require permission from Capital Markets Board and Ministry of Industry and Trade.

NEW TEXT
PURPOSE AND SUBJECT

Article 3- Subject of the Company is to perform all commercial and industrial activities related with production, sales, marketing and leasing, in virtual environment included, import and export of refrigerators, deep-freezers, washing machines, dish washers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, Radios, Televisions, Audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar household appliances operating with or without electric power or other power source, bath tub and ready-made kitchens, home furnitures, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors,carburrators, power transfer devices which form the main and auxiliary components of the above; mobile telephones,mobil telephone lines and components electrical devices and their parts and components; transportation and passenger vehicles and their motors and other parts; power production, utilisation, transmission and distribution equipments.

The company may perform these activities included in its subject singularly as well as perform production activities jointly with another company; It may realise the production under its own brand names as well as for and on behalf of others under their brand names,

Related with its purpose and subject the Company, in the country and abroad, may:

A) Operate as an agent, broker, representitive and Dealer and authorise others to do same.
B) Establish marketing, transportation, commitment, warehousing and entrepot organisations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly with others.
C) Establish companies or participate in already established companies; use forms or partnerships and other forms of cooperation; realise partnerships and cooperations with others provided that requirements of the Legislation are fulfilled.
D) Acquire trade marks, models, pictures, special production and manufacturing methods, know-how, patent rights; exercise its rights on the same.
E) Import and export, participate in tenders; realise these together with domestic and foreign partners
F) Use its knowledge and experience, build plants and installations for others in the country and abroad.
G) It can buy securities including bonds and shares in the country and abroad as well as depository receipts, contracts of future delivery, derivatives listed in the financial markets, structured financing elements and can make disposition of the foregoing, can also buy and/or dispose of when necessary the share certificates of commercial banks, financial leasing, consumer loan and factoring companies for affiliation purposes provided that such services would not constitute intermediary activities or portfolio management.
H) Participate and when necessary terminate its participation in companies providing Radio, Television Program Production and Broadcasting Services, companies operating Television Studios, and companies manufacturing and selling necessary equipments.
I) Involve in buying and selling and import and export activities of all types of raw materials, semi finished and finished products.
İ) Set up and/or have others set up all kinds of Laboratories and Research centers required for Research and Development activities
J) Give aids and grants to Foundations established with social objectives, Associations, Universities and similar institutions provided that these aids and donations given in the year do not create results which may be included in the scope of Article nr. 15 of Capital Market Board, and such is submitted to the information of the shareholders and the required special circumstances are explained at the General Assembly.
K) In compliance with the legislation relating to the power market and within the framework of auto-producer licence, and with the main aim of meeting its own need for electricity and heat energy; it may conduct activities relating to built production facilities, produce electricity and heat energy, in case of production exceeding its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers, and to import all the necessary equipment and fuel for non-commercial purposes.
L) As long as adapting to the principles of Capital Markets Board, the Company can give warranty, bailment, assurance in favor of on its behalf or third parties or build right of pledge including mortgage .
M) Give energy manager training, prepare and implement energy studies and efficiency increasing projects (VAP), provide consultancy and energy manager services for buildings.

If other activities deemed beneficial other than the ones specified above are intended to be ventured then such shall be submitted for approval to the general assembly by the Board of Directors and after raising a resolution in that respect the company will be able to undertake the activity desired. However application of such decision which is an amendment to the Articles of Association by nature shall require permission from Capital Markets Board and Ministry of Industry and Trade.

ARÇELIK A.Ş. RESOLUTION OF BOARD OF DIRECTORS

DATE OF DECISION : 17/02/2011

DECISION NUMBER : 719

SIGNED BY :

Chairman	Rahmi M.KOÇ
Vice Chairman	Mustafa V.KOÇ
Member	Dr. Bülent BULGURLU
Member	O.Turgay DURAK
Member	Robert SONMAN
Member	Semahat S.ARSEL
Member	Temel K. ATAY
Member	Ömer M. KOÇ
Member	Ali Y.KOÇ
Member	A.Gündüz ÖZDEMİR
Member	Levent ÇAKIROĞLU

AGENDA : Approval of the financial statements dated December 31, 2010 and publishing on the Public Disclosure Platform (KAP)

Company Management has prepared the consolidated financial statements as of December 31, 2010 on consultation with the Audit Committee and according to the International Financial Reporting Standards (UMS/UFRS) as well as the statutory formats specified by CMB under Capital Market Board's (CMB) Communiqué Serial: XI, Nr.: 29 and Decision 11/367 dated 17/03/2005. The Board of Directors have examined those consolidated financial statements, the independent audit report and Annual Report, and confirmed that those financial statements audited by an independent auditor comply with the current regulations; and that they are free from any material misstatements or any misleading statements as of relevant period; and present fairly, in all material aspects, the company's consolidated financial performance, financial position and operating results. Within this framework, the financial reports have been approved.

The Board of Directors have decided to publish the consolidated financial statements mentioned and the independent audit report drafted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş (a member firm of Ernst & Young Global Limited) via Public Disclosure Platform (KAP) under Article 12 of CMB Communiqué with Serial: XI, Nr: 29, and CMB Decision 5/146 dated 04/03/2010 and also the Istanbul Stock Exchange Circular Nr. 317.

Rahmi M.KOÇ
Chairman

Mustafa V.KOÇ
Vice Chairman

Dr. Bülent BULGURLU
Member

O.Turgay DURAK
Member

Robert SONMAN
Member

Semahat S.ARSEL
Member

Temel K. ATAY
Member

Ömer M. KOÇ
Member

Ali Y.KOÇ
Member

A.Gündüz ÖZDEMİR
Member

Levent ÇAKIROĞLU
Member

To ARÇELİK A.Ş.
General Assembly

The auditing conclusions for the accounting year 2010 are submitted for your perusal.

1. According to the provisions of the Turkish Commercial Code and related legislation, we confirm the following:

   a. All statutory books and records have been duly kept;

   b. The supporting documents have been maintained in an orderly manner; and

   c. The adopted resolutions pertaining to the company's management have been recorded in the resolution book.

2. Within this frame, regarding the company's current status and position, our opinion holds that the attached consolidated financial statements prepared as of December 31, 2010 according to the Capital Markets Board's Communiqué Serial: XI, No: 29, "Communiqué on Financial Reporting Standards in Capital Markets" accurately represent in all material aspects the consolidated financial status and results of the Company's consolidated operations.

Consequently, we hereby submit to the General Shareholders Meeting to approve the Company's activities summarized in the report by the Board of Directors, the consolidated financial statements prepared according to Capital Markets Law, and the Board's proposals on the outcome of the accounting period and to relieve the members of the Board of Directors from any liability.

Istanbul, February 17, 2011

Sincerely,

İnanç Kiraz **Serkan Özyurt**

ERNST & YOUNG

Güney Bağımsız Denetim ve SMMM A.Ş.
Büyükdere Cad. Beytem Plaza No:22
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Fax: +90 (212) 230 82 91
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheets of Arçelik A.Ş. (the Company or "Arçelik") and its Subsidiaries (together "the Group") as at December 31, 2010 and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2010 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Other matter

The consolidated financial statements of Arçelik A.Ş. and its subsidiaries prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2009, were audited by another audit firm whose independent auditors' report thereon dated February 17, 2010 expressed an unqualified opinion.

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

Ertan Ayhan, SMMM
Engagement Partner

February 17, 2011
İstanbul,Turkey

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009

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

	Notes	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	5	1,317,166	904,734
Derivative financial instruments	8	1,185	4,444
Trade receivables	9	2,324,578	2,233,011
Inventories	11	987,526	906,786
Other current assets	21	117,984	108,980
Total current assets		**4,748,439**	**4,157,955**
Non-current assets			
Trade receivables	9	12,461	4,254
Financial investments	6	658,679	395,814
Associates	12	136,604	129,169
Investment properties	13	5,480	6,344
Property, plant and equipment	14	1,252,245	1,244,109
Intangible assets	15	461,417	439,993
Goodwill	16	7,190	7,511
Deferred tax assets	29	39,244	41,509
Total non-current assets		**2,573,320**	**2,268,703**
Total assets		**7,321,759**	**6,426,658**

The consolidated financial statements as at and for the year ended December 31, 2010 have been approved for issue by the Board of Directors on February 17, 2011 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009

