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

Arçelik Anonim Şirketi

Consolidated financial statements at December 31, 2011 together with independent auditors’ report

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, 2011 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, 2011 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.

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

Ertan Ayhan, SMMM
Engagement Partner

February 16, 2012
İstanbul, Turkey

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

ARÇELİK ANONİM ŞİRKETİ

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

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

	Notes	December 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	5	1,173,889	1,317,166
Derivative financial instruments	8	2,932	1,185
Trade receivables	9	3,180,870	2,324,578
Inventories	11	1,530,141	987,526
Other current assets	21	146,017	117,984
Total current assets		**6,033,849**	**4,748,439**
Non-current assets			
Trade receivables	9	16,018	12,461
Financial investments	6	491,376	658,679
Associates	12	160,580	136,604
Investment properties	13	6,441	5,480
Property, plant and equipment	14	1,446,841	1,252,245
Intangible assets	15	783,094	461,417
Goodwill	16	196,167	7,190
Deferred tax assets	29	63,387	39,244
Total non-current assets		**3,163,904**	**2,573,320**
Total assets		**9,197,753**	**7,321,759**

The consolidated financial statements as at and for the year ended December 31, 2011 have been approved for issue by the Board of Directors on February 16, 2012 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

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

	Notes	December 31, 2011	December 31, 2010
LIABILITIES			
Current liabilities			
Financial liabilities	7	1,628,943	839,220
Derivative financial instruments	8	195	239
Trade payables	9	1,249,531	968,962
Other payables	10	183,691	129,530
Current income tax liabilities	29	23,250	18,970
Provisions	19	232,390	205,160
Other current liabilities	21	212,620	179,908
Total current liabilities		**3,530,620**	**2,341,989**
Non-current liabilities			
Financial liabilities	7	1,528,237	1,218,072
Due to related parties	31	70,539	63,681
Provision for employment termination benefits	20	106,782	99,700
Deferred tax liabilities	29	226,142	128,549
Provisions	19	81,519	58,136
Other non-current liabilities		2,273	3,898
Total non-current liabilities		**2,015,492**	**1,572,036**
Total liabilities		**5,546,112**	**3,914,025**
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	341,505	511,969
Restricted reserves	22	190,066	168,445
Currency translation differences		145,922	29,585
Contribution to shareholders' equity related to the merger	22	14,507	14,507
Retained earnings		1,201,658	954,525
Net income for the year attributable to equity holders of the parent		506,506	517,093
Attributable to:			
Equity holders of the parent		3,545,592	3,341,552
Non-controlling interest		106,049	66,182
Total equity		**3,651,641**	**3,407,734**
Total liabilities and equity		**9,197,753**	**7,321,759**
Commitments, contingent assets and liabilities	18		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Notes	2011	2010
Net sales	23	8,437,239	6,936,420
Cost of sales	23	(5,897,009)	(4,868,473)
Gross profit		**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	24	(1,474,254)	(1,161,489)
General administrative expenses	24	(342,572)	(280,363)
Research and development expenses	24	(64,847)	(60,520)
Other income	26	60,194	130,416
Other expenses	26	(72,857)	(58,341)
Operating profit		**645,894**	**637,650**
Income from associates (net)	12	28,378	11,907
Financial income	27	415,558	287,046
Financial expenses	28	(474,421)	(279,965)
Income before tax		**615,409**	**656,638**
Income tax expense			
- Taxes on income	29	(71,996)	(83,492)
- Deferred tax expense	29	(2,326)	(23,899)
Net income		**541,087**	**549,247**
Attributable to:			
Non-controlling interest		34,581	32,154
Equity holders of the parent		**506,506**	**517,093**
Earnings per share (Kr)	30	**0.750**	**0.765**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011	2010
Net income for the year	**541,087**	**549,247**
Other comprehensive income:		
Fair value (decrease)/increase on financial assets	(167,280)	262,865
Tax effect	8,364	(13,143)
	(158,916)	**249,722**
Foreign currency hedge of net investments in foreign operations	(59,205)	(12,171)
Tax effect	11,841	2,434
	(47,364)	**(9,737)**
Share of other comprehensive income of associates	1,151	-
	1,151	**-**
Cash flow hedges	(20,965)	789
Less: transfers to carrying amounts of hedged items (Note 3)	20,965	-
Tax effect	-	(158)
	-	**631**
Tax effect of amortization calculated over intangible assets revaluation increases	**423**	**363**
Currency translation differences	**169,351**	**(16,251)**
Reclassification:		
Cash flow hedges (net)	(271)	(360)
Other comprehensive income/(loss) (net of tax)	**(35,626)**	**224,368**
Total comprehensive income	**505,461**	**773,615**
Attributable to:		
Non-controlling interest	51,421	32,241
Equity holders of the parent	**454,040**	**741,374**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Paid-in capital	Adjustment to share capital	Share premium	Revaluation funds	Restricted reserves	Currency translation differences	Contribution to shareholders' equity due to merger	Retained earnings	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity
As of January 1,2010	**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**
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	517,093	**517,093**	32,154	**549,247**
Other comprehensive income												
Fair value gains on financial assets (net)	-	-	-	249,722	-	-	-	-	-	**249,722**	-	**249,722**
Cash flow hedges (net)	-	-	-	271	-	-	-	-	-	**271**	-	**271**
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(9,737)	-					**(9,737)**	-	**(9,737)**
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	363	-	-	-	-	-	**363**	-	**363**
Currency translation differences	-	-	-	(10,786)	-	(5,552)	-	-	-	**(16,338)**	87	**(16,251)**
Total other comprehensive income	-	-	-	**229,833**	-	**(5,552)**	-	-	-	**224,281**	**87**	**224,368**
Total comprehensive income	-	-	-	**229,833**	-	**(5,552)**	-	-	**517,093**	**741,374**	**32,241**	**773,615**
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,422)	-	-	-	1,422	-	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57	-	**57**	(57)	-
Dividents paid(Note 30)	-	-	-	-	6,621	-	-	(106,621)	-	**(100,000)**	(9,384)	**(109,384)**
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**
As of January 1,2011	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**	**517,093**	**3,341,552**	**66,182**	**3,407,734**
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	506,506	**506,506**	34,581	**541,087**
Other comprehensive income												
Fair value lossrs on financial assets (net)	-	-	-	(158,916)	-	-	-	-	-	**(158,916)**	-	**(158,916)**
Cash flow hedges (net)	-	-	-	(271)	-	-	-	-	-	**(271)**	-	**(271)**
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(47,364)	-	-	-	-	-	**(47,364)**	-	**(47,364)**
Share of other comprehensive income/(loss) of associates	-	-	-	1,151	-	-	-	-	-	**1,151**	-	**1,151**
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	423	-	-	-	-	-	**423**	-	**423**
Currency translation differences	-	-	-	36,174	-	116,337	-	-	-	**152,511**	16,840	**169,351**
Total other comprehensive income	-	-	-	**(168,803)**	-	**116,337**	-	-	-	**(52,466)**	**16,840**	**(35,626)**
Total comprehensive income	-	-	-	**(168,803)**	-	**116,337**	-	-	**506,506**	**454,040**	**51,421**	**505,461**
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	(1,661)	-	-	-	1,661	-	-	-	-
Dividents paid(Note 30)	-	-	-	-	21,621	-	-	(271,621)	-	**(250,000)**	(11,554)	**(261,554)**
As of December 31,2011	**675,728**	**468,811**	**889**	**341,505**	**190,066**	**145,922**	**14,507**	**1,201,658**	**506,506**	**3,545,592**	**106,049**	**3,651,641**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	Notes	2011	2010
Operating activities:			
Income before tax		**615,409**	**656,638**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Changes in provisions	34	111,676	35,773
Depreciation and amortization	25	217,834	192,538
Interest income	27	(35,572)	(39,080)
Interest expenses	28	103,530	101,071
Income from associates (net)	12	(28,378)	(11,907)
Loss/(gain) from sales of tangible and intangible assets (net)	26	1,043	(37,310)
Loss from sale of financial assets		19	-
Net cash flow from operating activities before changes in operating assets and liabilities		**985,561**	**897,723**
Changes in operating assets and liabilities (net)	34	(1,000,618)	9,067
Corporate taxes paid		(70,613)	(61,872)
Cash flows from operating activities		**(85,670)**	**844,918**
Investing activities:			
Acquisition of subsidiary, net of cash acquired	3	(502,400)	-
Acquisition of tangible and intangible assets		(359,517)	(249,365)
Interest received		38,436	39,590
Cash provided from sales of tangible and intangible assets		7,477	53,825
Dividends received	12	5,553	4,472
Cash provided from sales of financial assets		4	-
Cash flows from investing activities		**(810,447)**	**(151,478)**
Financing activities:			
Proceeds from bank borrowings		1,746,970	1,830,029
Repayment of bank borrowings		(656,882)	(1,878,675)
Dividends paid		(261,554)	(109,384)
Interest paid		(93,730)	(107,174)
Cash flows from financing activities		**734,804**	**(265,204)**
Currency translation differences (net)		20,900	(15,294)
Net (decrease)/ increase in cash and cash equivalents		**(140,413)**	**412,942**
Cash and cash equivalents at January 1	5	**1,313,075**	**900,133**
Cash and cash equivalents at December 31	5	**1,172,662**	**1,313,075**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 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, 2011, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in the year is 19,136 (2010: 17,931).

Subsidiaries	Country of incorporation	Core Business	Nature of business
Continuing operations as of balance sheet date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Purchase	Consumer durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Sales	Consumer durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko France S.A.S. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales	Consumer Durables
Defy Namibia (Proprietary) Limited ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Limited ("Defy Trust Two")	Republic of South Africa	Investment	Real Estate
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate

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

Subsidiaries	Country of incorporation	Core Business	Nature of business
Ceased operations as of balance sheet date			
Archin Limited ("Archin")	Hong Kong, China	-	-
ArcticPro SRL ("ArcticPro")	Romania	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")	Hungary	-	-
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb")	Germany	-	-
Beko S.A. Hungary ("Beko Hungary")	Hungary	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
Grundig Ceska Republika S.r.o ("Grundig Ceska")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	-	-
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Polska Sp. Z o.o. ("Grundig Polska")	Poland	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Grundig Slovakia s.r.o ("Grunding Slovakia")	Slovakia	-	-
Ocean Appliances Limited. ("Defy Ocean")	Republic of South Africa	-	
Carron SA (Proprietary) Limited ("Defy Carron")	Republic of South Africa	-	-

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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 2010, including the compulsory disclosures.

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

The new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective for the financial period ending at December 31, 2011:

The accounting policies, which are basis of presentation of consolidated financial statements for the financial period ending at December 31, 2011, are consistent with IFRS and IFRIC interpretations of the previous financial year except for the new standards and interpretation adopted in the periods beginning on January 1, 2011 summarized below:

- IFRIC 14 "IAS 19" - Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 32 Financial Instruments: Presentation-Classification on Rights Issues (Amended)
- IAS 24 Related Party Disclosures (Amended)
- Improvements to IFRS's (May 2010)

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

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

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements:

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements are summarized below:

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

IAS 12 "Deferred Taxes: Recovery of Underlying Assets (Amended)"
The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. 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. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will 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)"
Effective for annual periods beginning on or after July 1, 2011. This amendment allows 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. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

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

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial statements of the Group.