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

	Notes	2010	2009
LIABILITIES			
Current liabilities			
Financial liabilities	7	839,220	1,923,727
Derivative financial instruments	8	239	698
Trade payables	9	968,962	762,402
Other payables	10	129,530	104,533
Current income tax liabilities	29	18,970	14,356
Provisions	19	205,160	204,659
Other current liabilities	21	179,908	169,288
Total current liabilities		**2,341,989**	**3,179,663**
Non-current liabilities			
Financial liabilities	7	1,218,072	188,314
Trade payables	9	63,681	67,380
Provision for employment termination benefits	20	99,700	85,335
Deferred tax liabilities	29	128,549	95,201
Provisions	19	58,136	60,761
Other non-current liabilities	21	3,898	6,501
Total non-current liabilities		**1,572,036**	**503,492**
Total liabilities		**3,914,025**	**3,683,155**
EQUITY			
Paid-in capital	22	675,728	675,728
Adjustment to share capital	22	468,811	468,811
Share premium		889	889
Revaluation fund	22	511,969	283,558
Restricted reserves	22	168,445	161,824
Currency translation differences		29,585	35,137
Contribution to shareholders' equity related to the merger	22	14,507	14,507
Retained earnings		954,525	574,257
Net income for the year		517,093	485,410
Attributable to:			
Equity holders of the parent		3,341,552	2,700,121
Non-controlling interest		66,182	43,382
Total equity		**3,407,734**	**2,743,503**
Total liabilities and equity		**7,321,759**	**6,426,658**
Commitments, contingent assets and liabilities	18		

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Notes	2010	2009
Net sales	23	6,936,420	6,591,895
Cost of sales	23	(4,868,473)	(4,417,892)
Gross profit		**2,067,947**	**2,174,003**
Marketing, selling and distribution expenses	24	(1,161,489)	(1,179,358)
General administrative expenses	24	(280,363)	(251,972)
Research and development expenses	24	(60,520)	(48,480)
Other income	26	130,416	184,966
Other expenses	26	(58,341)	(130,313)
Operating profit		**637,650**	**748,846**
Income from associates	12	11,907	5,567
Financial income	27	287,046	402,124
Financial expenses	28	(279,965)	(580,094)
Income before tax		**656,638**	**576,443**
Income tax expense			
- Taxes on income	29	(83,492)	(45,910)
- Deferred tax income/ (expense)	29	(23,899)	(27,507)
Net income		**549,247**	**503,026**
Attributable to:			
Non-controlling interest		32,154	17,616
Equity holders of the parent		**517,093**	**485,410**
Earnings per share (Kr)	**30**	**0.7652**	**0.8668**

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010	2009
Net income for the year	**549,247**	**503,026**
Other comprehensive income /(expense):		
Decrease in value of intangible assets	(1,422)	(1,545)
Tax effect	363	394
	(1,059)	**(1,151)**
Fair value gains/losses on financial assets	262,865	124,327
Tax effect	(13,143)	(6,216)
	249,722	**118,111**
Fair value gains on commodity hedge (net)	789	-
Tax effect	(158)	-
	631	**-**
Foreign currency hedge of net investments in foreign operations	(12,171)	-
Tax effect	2,434	-
	(9,737)	**-**
Currency translation differences	**(16,251)**	**(5,359)**
Reclassifications:		
Decrease in value of intangible assets	1,422	1,545
Cash flow hedge fund (net)	(360)	-
Financial asset revaluation fund (net)	-	(121,626)
Other comprehensive income/(loss) (net of tax)	**224,368**	**(8,480)**
Total comprehensive income	**773,615**	**494,546**
Attributable to:		
Non-controlling interest	32,241	17,598
Equity holders of the parent	**741,374**	**476,948**

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Paid in capital	Adjustment to share capital	Share premium	Revaluation fund	Restricted reserves	Currency Translation differences	Contribution to shareholders' equity due merger	Retained earnings	Net income for the year	Equity holders of the parent	Non-controlling interests	Total Equity
As of January 1, 2009	**399,960**	**468,811**	**96**	**287,902**	**157,784**	**40,800**	**-**	**542,917**	**39,794**	**1,938,064**	**63,265**	**2,001,329**
Capital increase	249,975	-	-	-	-	-	-	-	-	249,975	-	249,975
Transfers	9,999	-	-	-	-	-	-	29,795	(39,794)	-	-	-
Transfers from non-controlling interest to shareholder's equity due to merger with the subsidiary (Note 3)	15,794	-	-	-	4,040	-	14,507	-	-	34,341	(34,341)	-
Share premium	-	-	793	-	-	-	-	-	-	793	-	793
Dividends paid (Note 30)	-	-	-	-	-	-	-	-	-	-	(3,140)	(3,140)
Total comprehensive income/ (loss)	-	-	-	(4,344)	-	(5,663)	-	1,545	485,410	476,948	17,598	494,546
As of December 31, 2009	**675,728**	**468,811**	**889**	**283,558**	**161,824**	**35,137**	**14,507**	**574,257**	**485,410**	**2,700,121**	**43,382**	**2,743,503**
As of January 1, 2010	**675,728**	**468,811**	**889**	**283,558**	**161,824**	**35,137**	**14,507**	**574,257**	**485,410**	**2,700,121**	**43,382**	**2,743,503**
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57	-	57	(57)	-
Dividends paid (Note 30)	-	-	-	-	6,621	-	-	(106,621)	-	(100,000)	(9,384)	(109,384)
Total comprehensive income/ (loss)	-	-	-	228,411	-	(5,552)	-	1,422	517,093	741,374	32,241	773,615
As of December 31, 2010	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**	**517,093**	**3,341,552**	**66,182**	**3,407,734**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Notes	2010	2009
Operating activities:			
Income before tax		**656,638**	**576,443**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Changes in provisions	34	35,773	142,703
Depreciation and amortisation	25	192,538	181,553
Interest income	27	(39,080)	(36,100)
Interest expenses	28	101,071	282,688
Income from associates (net)	12	(11,907)	(5,567)
Gain/loss from sales of tangible and intangible assets (net)	26	(37,310)	2,770
Income from sale of financial assets	26	-	(128,032)
Net cash flow from operating activities before changes in operating assets and liabilities		**897,723**	**1,016,458**
Changes in operating assets and liabilities (net)	34	9,067	842,987
Corporate taxes paid	29	(61,872)	(62,510)
Cash flows from operating activities		**844,918**	**1,796,935**
Investing activities:			
Cash provided from sales of tangible and intangible assets		53,825	2,536
Acquisition of tangible and intangible assets		(249,365)	(203,641)
Cash provided from sales of financial assets		-	266,799
Dividends received	12	4,472	-
Currency translation differences (net)		(15,294)	4,546
Cash flows related to investing activities		**(206,362)**	**70,240**
Financing activities:			
Proceeds from bank borrowings		1,830,029	2,501,175
Repayment of bank borrowings		(1,878,675)	(3,842,057)
Interest paid		(107,104)	(320,873)
Dividends paid		(109,384)	(3,140)
Interest received		39,590	33,080
Capital increase		-	249,975
Share premiums received		-	793
Cash flows related to financing activities		**(225,614)**	**(1,381,047)**
Net increase in cash and cash equivalents		**412,942**	**486,128**
Cash and cash equivalents at January 1	5	**900,133**	**414,005**
Cash and cash equivalents at December 31	5	**1,313,075**	**900,133**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group, which holds a majority stake in the Company (Note 22).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At December 31, 2010, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in the year is 17,931 (2009: 16,775).

Subsidiaries	**Country of incorporation**	**Core Business**	**Nature of business**
Archin Limited ("Archin") (*)	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL ("ArcticPro") (*)	Romania	Service	Consumer durables
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	Netherlands	Investment	Holding
Beko Cesko ("Beko Cesko") (*)	Czech Republic	Sales	Consumer durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko Elektronik Llc ("Beko Elektronik Russia") (*) (**)	Russia	Production/Sales	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 Magyarorszag K.F.T. ("Beko Magyarorszag") (*)	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko S.A. Hungary ("Beko Hungary") (*)	Hungary	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (*)	Germany	Sales	Consumer durables/Electronics
Blomberg Werke GmbH ("Blomberg Werke") (*)	Germany	Production	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables/Electronics
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Schweiz AG ("Grundig Switzerland") (*)	Sweden	Sales	Electronics
Grundig Ceska Republika S.r.o ("Grundig Ceska") (*)	Czech Republic	Sales	Electronics
Grundig Nordic Danmark A/S ("Grundig Denmark") (*)	Denmark	Sales	Electronics
Grundig Intermedia Ges.m.b.H ("Grundig Austria") (*)	Austria	Sales	Electronics
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Italiana S.p.A. ("Grundig Italy") (*)	Italy	Sales	Electronics
Grundig Magyarország Kft. ("Grundig Hungary") (*)	Hungary	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig Nordic Fin OY ("Grundig Finland ") (*)	Finland	Sales	Electronics
Grundig Polska Sp. Z o.o. ("Grundig Polska") (*)	Poland	Sales	Electronics
Grundig Portuguesa, Lda ("Grundig Portugal") (*)	Portugal	Sales	Electronics
Grundig Slovakia s.r.o ("Grunding Slovakia") (*)	Slovakia	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics

(*) Inactive as of balance sheet date.
(**) The Company has been dissolved through merger with Beko Russia after the balance sheet date.
(***) At June 30, 2010, the subsidiary "Beko France S.A." changed its' title as "Beko France S.A.S.".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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

The new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective for the financial period ending at December 31, 2010:

The accounting policies, which are basis of presentation of consolidated financial statements, are consistent with those of the previous financial year except for the new standards and interpretation summarized below. The following new and amended IFRS and IFRIC interpretations are adopted in the periods beginning on January 1, 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners,
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) - eligible hedged items,
- Improvements to IFRSs (May 2008)
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended),
- Improvements to IFRSs (April 2009)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended): The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Aforementioned new and amended IFRS and IFRIC interpretations do not have any significant impact on consolidated financial statements of the Group.

The new and amended IFRS and IFRIC interpretations effective for the financial periods beginning after December 31, 2010:

The new and amended IFRS and IFRIC interpretations, which are published but not effective as at the date of the approval of the financial statements and not early adopted by the Group, are as follows:

IFRS 9 "Financial Instruments - Phase 1 financial assets, classification and measurement", is effective for annual periods beginning on or after 1 January 2013. Phase 1 of IFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

IAS 24 (Revised) "Related Party Disclosures", is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 32 (Amended) "Classification on Rights Issues", is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect that this amendment will have any impact on the financial statements of the Group.

IFRIC 14 (Amended) "Prepayments of a Minimum Funding Requirement", is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. Earlier application is permitted and must be applied retrospectively. The Group does not expect that this amendment will have any impact on the financial statements of the Group.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Group does not expect that this amendment will have any impact on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Improvements to IFRSs (published at May 2010):

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various beginning on July 1, 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the European Union.

Improvements to IFRSs below are not expected to have an impact on the financial statements of the Group;

IFRS 3: Contingent consideration that arose from business combinations with acquisition dates precede the adoption of revised IFRS 3IFRS 3: Measurement of non-controlling interests
IFRS 3: The replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily)
IAS 1: Clarification to the statement of changes in equity
IAS 27: Clarification of the consequential amendments from IAS 27 "Consolidated and Separate Financial Statements" made to IAS 21, IAS 28 ve IAS 31
IFRIC 13: Customer Loyalty Programmes: The fair value of award credits
IAS 34 Interim Financial Reporting: Guidance to illustrate how to apply disclosure principles and additional disclosure requirements

The impact of the improvement to IFRS below on the financial statements is being assessed by the Group;

IFRS 7 "Financial Instruments: Disclosures", effective for annual periods beginning on or after 1 January 2011. This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

Amendments to IFRSs below are not expected to have an impact on the financial statements of the Group;

IFRS 7 "Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities" (Amended), is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs.

IAS 12 "Deferred Tax: Recovery of Underlying Assets" (Amendment), is mandatory for annual periods beginning on or after 1 January 2012. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Consolidation principles

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

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

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, at December 31, 2010 and 2009 (%):

	December 31, 2010		December 31, 2009	
	Ownership interest	**Effective shareholding**	**Ownership interest**	**Effective shareholding**
Archin	100.00	100.00	100.00	100.00
Arctic	96.71	96.71	96.68	96.68
Arctic Pro	100.00	100.00	100.00	100.00
Ardutch	100.00	100.00	100.00	100.00
Bekodutch	100.00	100.00	100.00	100.00
Beko Cesko	100.00	100.00	100.00	100.00
Beko China	100.00	100.00	100.00	100.00
Beko Czech	100.00	100.00	100.00	100.00
Beko Deutschland	100.00	100.00	100.00	100.00
Beko Elektronik Russia	100.00	100.00	100.00	100.00
Beko Espana	100.00	100.00	99.97	99.97
Beko France	100.00	100.00	99.96	99.96
Beko Hungary	100.00	100.00	100.00	100.00
Beko Italy	100.00	100.00	100.00	100.00
Beko Magyarorszag	100.00	100.00	100.00	100.00
Beko Polska	100.00	100.00	100.00	100.00
Beko Russia	100.00	100.00	100.00	100.00
Beko Slovakia	100.00	100.00	100.00	100.00
Beko Shanghai	100.00	100.00	100.00	100.00
Beko UK (*)	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Blomberg Werke	100.00	100.00	100.00	100.00
Elektra Bregenz	100.00	100.00	100.00	100.00
Fusion Digital (**)	-	-	100.00	100.00
Grundig Multimedia	100.00	100.00	100.00	100.00
Grundig Austria	100.00	100.00	100.00	100.00
Grundig Benelux (***)	-	-	100.00	100.00
Grundig Czech Republic	100.00	100.00	100.00	100.00
Grundig Denmark	100.00	100.00	100.00	100.00
Grundig Espana (****)	-	-	100.00	100.00
Grundig Finland	100.00	100.00	100.00	100.00
Grundig Intermedia	100.00	100.00	100.00	100.00
Grundig Italy	100.00	100.00	100.00	100.00
Grundig Hungary	100.00	100.00	100.00	100.00
Grundig Norway	100.00	100.00	100.00	100.00
Grundig Portugal	100.00	100.00	100.00	100.00
Grundig Polska	100.00	100.00	100.00	100.00
Grundig Slovakia	100.00	100.00	100.00	100.00
Grundig Sweden	100.00	100.00	100.00	100.00
Grundig Switzerland	100.00	100.00	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(*) Activities like appointment of the subsidiary's management or votes of the board of directors are controlled by Arçelik, accordingly the subsidiary has been fully consolidated when the shareholding percentage is 50%.
(**) Dissolved at August 10, 2010.
(***) Dissolved at December 15, 2010.
(****) Legally merged with Beko Espana at December 22, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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

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

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2010 and 2009 (%):

	2010	2009
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

(e) Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment, if any.

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

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

Going concern

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

Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Comparatives and restatement of prior periods' financial statements

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

In order to ensure consistency with the presentation of the current year consolidated statement of income, after sales services expenses, which had been accounted under general administrative expenses in prior periods, have been accounted under marketing, selling and distribution expenses in the current year with the intention to present the substance of the related expense more precisely. As a result of this change, general administrative expenses for the year ended December 31,2009 has decreased by TRY73,633, whereas marketing, selling and distribution expenses has increased by the same amount.

2.2 Restatement and errors in the accounting policies and estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

2.3 Summary of significant accounting policies

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

Related parties

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

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

Trade receivables

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

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognized as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Notes 27, 28).

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Derivative financial instruments held for trading

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

Derivative financial instruments held for hedging

Cash flow hedge

The Group designated commodity swap agreements as a cash flow hedge against any gains or losses arising from cash flow risk of potential transactions in the future, which may affect income statement.

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

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

Foreign currency hedge of net investments in foreign operations

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

Cash and cash equivalents

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

Investment properties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Property, plant and equipment and related depreciation

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

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery and equipment	11 - 25 years
Moulds	4 - 7 years
Motor vehicles, furniture and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuous use and depreciation and amortisation charges for those assets are ceased. Non-current assets classified as held for sale are measured at the lower of carrying amounts and their fair values less costs to sell. Non-current assets held for sale of the Group includes land and buildings acquired as collaterals during the management of the credit risk of trade receivables.

Intangible assets

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

a) Brands

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

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

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

b) Trademark licenses and patents

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

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

c) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

d) Computer software

Computer software is recognized at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives of four to fifteen years and carried at cost less accumulated amortisation.

Business combinations and goodwill

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

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

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

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

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

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

The Group has not realized a business combination in the year ending December 31, 2010. Amended IFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, will be applied for possible future business combinations.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is accounted for under equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

Current and deferred income tax

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

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

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

The principal temporary differences arise from the carrying value of property, plant and equipment and available-for-sale-investments and their historical cost, presently non-deductible/taxable provisions and unused tax allowances and exemptions.

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

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

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

Revenue recognition

Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as financial income (Note 27). Interest income is recognized on a time proportion basis that takes into account the effective yield on the assets.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities are recognized when the Company's incentive claims are approved by the related authorities.

Dividends

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

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 19).

Paid-in capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Share premium

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

Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

Cash flows related with investing activities present the cash flows provided from and used in the Group's investing activities (tangible-intangible assets and financial investments)

Cash flows related with financing activities present the proceeds and repayments of sources in the Group's financing activities.

2.4 Critical accounting estimates, judgments, and assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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

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

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

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

2. 5 Convenience translation into English of consolidated financial statements originally issued in Turkish

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

NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31, 2010.

Business combinations in 2009

As of June 30, 2009 Grundig Elektronik A.Ş., a subsidiary of the Group, merged with Arçelik A.Ş., the parent company of the Group.

On May 27, 2009, the Company management obtained authorisation from the CMB to execute the transactions to merge Grundig Elektronik into the Company through the transfer of all its assets and liabilities to the Company in accordance with the 451 and other related articles of Turkish Commercial Code, Corporate Tax Laws' articles 18-20th and CMB Legislation based on the financial statements as of December 31, 2008 prepared in accordance with CMB Financial Reporting Standards. As a result of the merger decision taken in accordance with articles above at the Extraordinary General Assembly meeting held on June 29, 2009, Grundig Elektronik was dissolved on June 30, 2009 and, at the same date, the merger of Arçelik and Grundig Elektronik was realised. The pre-merger issued capital of Arçelik, which was TRY659,934, increased to TRY675,728 with an increase of TRY15,794 as a result of the merger. Increased capital regarding to merger, registered as of June 30, 2009, was covered by restricting the rights of current Arçelik shareholders to buy new shares and by the equity capital acquired from Grundig Elektronik. The exchange transactions carried out through a share swap of 0.1947 Arçelik shares for each Grundig Elektronik share began on July 10, 2009; Grundig Elektronik was delisted from the Istanbul Stock Exchange as of the same date.