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

IFRS 10 " Consolidated Financial Statements"
The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

IFRS 11 Joint Arrangements
The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early and retrospective application is required.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

IFRS 12 " Disclosure of Interests in Other Entities "
The standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early and retrospective application is required.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

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

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

IAS 27 " Separate Financial Statements (Amended)"
As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

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

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial statements of the Group.

IAS 19 " Employee Benefits (Amended)"
Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the amendment.

IAS 1 " Presentation of Financial Statements (Amended)"
The amendments are effective for annual periods beginning on or after July,1 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. This standard has not yet been endorsed by the EU. The amendment will only affect the basis of presentation and the Group does not expect that this amendment will have an impact on its financial position or performance.

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Consolidation principles

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

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

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

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, at December 31, 2011 and 2010 (%):

	December 31, 2011		December 31, 2010	
	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Archin	100.00	100.00	100.00	100.00
Arctic	96.71	96.71	96.71	96.71
Arctic Pro	100.00	100.00	100.00	100.00
Ardutch	100.00	100.00	100.00	100.00
Ardutch Taiwan (1)	100.00	100.00	-	-
Bekodutch B.V. ("Bekodutch") (2)	-	-	100.00	100.00
Beko Australia (1)	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 Llc ("Beko Elektronik Russia") (3)	-	-	100.00	100.00
Beko Espana	100.00	100.00	100.00	100.00
Beko France	100.00	100.00	100.00	100.00
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 (4)	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Defy (5)	100.00	100.00	-	-
Defy Carron (5)	100.00	100.00	-	-
Defy Kindoc (5)	100.00	100.00	-	-
Defy Namibia (5)	100.00	100.00	-	-
Defy Ocean (5)	100.00	100.00	-	-
Defy Trust Two (5)	100.00	100.00	-	-
Elektra Bregenz	100.00	100.00	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 Czech Republic	100.00	100.00	100.00	100.00
Grundig Nordic DK A/S ("Grundig Denmark") (6)	-	-	100.00	100.00
Grundig Nordic Fin OY ("Grundig Finland ") (6)	-	-	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 Schweiz AG ("Grundig Switzerland") (6)	-	-	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(1) Established in 2011.
(2) Legally merged with Ardutch in 2011.
(3) Legally merged with Beko Russia in 2011.
(4) Activities such as 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%.
(5) Acquired in 2011 (Note 3)
(6) Dissolved in 2011.

(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, 2011 and 2010 (%):

	2011	**2010**
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

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

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

Going concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The estimates used in the preparation of the current year consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2011, except for the changes explained below in Note 2.2.1 and Note 2.2.2.

2.2.1. Changes in estimates used in revenue recognition

Sales on credit terms are discounted using an imputed rate of interest, and the difference between fair value and nominal value of the sales consideration is recognized in the following periods on an accrual basis as financial income. Applicable for the periods beginning on or after January 1, 2011, with the effect of the declining effective interest rates compared to previous periods, sales with the credit terms with less than one year, are recognized with nominal values and are not subject to any discounting due to materiality.

2.2.2 Changes in estimates used in recognition of material and inventory purchases

When the materials constituting the cost of material and stocks are purchased on credit terms, these purchases and assets are recognized by discounting in order to eliminate the credit finance part over the purchase. Applicable for the periods beginning on or after January 1, 2011, purchases of materials and stocks are accounted for with nominal values and are not subject to any discounting due to materiality.

2.3 Summary of significant accounting policies

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

Related parties

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

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

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

Trade receivables

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

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

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

(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.

Derivative financial instruments held for trading

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

Cash flow hedge

The Group designated various derivative financial contracts as a cash flow hedge against any gains or losses arising from price and foreign currency risks which may affect income statement in possible cash outflows resulting from commodity purchase and share purchase in scope of acquisition at the date of contracts.

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

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

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

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 (Note 5). 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.

Investment properties

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

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

Property, plant and equipment and related depreciation

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

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

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

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).

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).

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 and rights

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

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.

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

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

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

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

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

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.

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

(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 borrowi ngs. Borrowing costs are charged to the income statement when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

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

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

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

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

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

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

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

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

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

Revenue recognition

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

Incentives for investments, research and development activities

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

Dividends

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

Paid-in capital

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

Share premium

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

Provisions

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

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

Warranty expenses

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

Assembly Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

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

Reporting of cash flows

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

2.4 Critical accounting estimates, judgments, and assumptions

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

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

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

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

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

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

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

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

NOTE 3 - BUSINESS COMBINATIONS

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

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

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

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

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

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

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

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

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

As of December 31, 2011, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 6,498.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	522,915
Cash and cash equivalents –acquired	(20,515)
Cash outflow due to acquisition of subsidiary (net)	**502,400**

NOTE 4 - SEGMENT REPORTING

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

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

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

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

NOTE 4 - SEGMENT REPORTING (Continued)

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, 2011 are as follows:

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

b) 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

c) Sales revenue that are grouped geographically for the years ended in December 31, 2011 and 2010 are shown below:

2011	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,976,915	3,336,787	1,123,537	8,437,239
Income from associates	28,378	-	-	28,378

2010	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,417,766	2,669,718	848,936	6,936,420
Income from associates	11,907	-	-	11,907

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Cash in hand	309	328
Cash at banks		
- demand deposits	90,986	52,587
- time deposits	1,040,416	1,229,706
Cheques and notes	38,044	29,914
Other	2,907	540
Cash and cash equivalents in cash flow statement	**1,172,662**	**1,313,075**
Interest income accruals	1,227	4,091
	1,173,889	**1,317,166**

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

Up to 30 days	839,628	887,270
30-90 days	334,261	429,896
	1,173,889	**1,317,166**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2011		December 31,2010	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	489,888	3.98	657,168
Other		1,488		1,511
		491,376		**658,679**

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

	2011	2010
As of January 1	**658,679**	**395,814**
Fair value gains/(losses)	(167,280)	262,865
Sale of financial asset	(23)	-
As of December 31	**491,376**	**658,679**

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

The unrealized loss/gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 158, 916 (December 31, 2010: TRY 249,722), net of deferred tax effect amounting to TRY 8,364 (December 31, 2010: TRY 13,143) have been recognized in consolidated shareholders' equity under the "revaluation reserves" in the year ended at December 31, 2011.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,80%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, US Dollar based discount rate of 15.4 % has been taken into consideration.

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2011	December 31, 2010
Short-term bank borrowings	1,078,206	599,098
Short-term portion of long-term bank borrowings	550,554	239,738
Other	183	384
	1,628,943	**839,220**

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

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

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2010, the details of short-term bank borrowings are as follows:

Currency	**Effective interest rate per annum (%)**	**Original currency**	**TRY equivalent**
TRY	-	-	11,574
EUR	1.8	267,733,921	548,614
RUB	7.3	578,733,822	29,070
CNY	4.5	40,049,800	9,365
RON	3.6	614,033	291
USD	1.0	119,278	184
			599,098

b) Long-term financial liabilities

	December 31, 2011	**December 31, 2010**
Long-term bank borrowings	1,528,130	1,218,002
Other	107	70
	1,528,237	**1,218,072**

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

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

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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 equivalent
TRY	8.3	-	503,404
EUR	2.7	308,180,043	631,492
USD	2.3	100,312,500	155,083
GBP	2.9	50,191,264	119,887
RUB	6.3	953,094,699	47,874
			1,457,740
Less: Short-term portion			(239,738)
			1,218,002

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

	December 31, 2011	December 31, 2010
2012	-	489,062
2013	1,039,370	728,940
2014	488,760	-
	1,528,130	**1,218,002**

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

Up to 6 months	3,156,890	1,929,393
6 - 12 months	-	127,445
	3,156,890	**2,056,838**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,2011			December 31,2010		
	Contract	Fair value		Contract	Fair value	
	amount	Assets	(Liabilities)	amount	Assets	(Liabilities)
Held for trading:						
Forward transactions	400,607	2,364	(134)	217,977	817	(207)
Foreign currency swap contracts	294,270	568	(61)	71,440	29	(32)
Held for hedging:						
Commodity swap contracts	-	-	-	1,414	339	-
	694,877	**2,932**	**(195)**	**290,831**	**1,185**	**(239)**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2011	December 31,2010
Short-term trade receivables		
Trade receivables	1,864,092	1,381,506
Notes receivables	1,241,891	961,075
Cheques receivables	165,888	128,754
Due from related parties (Note 31)	23,402	22,869
Short-term trade receivables (gross)	**3,295,273**	**2,494,204**
Less: Provision for doubtful receivables	(93,579)	(110,611)
Less: Unearned credit finance income	(20,824)	(59,015)
Short-term trade receivables (net)	**3,180,870**	**2,324,578**

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

	2011	2010
As of January 1	**110,611**	**107,312**
Current year additions (Note 26)	23,326	19,882
Provisions no longer required (Note 26)	(1,808)	(8,306)
Write-offs (*)	(46,328)	(8,847)
Acquisition of subsidiary (Note 3)	241	-
Currency translation differences	7,537	210
As of December 31	**93,579**	**110,611**

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

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2011	December 31, 2010
Long-term trade receivables		
Trade receivables	16,018	12,461
	16,018	**12,461**

Short-term trade payables		
Trade payables	1,127,816	787,755
Due to related parties (Note 31)	133,283	186,003
Unearned credit finance charges	(11,568)	(4,796)
	1,249,531	**968,962**

NOTE 10 - OTHER PAYABLES

	December 31, 2011	December 31, 2010
Other payables		
Taxes and duties payable	122,096	81,002
Payables to personnel	51,655	38,768
Deposits and guarantees received	6,243	6,140
Other	3,697	3,600
	183,691	**129,530**

NOTE 11 - INVENTORIES

	December 31, 2011	December 31, 2010
Raw materials and supplies	783,785	560,738
Work in progress	49,382	37,861
Finished goods	576,128	346,418
Trade goods	184,157	115,087
Inventories (gross)	**1,593,452**	**1,060,104**
Less: Provision for impairment on inventories	(63,311)	(72,578)
Inventories (net)	**1,530,141**	**987,526**

There are no inventories pledged as security for liabilities (December 31, 2010: None).

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

	December 31, 2011	December 31, 2010
Raw materials and supplies	55,059	63,734
Finished goods	5,698	6,442
Trade goods	2,554	2,402
	63,311	**72,578**

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

NOTE 11 – INVENTORIES (Continued)

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

	2011	2010
As of January 1	**72,578**	**98,339**
Current year additions (Note 26)	2,182	5,909
Realised due to sales of inventory	(13,822)	(29,663)
Acquisition of subsidiary	802	-
Currency translation differences	1,571	(2,007)
As of December 31	**63,311**	**72,578**

NOTE 12 - ASSOCIATES

	December 31, 2011		December 31, 2010	
	%	TRY	%	TRY
Koç Tüketici Finans	47.0	74,287	47.0	62,787
Arçelik-LG	45.0	67,296	45.0	58,778
Ram Dış Ticaret	33.5	13,026	33.5	10,358
Tanı Pazarlama	32.0	5,971	32.0	4,681
		160,580		**136,604**

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

	2011	2010
As of January 1	**136,604**	**129,169**
Share of income/(loss)	28,378	11,907
Share of other comprehensive income	1,151	-
Dividends received	(5,553)	(4,472)
As of December 31	**160,580**	**136,604**