As of June 30, 2009, the non-controlling interest transferred amounting to TRY34,341 comprises paid-in capital of TRY81,119, share premium of TRY95, restricted reserves of TRY4,040, revaluation fund of TRY9,098, adjustment to share capital of TRY55,340, translation differences of TRY1,757, previous years losses of TRY110,709 and current period loss of TRY6,399. TRY15,794 of the aforementioned non-controlling interest has been transferred to the paid-in capital and the remaining amount of TRY14,507 has been classified as "Contribution to shareholders' equity related to the merger" under equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 4 - SEGMENT REPORTING

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

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2010 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	4,391,627	1,255,580	1,289,213	6,936,420
Gross profit	1,587,447	261,772	218,728	2,067,947
Depreciation and amortisation	144,448	44,312	7,890	196,650
Capital expenditures	214,630	32,618	6,229	253,477
Income from associates	-	-	11,907	11,907

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2009 are as follows:

	White Goods	Consumer Electronics	Other	Total
-Total segment revenue	4,303,003	1,209,236	1,079,656	6,591,895
Gross profit	1,729,085	262,595	182,323	2,174,003
Depreciation and amortisation	121,637	55,946	7,811	185,394
Capital expenditures	167,694	34,405	5,383	207,482
Income from associates	-	-	5,567	5,567

c) Sales revenue that are grouped geographically for the years ended in December 31, 2010 and 2009 are shown below:

2010	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,417,201	2,643,260	875,959	6,936,420
In come from associates	11,907	-	-	11,907

2009	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,169,999	2,629,670	792,226	6,591,895
Income from associates	5,567	-	-	5,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	2010	2009
Cash in hand	328	268
Cash at banks		
- demand deposits	52,587	44,806
- time deposits	1,229,706	816,637
Cheques and notes	29,914	37,646
Others	540	776
Cash and cash equivalents in cash flow statement	**1,313,075**	**900,133**
Interest income accruals	4,091	4,601
	1,317,166	**904,734**

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

	2010	2009
Up to 30 days	887,270	692,983
30 - 90 days	429,896	211,751
	1,317,166	**904,734**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31,2010		**December 31,2009**	
	%	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	3.98	657,168	3.98	394,303
Other		1,511		1,511
		658,679		**395,814**

	2010	2009
Balance at the beginning of the year	**395,814**	**540,182**
Fair value gains/(losses)	262,865	124,327
Disposal of available for sale investment - fair value reserve	-	(128,028)
Disposal of available for sale investment - carrying value	-	(138,766)
Impairment of financial assets	-	(1,901)
Balance at the end of the year	**658,679**	**395,814**

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY249,722 (December 31, 2009: TRY118,111), net of deferred tax effect amounting to TRY13,143 (December 31, 2009: TRY6,216), are recognized in consolidated shareholders' equity under the "financial assets fair value reserve" at December 31, 2010.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.80%. Since the shares of Yapı ve Kredi Bankası are traded in İstanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, US Dollar based discount rate of 12.4 % has been taken into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2010	2009
Short-term bank borrowings	599,098	332,398
Short-term portion of long-term bank borrowings	239,738	1,590,798
Other	384	531
	839,220	**1,923,727**

Short-term bank borrowings

TRY loans	11,574	9,612
Foreign currency loans	587,524	322,786
	599,098	**332,398**

The effective interest rates (%) of short-term bank borrowings are as follows:

	2010	2009
Foreign currency loans	2.11	3.16

b) Long-term financial liabilities

	2010	2009
Long-term bank borrowings	1,218,002	187,946
Other	70	368
	1,218,072	**188,314**

As of December 31, 2010, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY amount
TRY	8.30	503,403,833	503,404
EUR	2.69	308,180,043	631,492
USD	2.25	100,312,500	155,083
RUB	6.26	953,094,699	47,874
GBP	2.93	50,191,264	119,887
			1,457,740
Less: short-term portion			(239,738)
			1,218,002

As of December 31, 2009, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum(%)	Original currency	TRY amount
TRY	8.84	1,215,843,412	1,215,843
EUR	2.18	242,080,815	522,968
USD	5.97	26,521,521	39,933
			1,778,744
Less: short-term portion			(1,590,798)
			187,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

	2010	2009
2011	-	151,941
2012	489,062	36,005
2013	728,940	-
	1,218,002	**187,946**

As of December 31, the analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

	2010	2009
Up to 6 months	1,929,393	2,092,105
6 - 12 months	127,445	19,037
	2,056,838	**2,111,142**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,2010			December 31,2009		
	Contract amount	Fair value Assets	(Liabilities)	Contract amount	Fair value Assets	(Liabilities)
Held for trading						
Foreign currency forward contracts	217,977	817	(207)	433,446	4,204	(643)
Foreign currency swap contracts	71,440	29	(32)	100,265	240	(55)
Cash flow hedge						
Commodity swap contracts	1,414	339	-	-	-	-
	290,831	**1,185**	**(239)**	**533,711**	**4,444**	**(698)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	2010	2009
Short-term trade receivables		
Trade receivables	1,381,506	1,276,876
Notes receivables	961,075	962,125
Cheques receivables	128,754	130,490
Due from related parties (Note 31)	22,869	26,217
Short-term trade receivables (gross)	**2,494,204**	**2,395,708**
Less: Provision for doubtful receivables	(110,611)	(107,312)
Less: Unearned credit finance income	(59,015)	(55,385)
Short-term trade receivables (net)	**2,324,578**	**2,233,011**

Movement of provision for doubtful receivables are as follows:

	2010	2009
Balance at the beginning of the year	**107,312**	**94,625**
Current year additions (Note 26)	19,882	19,618
Provisions no longer required (Note 26)	(8,306)	(3,855)
Write-offs	(8,847)	-
Currency translation differences	210	(3,076)
Balance at the end of the year	**110,611**	**107,312**

Long-term trade receivables		
Trade receivables	12,461	4,254
	12,461	**4,254**
Short-term trade payables		
Trade payables	787,755	655,439
Due to related parties (Note 31)	186,003	111,429
Unearned credit finance charges	(4,796)	(4,466)
	968,962	**762,402**
Long-term trade payables		
Due to related parties (Note 31)	63,681	67,380
	63,681	**67,380**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 10 - OTHER PAYABLES

	2010	2009
Other payables		
Taxes and duties payables	81,002	70,549
Payables to personnel	38,768	29,427
Deposits and guarantees received	6,140	2,420
Other	3,600	2,137
	129,530	**104,533**

NOTE 11 - INVENTORIES

	2010	2009
Raw materials and supplies	560,738	520,057
Work in progress	37,861	33,859
Finished goods	346,418	327,956
Trade goods	115,087	123,253
Inventories (gross)	**1,060,104**	**1,005,125**
Less: Provision for impairment on inventories	(72,578)	(98,339)
Inventories (net)	**987,526**	**906,786**

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

	2010	2009
Raw materials and supplies	63,734	67,894
Finished goods	6,442	14,532
Trade goods	2,402	15,913
	72,578	**98,339**

Movement of provision for impairment on inventories is as follows:

	2010	2009
Balance at the beginning of the year	**98,339**	**48,106**
Current year additions (Note 26)	5,909	73,871
Realised due to sales of inventory	(29,663)	(19,733)
Provisions no longer required	-	(4,257)
Currency translation differences	(2,007)	352
Balance at the end of the year	**72,578**	**98,339**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 12 - ASSOCIATES

	December 31, 2010		December 31, 2009	
	%	TRY	%	TRY
Koç Tüketici Finansmanı A.Ş.	47,0	62,787	47.00	59,592
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.0	58,778	45.00	57,926
Ram Dış Ticaret A.Ş.	33.5	10,358	33.50	7,583
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.0	4,681	32.00	4,068
		136,604		**129,169**

	2010	2009
Balance at the beginning of the year	**129,169**	**123,602**
Income from associates (net)	11,907	5,567
Dividend received from associates	(4,472)	-
Balance at the end of the year	**136,604**	**129,169**

Income from associates

	2010	2009
Koç Tüketici Finansmanı A.Ş.	6,954	1,711
Ram Dış Ticaret A.Ş.	3,488	2,216
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	852	(163)
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	613	1,803
	11,907	**5,567**

The summary financial statements of associates

	2010	2009
Total assets	1,773,383	1,385,635
Total liabilities	1,463,626	1,094,769
Sales revenues	1,158,449	1,072,310
Net income for the year	29,016	18,002