Share of income/(loss) of associates

	2011	2010
Koç Tüketici Finans	15,048	6,954
Arçelik-LG	8,518	852
Ram Dış Ticaret	3,522	3,488
Tanı Pazarlama	1,290	613
	28,378	**11,907**

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

NOTE 12 – ASSOCIATES (Continued)

Aggregated summary figures of the financial statements of associates

	2011	**2010**
Total assets	1,996,446	1,773,383
Total liabilities	1,631,776	1,463,626
Sales revenues	1,694,374	1,158,449
Net income/(loss) for the year	65,490	29,016

NOTE 13 - INVESTMENT PROPERTIES

	2011	**2010**
As of January 1		
Cost	11,441	12,711
Accumulated depreciation	(5,961)	(6,367)
Net book value	**5,480**	**6,344**
Net book value at the beginning of the year	**5,480**	**6,344**
Disposals	-	(412)
Currency translation differences	1,105	(328)
Current year depreciation	(144)	(124)
Net book value at the end of the year	**6,441**	**5,480**
As of December 31		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net book value	**6,441**	**5,480**

As of December 31, 2011, the carrying values of investment properties represent their fair values.

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

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

There is no mortgage on property, plant and equipment as of December 31, 2011 (December 31, 2010- nil).

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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, equipment and moulds	2,523,068	25,025	(71,189)	117,425	(4,390)	2,589,939
Motor vehicles and fixtures	205,439	23,896	(4,108)	1,614	(1,154)	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, equipment and moulds	(1,723,570)	(128,879)	65,656	-	4,243	(1,782,550)
Motor vehicles 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**

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

NOTE 15 - INTANGIBLE ASSETS

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

	January 1, 2010	Additions	Disposals	Currency translation differences	December 31, 2010
Cost:					
Brands	278,159	-	-	(9,670)	268,489
Development costs	162,808	59,994	-	-	222,802
Computer software and rights	75,377	9,861	(1,605)	(158)	83,475
Trademark licences and patents	15,728	-	-	(805)	14,923
	532,072	**69,855**	**(1,605)**	**(10,633)**	**589,689**
Accumulated amortization:					
Development costs	(31,869)	(29,321)	-	-	(61,190)
Computer software and rights	(54,668)	(5,952)	1,570	200	(58,850)
Trademark licences and patents	(5,542)	(2,889)	-	199	(8,232)
	(92,079)	**(38,162)**	**1,570**	**399**	**(128,272)**
Net book value	**439,993**				**461,417**

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2011. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 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 has been discounted with 9% to 11% discount rates.

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

NOTE 16 – GOODWILL

	2011	2010
As of January 1	**7,190**	**7,511**
Acquisition of subsidiary (Note 3)	179,395	-
Effect of the change in contingent liabilities arising from acquisition of subsidiary (*)	(1,596)	(108)
Currency translation differences	11,178	(213)
As of December 31	**196,167**	**7,190**

(*) 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, 2011, 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 plans 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 grants obtained by the Company in nature are as follows:

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

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

NOTE 17 - GOVERNMENT GRANTS (Continued)

Grants which are accounted for under other income are as follows:

i) Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 2,065 for year ended December 31, 2011 (2010: TRY 5,953).
ii) Donation received related to European Union 7th Framework Programme amounts to TRY 825 (2010: TRY 135).
iii) Brand support incentive received from Undersecretariat of Turkey Prime Ministry for Foreign Trade (known as "Turquality") amounts to TRY 15,657 for the year ended December 31, 2011 (2010: TRY 23,349).

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	December 31, 2011	**December 31, 2010**
Operational lease commitments	59,057	41,869

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

Up to 1 year	14,330	10,972
1-5 years	25,651	13,928
Over 5 years	19,076	16,969
	59,057	**41,869**

The Company has export commitment of USD 1,244,265,732 in scope of export incentive as of December 31, 2011 (December 31, 2010: USD 480,534,762).

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments arising from the derivative contracts in terms of currencies as of December 31, 2011 and 2010 are as follows:

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

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

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

December 31, 2010	**Purchase commitments**	**Sales commitments**
EUR	93,903	3,396
TRY	23,930	11,830
USD	23,768	-
GBP	-	83,601
PLN	2,691	12,935
RUB	713	32,650
	145,005	**144,412**

	December 31, 2011	**December 31, 2010**
Collaterals obtained	1,989,719	1,887,230

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2011 and 2010 are as follows:

CPM's given by the company	**December 31, 2011**	**December 31, 2010**
A. CPM's given on behalf of own corporate entities	177,329	110,512
B. CPM's given on behalf of fully consolidated subsidiaries	14,167	11,595
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C.	-	-
(Group Companies which are not in scope B-C and D.i)		
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
Total	**191,496**	**122,107**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2011 and 2010:

CPM's given	**December 31, 2011**	**December 31, 2010**
USD	130,297	82,777
TRY	32,248	21,747
EUR	26,857	16,806
Other	2,094	777
	191,496	**122,107**

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

NOTE 19 - PROVISIONS

	December 31, 2011	December 31, 2010
Short-term provisions		
Warranty provision	128,996	111,890
Assembly provision	44,605	38,774
Provision for transportation cost	9,250	7,591
Provision for lawsuit risks	8,021	9,018
Provision for returns	6,756	6,235
Other	34,762	31,652
	232,390	**205,160**

Long-term provisions		
Warranty provision	79,761	56,682
Other	1,758	1,454
	81,519	**58,136**

The movements of warranty and assembly provisions for the year ended December 31, 2011 are as follows:

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY 2,731.85 (December 31, 2010: full TRY 2,571.01) for each period of service at December 31, 2011.