NOTE 13 - INVESTMENT PROPERTIES

	2010	2009
As of January 1		
Cost	12,711	12,123
Accumulated depreciation	(6,367)	(3,335)
Net book value	**6,344**	**8,788**
Net book value at the beginning of the year	**6.344**	**8.788**
Disposals	(412)	-
Transfers	-	398
Currency translation differences	(328)	68
Current year depreciation	(124)	(133)
Impairment	-	(2,777)
Net book value at the end of the year	**5,480**	**6,344**
As of December 31		
Cost	11,441	12,711
Accumulated depreciation	(5,961)	(6,367)
Net book value	**5,480**	**6,344**

As of December 31, 2010, the carrying values of investment properties represent their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost						
Land	16,254	34	(461)	-	(199)	15,628
Land improvements	28,360	1,571	(28)	-	-	29,903
Buildings	521,666	938	(22,673)	6,472	(1,085)	505,318
Machinery and equipment	2,523,068	25,025	(71,189)	117,425	(4,390)	2,589,939
Motor vehicles, furniture and fixtures	205,439	23,896	(4,108)	1,614	(1,514)	225,687
Leasehold improvements	33,422	3,819	(83)	-	(35)	37,123
Construction in progress	4,348	128,339	(99)	(125,511)	(135)	6,942
	3,332,557	**183,622**	**(98,641)**	**-**	**(6,998)**	**3,410,540**
Accumulated depreciation						
Land improvements	(15,199)	(1,300)	28	-	-	(16,471)
Buildings	(163,650)	(11,138)	13,136	-	1,068	(160,584)
Machinery and equipment	(1,723,570)	(128,879)	65,656	-	4,243	(1,782,550)
Motor vehicles, furniture and fixtures	(156,586)	(13,918)	3,709	-	626	(166,169)
Leasehold improvements	(29,443)	(3,129)	44	-	7	(32,521)
	(2,008,448)	**(158,364)**	**82,573**	**-**	**5,944**	**(2,158,295)**
Net book value	**1,244,109**					**1,252,245**

There is no mortgage on property, plant and equipment as of December 31, 2010 (December 31, 2009-nil).

	January 1, 2009	Additions	Disposals	Transfers	Currency translation differences	December 31, 2009
Cost						
Land	15,970	518	(51)	-	(183)	16,254
Land improvements	28,022	404	(66)	-	-	28,360
Buildings	525,843	1,209	(104)	369	(5,651)	521,666
Machinery and equipment	2,481,069	72,466	(83,191)	62,142	(9,418)	2,523,068
Motor vehicles, furniture and fixtures	208,607	10,690	(13,438)	(102)	(318)	205,439
Leasehold improvements	34,853	380	(1,953)	-	142	33,422
Construction in progress	9,837	59,408	(90)	(64,959)	152	4,348
	3,304,201	**145,075**	**(98,893)**	**(2,550)**	**(15,276)**	**3,332,557**
Accumulated depreciation						
Land improvements	(14,173)	(1,026)	-	-	-	(15,199)
Buildings	(155,156)	(10,263)	-	52	1,717	(163,650)
Machinery and equipment	(1,679,781)	(126,929)	79,060	-	4,080	(1,723,570)
Motor vehicles, furniture and fixtures	(156,620)	(12,984)	13,015	-	3	(156,586)
Leasehold improvements	(26,138)	(4,907)	1,696	-	(94)	(29,443)
	(2,031,868)	**(156,109)**	**93,771**	**52**	**5,706**	**(2,088,448)**
Net book value	**1,272,333**					**1,244,109**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 15 - INTANGIBLE ASSETS

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost:						
Brand and rights	351,757	9,230	(1,074)	-	(10,393)	349,520
Development costs	162,808	59,994	-	-	-	222,802
Other	25,117	631	(531)	-	(240)	24,977
	539,682	**69,855**	**(1,605)**	**-**	**(10,633)**	**597,299**
Accumulated amortisation:						
Rights	(51,144)	(7,878)	1,074	-	281	(57,667)
Development costs	(31,869)	(29,321)	-	-	-	(61,190)
Other	(16,676)	(963)	496	-	118	(17,025)
	(99,689)	**(38,162)**	**1,570**	**-**	**399**	**(135,882)**
Net book value	**439,993**					**461,417**

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost:						
Brand and rights	344,657	3,759	(1,443)	2,100	2,684	351,757
Development costs	104,519	58,289	-	-	-	162,808
Other	24,801	359	(240)	-	197	25,117
	473,977	**62,407**	**(1,683)**	**2,100**	**2,881**	**539,682**
Accumulated amortisation:						
Rights	(45,201)	(7,171)	1,443	-	(215)	(51,144)
Development costs	(10,774)	(21,095)	-	-	-	(31,869)
Other	(15,787)	(886)	56	-	(59)	(16,676)
	(71,762)	**(29,152)**	**1,499**	**-**	**(274)**	**(99,689)**
Net book value	**402,215**					**439,993**

Brand impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2010. Sales forecasts which are based on financial budgets approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 2.5% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method have been discounted with 9% to 11% discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 16 - GOODWILL

	2010	2009
Net book value		
Balance at the beginning of the year	**7,511**	**10,255**
Effect of the change in contingent liabilities attributable to acquisition (*)	(108)	(2,807)
Currency translation difference	(213)	63
Balance at the end of the year	**7,190**	**7,511**

(*) The royalty income forecasts from the sales in United Kingdom and Ireland under Grundig brand, which are used for determination of the contingent liability at the acquisition date were revised in accordance with the actual sales realised in 2008, 2009 and 2010. Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

As of December 31, 2010, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial budgets approved by the board of directors covering a five-year period were used in these calculations. Pre-tax cash flow projections beyond five-year period are extrapolated by 2.5% expected growth rates. The estimated cash flows are discounted to their present values with 9% before tax ratio.

NOTE 17 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The rights of the Company due to these incentives are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	2010	2009
Operational lease commitments	5,965	10,192

The Company has export commitment of full USD480,534,762 in scope of export incentive as of December 31, 2010 (December 31,2009: full USD898,827,150)

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2010 and 2009 are as follows:

December 31,2010	**Foreign exchange purchase commitment**	**Forward exchange sales commitment**
EUR	93,903	3,396
USD	23,768	-
TRY	23,930	11,830
GBP	-	83,601
RUB	713	32,650
PLN	2,691	12.935
	145,005	**144,412**

December 31, 2009	**Foreign exchange purchase commitment**	**Forward exchange sales commitment**
EUR	59,330	34,666
TRY	165,901	50,059
USD	39,304	-
GBP	4,778	162,466
PLN	-	12,230
RUB	-	4,979
	269,313	**264,400**

	2010	**2009**
Collaterals obtained	1,887,230	1,812,962

Collaterals, pledges and mortgages ("CPM") given by the Group as of December 31, 2010 and 2009 are as follows:

CPM's given by the Company	**2010**	**2009**
A. CPM's given for companies own legal personality	110,512	89,724
B. CPM's given on behalf of fully consolidated companies	11,595	216
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.	-	-
	122,107	**89,940**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31,2010 and 2009:

CPM's given	2010	2009
USD	82,777	56,833
EUR	21,747	12,585
TRY	16,806	18,090
Other	777	2,432
	122,107	**89,940**

NOTE 19 - PROVISIONS

	2010	2009
Short-term provisions		
Warranty provision	111,890	109,543
Assembly provision	38,774	36,226
Provision for cost and expenses	6,235	10,239
Provision for transportation costs	7,591	6,298
Other	40,670	42,353
	205,160	**204,659**
Long-term provisions		
Warranty provision	56,682	58,603
Other	1,454	2,158
	58,136	**60,761**

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY2,517.01 (December 31, 2009: full TRY2,365.16) for each period of service at December 31, 2010.

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

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The Group is obligated to pay employment termination benefit for the personnel who are called up to military service, passed away or retired. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

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

	2010	2009
Discount rate (%)	4.66	5.92
Rate used to estimate the probability of retirement (%)	98	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY2,623.23 (January 1, 2010: full TRY2,427.04) which is effective from January 1, 2011 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2010	2009
Balance at the beginning of the year	**85,335**	**60,217**
Interest expense	4,916	3,457
Actuarial losses / (gains)	3,168	386
Increase during the year	18,274	36,848
Payments during the year	(11,862)	(15,538)
Currency translation differences	(131)	(35)
Balance at the end of the year	**99,700**	**85,335**

NOTE 21 - OTHER ASSETS AND LIABILITIES

	2010	2009
Other current assets		
Taxes and funds deductible	29,920	36,579
VAT and PCT receivables	21,709	15,823
Advances given for inventory	16,222	3,651
Prepaid expenses	16,079	10,541
Prepaid taxes and funds	12,393	26,842
Assets held for sale	6,433	3,628
Other order advances given	2,149	2,765
Other	13,079	9,151
	117,984	**108,980**
Other current liabilities		
Advances received	71,620	61,076
Accruals for customer premiums	47,781	62,873
Accruals for license fee expenses	20,028	15,228
Accruals for sales and marketing expenses	19,347	18,121
Accruals for advertising expenses	11,100	6,383
Accruals for bonuses and premiums	6,474	1,258
Liabilities attributable to the acquisition	1,669	1,817
Other	1,889	2,532
	179,908	**169,288**
Other non-current liabilities		
Liabilities attributable to the acquisition	1,596	3,557
Other	2,302	2,944
	3,898	**6,501**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 22 - EQUITY

Paid-in capital

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

	2010	2009
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	December 31, 2010		December 31,2009	
	Share %	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Koç Family Members	8.67	58,591	8.67	58,591
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	7.48	50,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Other	28.07	189,673	26.15	176,673
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.

Contribution to shareholders' equity related to the merger

It is related to merger with Grundig Elektronik A.Ş dated June 30, 2009 (Note 3).

Revaluation fund

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

	2010	2009
Financial assets fair value reserve	487,711	237,989
Non-current assets fair value reserve	33,724	45,569
Foreign currency hedge of net investments in foreign operations	(9,737)	-
Commodity hedge fund	271	-
Revaluation fund total	**511,969**	**283,558**

The movements in the revaluation funds are presented in the consolidated statements of changes in shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 22 - EQUITY (Continued)

Restricted reserves

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

The details of these restricted reserves are as follows:

	2010	2009
Legal reserves	164,281	157,660
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	168,445	**161,824**

The Company paid a cash dividend at the rate of 14.8%, which corresponds to full TRY0.14799 gross and net cash dividend for the shares with a nominal value of full TRY1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 14.8%, which corresponds to full TRY0.14799 gross and full TRY0.13459 net cash dividend for the shares with a nominal value of full TRY1.00 to other shareholders.

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 22 - EQUITY (Continued)

Dividend distribution

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

In accordance with the CMB Decision No. 02/51 and dated January 27, 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the listed companies for the year 2009. According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

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

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

The remainder of current year income less prior year losses and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY855,740 (2009-TRY657,705)

NOTE 23 - SALES AND COST OF SALES

	2010	2009
Domestic sales	3,547,277	3,381,590
Foreign sales	3,841,715	3,723,538
Gross sales	**7,388,992**	**7,105,128**
Less: Discounts	(452,572)	(513,233)
Net sales	**6,936,420**	**6,591,895**
Cost of sales	(4,868,473)	(4,417,892)
Gross profit	**2,067,947**	**2,174,003**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

	2010	2009
Marketing, selling and distribution expenses:		
Warranty and assembly expenses	316,379	346,652
Transportation, distribution and storage expenses	308,721	316,539
Advertising and promotion expenses	218,486	189,762
Personnel expenses	176,700	165,786
License expenses	9,471	6,557
Depreciation and amortisation expenses	8,739	10,732
Energy expenses	5,633	5,071
Other	117,360	138,259
	1,161,489	**1,179,358**
General administrative expenses:		
Personnel expenses	141,452	111,268
Insurance expenses	21,949	25,590
Depreciation and amortisation expenses	18,418	18,549
Communication expenses	10,905	10,709
Legal consultancy and audit expenses	10,322	13,746
Donations	9,476	1,375
Rent expenses	7,896	13,652
Duties, taxes and levies	7,304	5,393
Repair and maintenance expense	4,061	4,047
Energy expenses	3,381	3,751
Other	45,199	43,892
	280,363	**251,972**
Research and development expenses:		
Depreciation and amortisation expenses	32,599	25,212
Personnel expenses	14,044	14,753
Energy expenses	921	558
Other	12,956	7,957
	60,520	**48,480**

NOTE 25 - EXPENSES BY NATURE

	2010	2009
Raw materials, supplies and trade goods	4,254,118	3,617,927
Changes in finished goods, work in process and trade goods	(14,298)	242,976
Personnel expenses	706,386	577,351
Transportation, distribution and storage expenses	320,577	331,584
Warranty and assembly expenses	316,379	346,652
Advertising and promotion expenses	218,486	190,031
Depreciation and amortisation expenses	192,538	181,553
Energy expenses	59,327	55,391
Repair and maintenance expenses	43,908	38,872
License expenses	10,937	9,381
Other	262,487	305,984
	6,370,845	**5,897,702**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 26 - OTHER INCOME AND EXPENSES

	2010	2009
Other operating income		
Income from claims and grants	44,847	17,823
Income from sales of property, plant and equipment (*)	42,431	2,080
Reversals of provisions	10,198	10,978
Reversal of provisions for doubtful receivables	8,306	3,855
Income from sale of financial asset	-	128,032
Other	24,634	22,198
	130,416	**184,966**
Other operating expenses		
Provision expense for doubtful receivables	(19,882)	(19,618)
Provision expense for impairment on inventories	(5,909)	(73,871)
Loss from sales of property, plant and equipment	(5,121)	(4,850)
Restructuring expenses	(1,075)	(3,918)
Other provision expenses	(1,064)	(4,678)
Insurance payments	(595)	(2,726)
Other	(24,695)	(20,652)
	(58,341)	**(130,313)**

(*) In the year ending December 31, 2010, the Group realized gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to Koç University amounting to TRY40,055 (Note 31).

NOTE 27 - FINANCIAL INCOME

	2010	2009
Foreign exchange gains	124,310	238,900
Credit finance income	90,064	101,257
Interest income	39,080	36,100
Gains on derivative financial instruments	33,248	23,260
Other	344	2,607
	287,046	**402,124**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 28 - FINANCIAL EXPENSES

	2010	2009
Foreign exchange losses	(120,302)	(245,708)
Interest expenses	(101,071)	(282,688)
Credit finance charges	(25,424)	(7,608)
Losses on derivative financial instruments	(15,191)	(22,408)
Cash discounts expenses	(13,600)	(16,562)
Other	(4,377)	(5,120)
	(279,965)	**(580,094)**

NOTE 29 - TAX ASSETS AND LIABILITIES

	2010	2009
Corporation and income taxes	82,688	45,961
Less: prepaid tax	(63,718)	(31,605)
Income tax liabilities (net)	**18,970**	**14,356**
Deferred tax assets	39,244	41,509
Deferred tax liabilities	(128,549)	(95,201)
Deferred tax liabilities, (net)	**(89,305)**	**(53,692)**

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

The corporation tax rate is 20% in Turkey (31 December 2009: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years 2010 and 2009 are summarised as follows:

	2010	2009
Tax expenses		
- Current period tax expense	(83,492)	(45,910)
- Deferred tax expense	(23,899)	(27,507)
Tax expenses (net)	**(107,391)**	**(73,417)**

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2010	2009	2010	2009
Property, plant and equipment and intangible assets	755,046	705,615	(158,277)	(147,445)
Available-for-sale investments	513,381	250,516	(25,669)	(12,526)
Derivative financial instruments	946	3,755	(189)	(751)
Provision for warranty and assembly expenses	(146,672)	(145,926)	29,014	28,867
Provision for employment termination benefits	(96,635)	(83,092)	19,327	16,618
Unused tax credits	(91,109)	(172,610)	18,223	34,969
Provision for impairment on inventories	(64,941)	(68,099)	12,996	13,587
Accrual for licenses expenses	(20,028)	(15,228)	4,006	3,046
Unearned credit finance income	(15,302)	(15,207)	3,032	2,281
Provision for doubtful receivables	(6,796)	(976)	1,215	195
Others	(31,271)	(29,774)	7,017	7,467
Deferred tax liabilities (net)			**(89,305)**	**(53,692)**

	2010	2009
As of January 1	**(53,692)**	**(25,593)**
Tax expense recognized in income statement	(23,899)	(27,507)
Tax expense recognized in other comprehensive income	(11,714)	(592)
As of December 31	**(89,305)**	**(53,692)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

As a result of the Group management's evaluation, Group has estimated the tax discounts to be used until the expiration date as TRY91,109 (December 31, 2009: TRY172,610) and accounted a deferred tax asset of TRY18,223 (December 31, 2009: TRY34,969)

Group's total deductible loss and tax advantages of which deferred tax assets has not been calculated are TRY293,108. Maturity analysis of this amount is as follows:

	2010
2011	19,873
2012	25,055
2013	20,598
2014	30,958
2015 and after	196,624
	293,108

Reconciliation between tax expenses for the periods ended December 31, 2010 and 2009 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2010	**2009**
Profit before tax	656,638	576,443
Tax calculated using 20% local tax rate	**(131,328)**	**(115,288)**
Exemptions	40,208	41,708
Effect of unused tax losses for which no deferred tax asset was recognized	(8,494)	(2,794)
Expenses not deductable for tax purposes	(12,661)	(11,403)
Impact of different tax rates in other countries	(6,059)	1,554
Adjustments with no tax effects	6,472	(8,903)
Utilisation of previously unrecognized tax losses	4,338	20,746
Other	133	963
Taxation expense recognized in income statement	**(107,391)**	**(73,417)**
Effective tax rate	**16.4%**	**12.7%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 30 - EARNINGS PER SHARE

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

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

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

	2010	2009
Net income attributable to the equity holders of the parent	517,093	485,410
Weighted average number of ordinary shares with nominal value Kr1 each	67,572,820,500	55,998,615,068
Earnings per share (Kr)	**0.7652**	**0.8668**
Dividends distributed to the equity holders of the parent	100,000	-
Gross dividend distributed per share	**0.1480**	**-**

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Related party balances

	2010	2009
(a) Due from related parties		
Group companies (*)	10,261	11,699
Associates	12,599	14,518
Shareholders	49	-
	22,869	**26,217**

(b) Due to related parties

Short-term		
Group companies (*)	70,057	59,707
Associates	115,946	51,722
Shareholders	-	-
	186,003	**111,429**

	2010	2009
Long-term		
Group companies (*)	63,681	67,380
	63,681	**67,380**

(c) Deposits

Group companies (*)	473,926	54,962
	473,926	**54,962**

31 ARALIK 2010 TARİHLİ KONSOLİDE FİNANSAL TABLOLARA AİT NOTLAR

(Tutarlar aksi belirtilmedikçe bin Türk Lirası ("TL") olarak ifade edilmiştir.)