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

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

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

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

	2011	**2010**
Net discount rate (%)	4.63	4.66
Turnover rate related the probability of retirement (%)	97	98

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 2,805.04 (January 1, 2011: full TRY 2,623.23) which is effective from January 1, 2012 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

	2011	**2010**
As of January 1	**99,700**	**85,335**
Interest expense	4,645	4,916
Actuarial losses	6,002	3,168
Acquisition of subsidiary (Note 3)	433	-
Increase during the year	11,180	18,274
Payments during the year	(15,757)	(11,862)
Currency translation differences	579	(131)
As of December 31	**106,782**	**99,700**

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

Turkey	103,161	96,606
Non - Turkey	3,621	3,094
	106,782	**99,700**

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

NOTE 21 - OTHER ASSETS AND LIABILITIES

	2011	**2010**
Other current assets		
Taxes and funds deductible	59,136	29,920
Prepaid taxes and funds	24,855	12,393
Value Added Tax and Private Consumption Tax receivables	24,811	21,709
Prepaid expenses	15,988	16,079
Assets obtained as loan/receivable collateral	7,021	6,433
Advances given for fixed assets	4,480	2,149
Order advances given	1,530	16,222
Other	8,196	13,079
	146,017	**117,984**

Other current liabilities		
Accruals for customer premiums	115,406	47,781
Advances received	47,483	71,620
Accruals for license fee expenses	19,121	20,028
Accruals for sales and marketing expenses	11,234	19,347
Accruals for bonuses and premiums	7,057	6,474
Accruals for advertising expenses	6,166	11,100
Liabilities attributable to the acquisition of subsidiary	2,676	1,669
Other	3,477	1,889
	212,620	**179,908**

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:

	2011	**2010**
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

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

NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2011		December 31, 2010	
	Share%	**Amount**	**Share %**	**Amount**
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

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

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

Contribution to shareholders' equity related to the merger

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

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

NOTE 22 - EQUITY (Continued)

Revaluation fund

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

	December 31, 2011	December 31, 2010
Financial assets fair value difference	328,795	487,711
Non-current assets fair value difference	68,660	33,724
Foreign currency hedge of net investments in foreign operations	(57,101)	(9,737)
Cash flow hedges	1,151	271
Revaluation fund total	**341,505**	**511,969**

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:

	December 31, 2011	December 31, 2010
Legal reserves	185,902	164,281
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	190,066	**168,445**

The Company paid a cash dividend at the rate of 37.0%, which corresponds to full TRY 0.36997 gross and net cash dividend for the shares with a nominal value of full TRY 1.00 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 37.0%, which corresponds to full TRY 0.36997 gross and full TRY 0.31449 net cash dividend for the shares with a nominal value of full TRY 1.00 to other shareholders in March, 2011.

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.

NOTE 22 - EQUITY (Continued)

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".

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 2010, minimum profit distribution will not be applied for the listed companies for the year 2009. In accordance with 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 and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY 726,671 (December 31, 2010: TRY 855,740)

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

NOTE 23 - SALES AND COST OF SALES

	2011	2010
Domestic sales	4,125,234	3,547,277
Foreign sales	4,913,727	3,841,715
Gross sales	**9,038,961**	**7,388,992**
Less: Discounts	(601,722)	(452,572)
Net sales	**8,437,239**	**6,936,420**
Cost of sales	(5,897,009)	(4,868,473)
Gross profit	**2,540,230**	**2,067,947**

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

	2011	2010
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	399,323	308,721
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Personnel expenses	216,154	176,700
License expenses	21,237	9,471
Depreciation and amortisation expenses	11,894	8,739
Energy expenses	5,988	5,633
Other	152,479	117,360
	1,474,254	**1,161,489**
General administrative expenses:		
Personnel expenses	164,143	141,452
Insurance expenses	25,333	21,949
Legal consultancy and audit expenses	22,913	10,322
Depreciation and amortisation expenses	22,245	18.418
Information technology expenses	20,311	10,905
Rent expenses	10,314	7,896
Donations	8,136	9,451
Duties, taxes and levies	8,206	7,304
Repair and maintenance expense	4,938	4,061
Energy expenses	4,331	3,381
Other	51,702	45,224
	342,572	**280,363**
Research and development expenses (*):		
Depreciation and amortisation expenses	36,803	32,599
Personnel expenses	19,313	14,044
Other	8,731	13,877
	64,847	**60,520**

(*)Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 102,118 in 2011 (2010: TRY 91,192).

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

NOTE 25 - EXPENSES BY NATURE

	2011	2010
Raw materials, supplies and trade goods	5,459,496	4,254,118
Changes in finished goods, work in process and trade goods	(310,301)	(14,298)
Personnel expenses	824,170	706,386
Transportation, distribution and storage expenses	440,058	320,577
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Depreciation and amortisation expenses	217,834	192,538
Energy expenses	70,335	59,327
Repair and maintenance expenses	51,725	43,908
License expenses	21,237	10,937
Other	336,949	262,487
	7,778,682	**6,370,845**

NOTE 26 - OTHER INCOME AND EXPENSES

	2011	2010
Other operating income		
Income from claims and grants	29,719	44,847
Reversal of provisions	12,228	10,198
Income from sales of property, plant and equipment (**)	2,631	42.431
Reversal of provisions for doubtful receivables	1,808	8,306
Other	13,808	24,634
	60,194	**130,416**
Other operating expenses		
Product recall expenses (*)	(30,459)	-
Provision expense for doubtful receivables	(23,326)	(19,882)
Loss from sales of property, plant and equipment	(3,674)	(5,121)
Provision expense for impairment on inventories	(2,182)	(5,909)
Other	(13,216)	(27,429)
	(72,857)	**(58,341)**

(*) Product recall expenses includes expenses of voluntary recall process in 2011, which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000-2006 in England and Ireland with expired warranties. Although, these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who gives importance to product safety, required modifications were met free of charge with the aim to remove the potential risks.