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

(d) Bank borrowings

Group companies (*)	259,851	65,558
	259,851	**65,558**

e) Derivative financial instruments

December 31, 2010	Contract amount		Fair value assets/(liabilities)
Group companies (*)	119,452	270	(32)
	119,452	**270**	**(32)**

December 31, 2009	Contract amount		Fair value assets/(liabilities)
Group companies (*)	296,620	974	(573)
	296,620	**974**	**(573)**

(ii)Transactions with related parties

(a) Sales of goods and services

	2010	2009
Group companies (*)	212,544	167,708
Associates	31,155	27,263
Shareholders	328	-
	244,027	**194,971**

(b) Purchases of goods and services

	2010	2009
Group companies (*)	503,225	219,884
Associates	332,298	311,867
Shareholders	9,447	9,454
	844,970	**541,205**

(c) Sale of available for sale investments

In 2010, there is no sale of available for sale investments. Available for sale investment amounting to TRY 201,615 has been sold to Koç Holding in 2009.

(d) Key management compensation

Total compensation provided to key management personnel by the Company during the year ended December 31, 2010 amounts to TRY 32,207 (December 31,2009: TRY11,298).

(e) Other transactions

	2010	2009
Income from sale of property, plant, and equipment	40,055	-
Interest expenses	5,064	13,733
Interest income	7,956	3,012

(*) Group companies include Koç Group companies.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2010 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,057,292	2,183,694	554,980	345,562	1,283,152	-
Trade payables	1,032,643	1,053,686	927,094	46,664	35,867	44,061
Other payables	48,508	48,508	43,938	4,570	-	-
Other liabilities	183,806	183,806	168,332	11,576	3,898	-
	3,322,249	**3,469,694**	**1,694,344**	**408,372**	**1,322,917**	**44,061**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		146,434	146,434	-	-	-
Derivative cash outflows		(145,488)	(145,488)	-	-	-
Derivative instruments, net	**946**	**946**	**946**	**-**	**-**	**-**

Group's maturity analysis of financial liabilities as of December 31, 2009 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,112,041	2,167,481	645,263	1,330,445	191,773	-
Trade payables	829,782	854,290	703,280	64,432	34,932	51,646
Other payables	33,984	33,984	28,368	5,616	-	-
Other liabilities	175,789	175,789	160,054	9,253	6,482	-
	3,151,596	**3,231,544**	**1,536,965**	**1,409,746**	**233,187**	**51,646**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		258,416	258,416	-	-	-
Derivative cash outflows		(254,670)	(254,670)	-	-	-
Derivative instruments, net	**3,746**	**3,746**	**3,746**	**-**	**-**	**-**

(*) Undiscounted contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

Interest Rate Risk

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

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

Average effective annual interest rates of balance sheet items as of December 31, 2010 and 2009 are as follows:

December 31, 2010 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	9.04	1.58	3.13	0.31	2.64	2.21	1.05
Trade receivables	20.40	0.82	0.82	5.00	-	-	-
Current liabilities							
Financial liabilities	-	1.80	0.98	-	3.55	7.25	4.48
Trade payables	6.32	0.48	0.48	3.10	-	-	-
Non-current liabilities							
Financial liabilities	8.30	2.69	2.25	2.93	-	6.26	-

December 31, 2009 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	9.70	0.28	0.54	0.19	7.45	3.00	1.63
Trade receivables	20.40	0.60	0.30	5.00	-	-	-
Current liabilities							
Financial liabilities	-	0.42	-	-	-	10.98	-
Trade payables	6.30	0.50	0.20	3.10	-	-	-
Non-current liabilities							
Financial liabilities	8.84	2.18	5.97	-	-	-	-

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

	2010	**2009**
Financial instruments with fixed interest rates		
Time deposits	815,695	476,836
Financial liabilities	444,934	104,825
Financial instruments with variable interest rates		
Time deposits	418,102	344,402
Financial liabilities	1,641,904	2,006,318

At December 31, 2010, if interest rates of TRY, EUR and USD denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY12,238 (2009: TRY16,619) lower/ higher as a result of interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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.

Commodity Price risk

The Group regularly purchases raw materials to be used in production activities. Price risks related to the raw material purchases are hedged primarily by the use of contracts with the suppliers and when deemed necessary by the use of derivative financial instruments contracts. Use of such contracts, designed in line with the Group risk policies, aims to reduce the volatility in cash outflows in the forecasted raw material purchases due to commodity price risk fluctuations in the market.

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 utilisation of credit limits is regularly monitored.

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

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

Details of credit and receivable risk as of December 31, 2010 and 2009 are as follows:

	Trade receivables		Deposits	Derivative
December 31, 2010	**Related party**	**Thirdparty**	**in banks**	**financial instruments**
Maximum exposed credit risk as of reporting date [1]	**22,869**	**2,314,170**	**1,286,384**	**1,185**
Secured portion of the maximum credit risk by guarantees, etc,	-	(1,725,492)	-	-
A. Net book value of financial asset either are not due or not impaired	22,869	2,098,900	1,286,384	1,185
-Secured portion by guarantees, etc	-	(1,559,134)	-	-
B. Financial assets with renegotiated conditions	-	21,387	-	-
-Secured portion by guarantees, etc,	-	(20,108)	-	-
C. Net book value of overdue but not impaired financial assets	-	148,556	-	-
-Secured portion by guarantees, etc,	-	(101,196)	-	-
D. Net book value of the impaired assets	-	45,327	-	-
-Overdue (Gross book value)	-	155,938	-	-
-Impairment (-)	-	(110,611)	-	-
-Secured portion of the net value by guarantees, etc.	-	(45,054)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

December 31, 2010	Trade receivables Related party	Trade receivables Thirdparty	Deposits in banks	Derivative financial instruments
Maximum exposed credit risk as of reporting date [1]	**26,217**	**2,211,048**	**866,044**	**4,444**
Secured portion of the maximum credit risk by guarantees, etc,	-	(1,492,859)	-	-
A. Net book value of financial asset either are not due or not impaired	26,217	1,952,229	866,044	4,444
-Secured portion by guarantees, etc	-	(1,286,628)	-	-
B. Financial assets with renegotiated conditions	-	99,564	-	-
-Secured portion by guarantees, etc,	-	(99,564)	-	-
C. Net book value of the overdue but not impaired financial assets	-	121,477	-	-
-Secured portion by guarantees, etc,	-	(73,139)	-	-
D. Net book value of the impaired assets	-	37,778	-	-
-Overdue (Gross book value)	-	143,630	-	-
-Not overdue	-	1,460	-	-
-Impairment (-)	-	(107,312)	-	-
-Secured portion of the net value by guarantees, etc.	-	(33,528)	-	-

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

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

	2010	2009
Group 1	10,045	9,284
Group 2	1,940,405	1,905,978
Group 3	192,706	162,748
	2,143,156	**2,078,010**

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

	2010	2009
0-1 month	74,712	42,267
1-3 months	27,378	23,133
3-12 months	29,305	43,949
1-5 years	17,161	12,128
	148,556	**121,477**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

c) Geographical concentration of the trade receivables

	2010	2009
Turkey	1,384,018	1,371,208
Europe	711,907	648,289
Other	241,114	217,768
	2,337,039	**2,237,265**

Foreign exchange risk

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

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

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

The Group is exposed to foreign exchange rate risk mainly for Euro, US dollar, Great Britain Pound, Romanian Lei, Russian Ruble, and Poland Zloty.

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the currency translation difference reserve in order to net off the foreign currency difference arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2010, a portion of bank borrowings in Euro amounting to EUR 87,500,000 (before tax) was designated as a net investment hedging instrument (December 31, 2009 - nil).