(**) In 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).

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

NOTE 27 - FINANCIAL INCOME

	2011	2010
Foreign exchange gains	292,123	124,310
Credit finance income	59,582	90,064
Interest income	35,572	39,080
Gains on derivative financial instruments	28,175	33,248
Other	106	344
	415,558	**287,046**

NOTE 28 - FINANCIAL EXPENSES

	2011	2010
Foreign exchange losses	(311,756)	(120,302)
Interest expenses	(103,530)	(101,071)
Losses on derivative financial instruments	(19,816)	(15,191)
Cash discounts expenses	(18,262)	(13,600)
Credit finance charges	(9,576)	(25,424)
Other	(11,481)	(4,377)
	(474,421)	**(279,965)**

NOTE 29 - TAX ASSETS AND LIABILITIES

	December 31, 2011	December 31, 2010
Corporation and income taxes	61,483	82,688
Less: prepaid tax	(38,233)	(63,718)
Current income tax liabilities (net)	**23,250**	**18,970**
Deferred tax assets	63,387	39,244
Deferred tax liabilities	(226,142)	(128,549)
Deferred tax liabilities, (net)	**(162,755)**	**(89,305)**

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 2010: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

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

	2011	2010
Tax expenses		
- Current period tax expense	(71,996)	(83,492)
- Deferred tax expense	(2,326)	(23,899)
Tax expenses (net)	**(74,322)**	**(107,391)**

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)	
	2011	2010	2011	2010
Property, plant and equipment and intangible assets	1,148,784	755,046	(257,693)	(158,277)
Available-for-sale investments	346,102	513,381	(17,305)	(25,669)
Unearned credit finance income/expense (net)	41,353	(15,302)	(8,271)	3,032
Derivative financial instruments	2,308	946	(462)	(189)
Unused tax credits	(178,166)	(91,109)	42,150	18,223
Provision for warranty and assembly expense	(166,353)	(146,672)	33,158	29,014
Provision for employment termination benefits	(103,621)	(96,635)	20,761	19,327
Provision for impairment on inventories	(57,077)	(64,941)	11,467	12,996
Provision for doubtful receivables	(12,967)	(6,796)	2,266	1,215
Accrual for licenses	(7,322)	(20,028)	1,464	4,006
Other	(38.940)	(31,271)	9,710	7,017
Deferred tax liabilities (net)			**(162,755)**	**(89,305)**

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

	2011	2010
As of January 1	**(89,305)**	**(53,692)**
Tax expense recognized in income statement	(2,326)	(23,899)
Tax recognized directly in the shareholders' equity	8,787	(12,848)
Acquisition of subsidiary (Note 3)	(67,820)	-
Currency translation differences	(12,091)	1,134
As of December 31	**(162,755)**	**(89,305)**

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 425,927. Maturity analysis of this amount is as follows:

	December 31, 2011
2012	10,390
2013	9,286
2014	27,919
2015	76,497
2016 and after	301,835
	425,927

Reconciliation between tax expenses for the years ended December 31, 2011 and 2010 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2011	2010
Profit before tax	615,409	656,638
Tax expense calculated using 20% local tax rate	**(123,082)**	**(131,328)**
Exemptions	28,079	40,208
Effect of unused tax losses for which no deferred tax asset was recognized	(3,834)	(8,494)
Expenses not deductable for tax purposes	(12,135)	(12,661)
Impact of different tax rates in other countries	(7,924)	(6,059)
Adjustments with no tax effects	22,838	6,472
Utilization of previously unrecognized tax losses	21,854	4,338
Other	(118)	133
Taxation expense recognized in income statement	**(74,322)**	**(107,391)**
Effective tax rate	**12.1%**	**16.4%**

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

NOTE 30 - EARNINGS PER SHARE

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

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

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

	December 31, 2011	December 31, 2010
Net income attributable to the equity holders of the parent	506,506	517,093
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.750**	**0.765**
Dividends distributed to the equity holders of the parent	250,000	100,000
Gross dividend distributed per share (*)	**0.370**	**0.148**

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

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	December 31, 2011	December 31, 2010
(a) Due from related parties		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	16,876	10,153
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,286	-
Tanı Pazarlama	-	12,559
Other	1,240	157
	23,402	**22,869**

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

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2011	December 31, 2010
(b) Due to related parties		
Short-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	88,065	63,454
Ram Dış Ticaret	19,139	10,892
Arçelik-LG	15,955	105,054
Other	10,124	6,603
	133,283	**186,003**
Long-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	70,539	63,681
	70,539	**63,681**

(*)In January 2001, a contract was signed regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products for the following 20 years, between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.). Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. The long term payables to related parties include the principal amount of the payables in USD, which will be paid until 2020, in exchange of the value determined and recognized as intangible asset.

(c) Deposits

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	430,733	473,926
	430,733	**473,926**

(d) Bank borrowings

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	446,220	259,851
	446,220	**259,851**

e) Derivative financial instruments

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

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

NOTE 31 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

December 31, 2010	Contract amount	Fair value assets/(liabilities)	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	119,452	270	(32)
	119,452	**270**	**(32)**

(ii) Transactions with related parties

(a) Sales of goods and services	**2011**	**2010**
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	70,300	57,671
Zer Merkezi Hizmetler ve Ticaret A.Ş.	55,188	42,699
Koçtaş Yapı Marketleri Ticaret A.Ş.	27,430	19,460
Arçelik-LG	16,543	31,155
Other	15,471	15,722
	184,932	**166,707**

(b) Purchases of goods and services

Zer Merkezi Hizmetler ve Ticaret A.Ş.	502,301	409,024
Arçelik-LG	356,423	295,783
Ram Dış Ticaret	81,865	35,555
Ram Sigorta Aracılık Hizmetleri A.Ş.	20,893	17,828
Setur Servis Turistik A.Ş.	16,749	12,655
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	21,487	19,713
Other	65,497	54,412
	1,065,215	**844,970**

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

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

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

NOTE 31 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2011 amounts to TRY 37,815 (December 31,2010: TRY 32,207). The compensation includes only short-term benefits.

(d) Other transactions

	2011	2010
Income from sale of tangible assets	-	40,055
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	12,064	7,956
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,316	5,064

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.

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

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

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

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	-
Trade payables	1,320,070	1,347,799	1,245,008	16,090	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	-	-
Other liabilities	214,893	214,893	206,720	5,900	2,273	-
	4,753,738	**4,966,439**	**2,340,888**	**923,045**	**1,659,439**	**43,067**

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

Group's maturity analysis of financial liabilities 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**	**-**	**-**	**-**

(*) Undiscounted contractual cash flows

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

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

Interest Rate Risk

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

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

Average effective annual interest rates of balance sheet items as of December 31, 2011 and 2010 are as follows:

December 31, 2011 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	CZK
Current Asset										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	13.0	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	11.6	3.69	2.24	3.20	-	-	-	7.18	-	-

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	-

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

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

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

	December 31, 2011	December 31, 2010
Financial instruments with fixed interest rates		
Time deposits	436,144	815,695
Financial liabilities	696,887	414,934
Financial instruments with variable interest rates		
Time deposits	605,499	418,102
Financial liabilities	2,460,004	1,641,904

At December 31, 2011, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 18,545 (2010: TRY 12,238) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of December 31, 2011 and 2010 are as follows:

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

	Trade receivables		**Deposits**	**Derivative**
December 31, 2010	**Related party**	**Third party**	**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)	-	-

(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

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

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

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

	December 31, 2011	December 31, 2010
Group 1	10,458	10,045
Group 2	2,917,628	1,940,405
Group 3	69,984	192,706
	2,998,070	**2,143,156**

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

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

	December 31, 2011	December 31, 2010
0-1 month	100,241	74,712
1-3 months	22,109	27,378
3-12 months	10,995	29,305
1-5 years	7,217	17,161
	140,562	**148,556**

c) Geographical concentration of the trade receivables

	December 31, 2011	December 31, 2010
Turkey	1,758,175	1,384,018
Europe	986,444	711,907
Other	452,269	241,114
	3,196,888	**2,337,039**

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.

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

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

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

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

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2011, a portion of bank borrowings in Euro amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2010 – EUR 87,500,000).

Foreign currency position

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

	December 31, 2011	**December 31, 2010**
Assets	1,762,858	1,362,205
Liabilities	(2,496,757)	(1,586,420)
Net balance sheet position	**(733,899)**	**(224,215)**
Net position of derivative financial instruments	340,290	131,932
Net foreign currency position	**(393,609)**	**(92,283)**

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, 2011 are as follows:

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

(*) 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.

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

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

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

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

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

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

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	TRY 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 positions against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	TRY 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 currencyposition	**(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.

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

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

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

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

(*) Includes impact of derivative financial instruments

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

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

As of December 31, 2010, sensitivity analysis of foreign exchange rates tables is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(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	(17,569)	17,569	(20,396)	20,396
Secured portion from EUR risk (*)	9,051	(9,051)	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**	**50,324**	**(50,324)**

(*) Includes impact of off- balance sheet derivative financial instruments

(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, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	832,758,148	1,961,295	800,371,489	1,588,198
USD	232,512,373	384,625	330,241,694	496,716
GBP	226,960,417	613,175	216,400,746	501,010
Other		309,499		126,341
Total exports		**3,268,594**		**2,712,265**
EUR	407,980,902	948,152	372,153,519	738,393
USD	807,889,674	1,357,796	675,378,575	1,012,140
GBP	897,526	2,448	604,818	1,400
Other		9,383		13,812
Total imports		**2,317,779**		**1,765,745**

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, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Total financial liabilities (Note 7)	3,157,180	2,057,292
Less: Cash and cash equivalents (Note 5)	(1,173,889)	(1,317,166)
Net financial liabilities	1,983,291	740,126
Total shareholders' equity	3,651,641	3,407,734
Total capital invested	**5,634,932**	**4,147,860**
Gearing ratio	**35%**	**18%**

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

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

Financial Liabilities

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

As of December 31, 2011 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 2,078,684 (2010: TRY 1,457,740) (Note 7) and TRY 2,094,429 (2010: TRY 1,461,635), respectively.

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

NOTE 33 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,932	
Financial assets	-	491,376	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	195	-

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	-

(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:

	2011	**2010**
Changes in provisions:		
Accrual for customer premiums	53,442	(15,092)
Warranty provision	32,010	426
Assembly and transportation provision	6,825	3,841
Accrual for sales and marketing expenses	(8,113)	1,226
Accrual for bonuses and premiums	(4,066)	5,216
Provision for doubtful receivables	23,326	19,882
Provision for employment termination benefits	6,070	14,365
Provision for impairment on inventories	2,182	5,909
	111,676	**35,773**
Change in operating assets and liabilities:		
Trade receivables and due from related parties	(751,682)	(119,656)
Inventories	(456,618)	(86,649)
Other current assets and liabilities	(12,162)	15,765
Other non-current liabilities	274	(3,254)
Trade payables and due to related parties	219,570	202,861
	(1,000,618)	**9,067**

NOTE 35- EVENTS AFTER BALANCE SHEET DATE

Due to approvals from local authorities, purchase of 100% shares of Defy (Botswana) (Proprietary) Limited ("Defy Botswana") has been completed in January 31, 2012. Defy Botswana's main line of business is sale of durable goods in Botswana.