Foreign currency position

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

	2010	2009
Assets	1,362,205	1,098,051
Liabilities	(1,586,420)	(986,664)
Net balance sheet position	**(224,215)**	**111,387**
Net position of off-balance sheet derivative financial instruments	131,932	(107,666)
Net foreign currency position	**(92,283)**	**3,721**

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

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2010 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	TL Equivalent
Current assets								
Trade receivables	307,380	94,216	90,032	990,326	30,984	1,414	3,956	1,058,679
Monetary financial assets	41,075	64,955	1	30	410	6	-	184,806
Other	26,994	40,678	27	-	879	-	-	118,720
Total assets	**375,449**	**199,849**	**90,060**	**990,356**	**32,273**	**1,420**	**3,956**	**1,362,205**
Current liabilities								
Trade payables	113,980	97,786	150	-	-	-	-	385,091
Financial liabilities	191,390	312	191	-	-	-	-	393,115
Other monetary financial liabilities	9,120	2,915	699	-	-	-	-	24,865
Non-current liabilities								
Trade payables	-	41,191	-	-	-	-	-	63,681
Financial liabilities	216,701	100,000	50,000	-	-	-	-	718,072
Other monetary financial liabilities	-	-	668	-	-	-	-	1,596
Total liabilities	**531,191**	**242,204**	**51,708**	**-**	**-**	**-**	**-**	**1,586,420**
Net balance sheet position	**(155,742)**	**(42,355)**	**38,352**	**990,356**	**32,273**	**1,420**	**3,956**	**(224,215)**
Off-balance sheet derivative financial assets (*)	115,827	15,374	-	14,200	5,200	-	-	264,513
Off-balance sheet derivative financial liabilities	(1,657)	-	(35,000)	(650,000)	(25,000)	-	-	(132,581)
Net position of off-balance sheet items	114,170	15,374	(35,000)	(635,800)	(19,800)	-	-	131,932
Net foreign currency asset/ (liability) position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

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

	EUR	USD	GBP	RUB	PLN	RON	AED	TL Equivalent
Against TRY	(24,361)	(14,304)	(943)	354,556	11,182	1,420	3,956	(48,345)
Against EUR	-	398	-	-	1,291	-	-	1,283
Against RUB	(37)	(6,848)	-	-	-	-	-	(10,663)
Against PLN	(1,528)	(30)	-	-	-	-	-	(3,177)
Against GBP	3,622	-	-	-	-	-	-	7,422
Against other currencies	(19,268)	(6,197)	4,295	-	-	-	-	(38,803)
Net foreign currency position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in off balance sheet derivative assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2009 are as follows:

	EUR	USD	GBP	RUB	PLN	TRY Equivalent
Current assets						
Trade receivables	262,938	102,843	94,593	326,590	29,078	980,257
Monetary financial assets	10,904	3,188	3,167	-	11,070	41,678
Other	15,257	28,616	29	-	-	76,116
Total assets	**289,099**	**134,647**	**97,789**	**326,590**	**40,148**	**1,098,051**
Current liabilities						
Trade payables	76,629	73,911	876	2,419	-	279,043
Financial liabilities	155,081	26,522	-	-	-	374,956
Other monetary financial liabilities	7,296	35,373	1,993	-	-	73,784
Non-current liabilities						
Trade payables	-	44,750	-	-	-	67,380
Financial liabilities	87,000	-	-	-	-	187,946
Other monetary financial liabilities	-	-	1,488	-	-	3,555
Total liabilities	**326,006**	**180,556**	**4,357**	**2,419**	**-**	**986,664**
Net balance sheet position	**(36,907)**	**(45,909)**	**93,432**	**324,171**	**40,148**	**111,387**
Off-balance sheet derivative financial assets	27,464	26,104	2,000	-	-	103,414
Off-balance sheet derivative financial liabilities	(15,000)	-	(68,000)	(100,000)	(21,600)	(211,080)
Net position of off-balance sheet items	12,464	26,104	(66,000)	(100,000)	(21,600)	(107,666)
Net foreign currency asset/ (liability) position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

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

	EUR	USD	GBP	RUB	PLN	TRY Equivalent
Against TRY	(8,898)	(11,276)	23,177	226,590	9,640	35,468
Against EUR	-	(1,402)	-	(2,419)	8,908	2,400
Against RUB	(45)	(6,004)	-	-	-	(9,137)
Against PLN	709	(272)	-	-	-	1,122
Against GBP	2,860	-	-	-	-	6,177
Against other currencies	(19,069)	(851)	4,255	-	-	(32,309)
Net foreign currency position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

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

As of December 31, 2010, sensitivity analysis of foreign exchange rates is presented below:

	Gain/Loss		Equity	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,548)	6,548	(6,548)	6,548
Secured portion from USD risk (*)	2,377	(2,377)	2,377	(2,377)
USD net effect	**(4,171)**	**4,171**	**(4,171)**	**4,171**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(31,913)	31,913	(20,396)	20,396
Secured portion from EUR risk (*)	23,395	(23,395)	23,395	(23,395)
EUR net effect	**(8,518)**	**8,518**	**2,999**	**(2,999)**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	9,161	(9,161)	20,928	(20,928)
Secured portion from GBP risk (*)	(8,360)	8,360	(8,360)	8,360
GBP net effect	**801**	**(801)**	**12,568**	**(12,568)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	4,975	(4,975)	17,784	(17,784)
Secured portion from RUB risk (*)	(3,194)	3,194	(3,194)	3,194
RUB net effect	**1,781**	**(1,781)**	**14,590**	**(14,590)**
+/-10% fluctuation of RON rate				
RON net asset/liability	67	(67)	21,682	(21,682)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**67**	**(67)**	**21,682**	**(21,682)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,670	(1,670)	3,512	(3,512)
Secured portion from PLN risk (*)	(1,024)	1,024	(1,024)	1,024
PLN net effect	**646**	**(646)**	**2,488**	**(2,488)**
+/-10% fluctuation of AED rate				
AED net asset/liability	168	(168)	168	(168)
Secured portion from AED risk (*)				
AED net effect	**168**	**(168)**	**168**	**(168)**
	(9,226)	**9,226**	**50,325**	**(50,325)**

(*) Includes impact of off- balance sheet derivative financial instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

As of December 31, 2009, sensitivity analysis of foreign exchange rates is presented below:

	Gain/Loss		Equity	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	**(2,983)**	**2,983**	**(2,983)**	**2,983**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	**(5,280)**	**5,280**	**(5,655)**	**5,655**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	**6,554**	**(6,554)**	**14,033**	**(14,033)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(498)	498	(498)	498
RUB net effect	**1,116**	**(1,116)**	**14,743**	**(14,743)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	18,088	(18,088)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**18,088**	**(18,088)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	2,087	(2,087)	3,454	(3,454)
Secured portion from PLN risk (*)	(1,123)	1,123	(1,123)	1,123
PLN net effect	**964**	**(964)**	**2,331**	**(2,331)**
	371	**(371)**	**40,557**	**(40,557)**

(*) Includes impact of off- balance sheet derivative financial instruments

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

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

Import and exports performed to / from Turkey for the year ended as of December 31, 2010 and 2009 are as follows:

	December 31, 2010		December 31, 2009	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	800,371,489	1,588,198	721,569,045	1,555,679
USD	330,241,694	496,716	279,989,276	438,774
GBP	216,400,746	501,010	217,329,516	526,635
Other		126,341		53,125
Total exports		**2,712,265**		**2,574,213**
EUR	372,153,519	738,393	315,271,168	696,959
USD	675,378,575	1,012,140	515,410,141	817,619
GBP	604,818	1,400	482,939	1,209
Other		13,812		3,339
Total imports		**1,765,745**		**1,519,125**

Capital Risk Management

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

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

The gearing ratios at December 31, 2010 and 2009 are as follows:

	2010	**2009**
Total financial liabilities (Note 7)	2,057,292	2,112,041
Cash and cash equivalents (Note 5)	(1,317,166)	(904,734)
Net financial liabilities	740,126	1,207,307
Total shareholders' equity	3,407,734	2,743,503
Invested capital	4,147,860	3,950,810
Gearing ratio	**18%**	**31%**

Gearing ratio calculation, based on net liabilities by deducting cash and cash equivalents from total liabilities in previous years, is updated as based on net financial liabilities by deducting cash and cash equivalents from total financial liabilities by considering that updated ratio provides more reliable information about the Group's debt ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

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

Financial Liabilities

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

The carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY1,457,740 (2009: TRY1,788,744) (Note 7) and TRY1,461,635 (2009: TRY1,788,739), respectively.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31,2010 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	1,185	
Financial assets	-	658,679	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	239	-

Fair value hierarchy table as at December 31, 2009 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	4,444	-
Financial assets		395,814	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	698	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	2010	2009
Changes in provisions:		
Provision for doubtful receivables	19,882	19,618
Provision for employment termination benefits	14,365	25,118
Provision for impairment on inventories	5,909	73,871
Accrual for bonuses and premiums	5,216	689
Assembly and transportation provision	3,841	(5,619)
Accrual for sales and marketing expenses	1,226	289
Warranty provision	427	22,774
Accrual for customer premiums	(15,093)	3,186
Provision for impairment	-	2,777
	35,773	**142,703**

	2010	2009
Change in operating assets and liabilities:		
Trade payables and due to related parties	202,861	120,928
Other current assets and liabilities	15,765	70,826
Other non-current liabilities	(3,254)	(2,978)
Inventories	(86,649)	323,274
Trade receivables and due from related parties	(119,656)	327,676
Financial assets	-	3,261
	9,067	**842,987**

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